Standard Bank Group

FINANCIAL RESULTS

for the six months ended 30 June 2020

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Standard Bank Group

ANALYSIS OF FINANCIAL RESULTS

for the six months ended 30 June 2020

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ANALYSIS OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONTENTS

Standard Bank Group's (SBG or the group) analysis of financial results for the six months ended 30 June 2020 has not been audited or independently reviewed.

The preparation of the financial results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

Standard Bank Group is an African-focused, client-centric, digitally enabled integrated financial services group with compelling competitive advantages

HIGHLIGHTS

Operates in **20 countries** in sub-Saharan Africa

Owns a controlling interest in the South African listed insurance and wealth management group, **Liberty Holdings Limited** (Liberty)

Business lines: **Personal & Business Banking, Corporate & Investment Banking, Wealth and Liberty**

157-year operating history in **South Africa**

Listed on the **JSE Limited** (JSE) since 1970

▽ (44)%
HEADLINE EARNINGS (Rm)
7 541
1H19: R13 361 million

△ 4%
PRE-PROVISION PROFIT (Rm)
24 295
1H19: R23 336 million

▽ (43)%
HEADLINE EARNINGS PER SHARE (HEPS)
474 c
1H19: 837 cents

▽
COMMON EQUITY TIER 1 RATIO
12.6%
1H19: 14.0%

▽
RETURN ON EQUITY (ROE)
8.5%
1H19: 16.2%

△ 7%
NET ASSET VALUE PER SHARE
11 265 c
1H19: 10 511 cents

△
CREDIT LOSS RATIO (CLR)
169 bps*
1H19: 76 bps

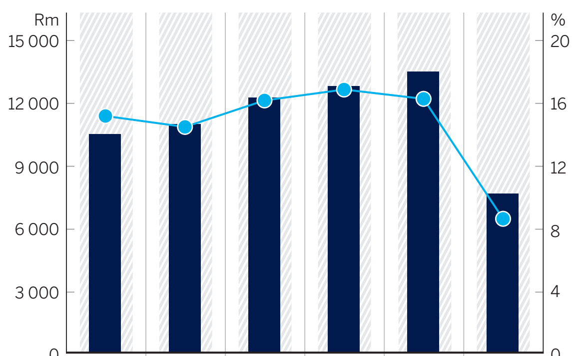
▽
JAWS
100 bps
1H19: 110 bps

▽
COST-TO-INCOME RATIO
56.4%
1H19: 57.0%

* Basis points

HEADLINE EARNINGS AND RETURN ON EQUITY

CAGR[1] (1H15 – 1H20): (6%)

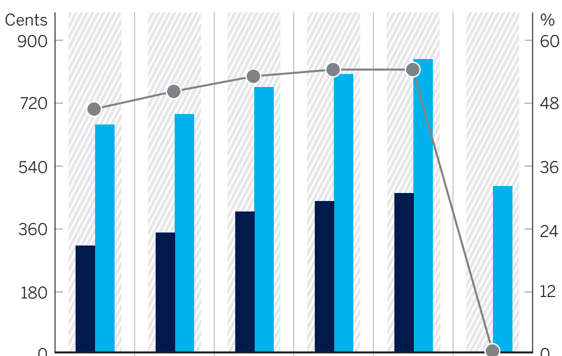


	1H15	1H16	1H17	1H18	1H19	**1H20**
Headline earnings	10 373	10 861	12 111	12 663	13 361	**7 541**
ROE	15.1	14.4	16.1	16.8	16.2	**8.5**

[1] Compound annual growth rate

HEADLINE EARNINGS AND DIVIDEND PER SHARE

CAGR (1H15 – 1H20): Dividend per share: (100%)
Headline earnings per share: (6%)



	1H15	1H16	1H17	1H18	1H19	**1H20**
Dividend per share	303	340	400	430	454	**0**
Headline earnings per share	650	680	756	794	837	**474**
Dividend payout ratio	46.6	50.0	52.9	54.2	54.2	**0**

FINANCIAL RESULTS, RATIOS AND STATISTICS

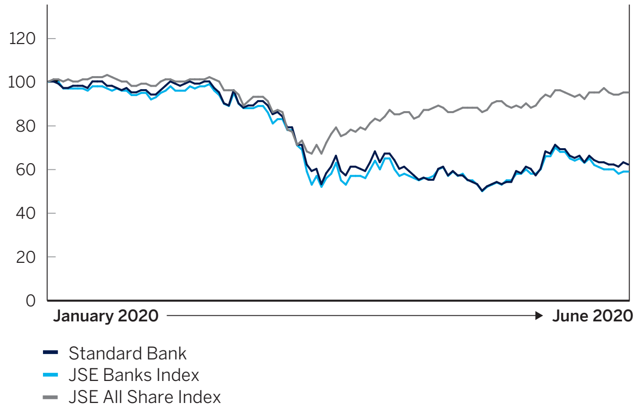
for the six months ended 30 June 2020

		Change %	1H20	1H19[2]	FY19
Standard Bank Group (SBG)					
Headline earnings contribution by business line					
Total headline earnings	Rm	(44)	**7 541**	13 361	28 207
Banking activities	Rm	(40)	**7 740**	12 806	27 216
Personal & Business Banking	Rm	(60)	**2 876**	7 261	16 493
Corporate & Investment Banking	Rm	(7)	**5 715**	6 138	11 581
Central and other	Rm	44	**(851)**	(593)	(858)
Other banking interests	Rm	(>100)	**508**	(320)	(864)
Liberty	Rm	(>100)	**(707)**	875	1 855
Ordinary shareholders' interest					
Profit attributable to ordinary shareholders	Rm	(71)	**3 767**	13 195	25 443
Ordinary shareholders' equity	Rm	7	**179 244**	168 034	171 229
Share statistics					
Headline earnings per ordinary share (EPS)	cents	(43)	**473.8**	837.4	1 766.7
Diluted headline EPS	cents	(43)	**471.8**	828.8	1 756.9
Basic EPS	cents	(71)	**236.7**	827.0	1 593.5
Diluted EPS	cents	(71)	**235.7**	818.5	1 584.7
Dividend per share	cents	(100)	**0**	454	994
Net asset value per share	cents	7	**11 265**	10 511	10 742
Tangible net asset value per share	cents	10	**10 004**	9 083	9 341
Dividend payout ratio	%		**0**	54.2	56.3
Dividend cover	times		**0**	1.8	1.8
Number of ordinary shares in issue	thousands		**1 591 162**	1 598 671	1 594 072
Return ratios					
ROE	%		**8.5**	16.2	16.8
Return on risk-weighted assets (RoRWA)	%		**1.3**	2.7	2.8
Capital adequacy					
Common equity tier 1 capital adequacy ratio[1]	%		**12.6**	14.0	14.0
Tier 1 capital adequacy ratio[1]	%		**13.2**	14.8	14.7
Total capital adequacy ratio[1]	%		**15.5**	17.3	16.7
Employee statistics					
Number of employees		(2)	**50 707**	51 894	50 691
Banking activities					
ROE	%		**9.5**	17.5	18.1
RoRWA	%		**1.4**	2.6	2.8
Loan-to-deposit ratio	%		**80.4**	84.9	81.7
Net interest margin (NIM)[2]	bps		**387**	444	431
Non-interest revenue to total income	%		**44.1**	42.5	43.0
CLR	bps		**169**	76	68
Jaws	bps		**100**	110	113
Cost-to-income ratio	%		**56.4**	57.0	56.4
Effective direct taxation rate	%		**16.6**	20.4	20.6
Effective total taxation rate	%		**25.2**	24.5	24.5
Employee statistics					
Number of employees		(2)	**45 042**	46 168	44 996

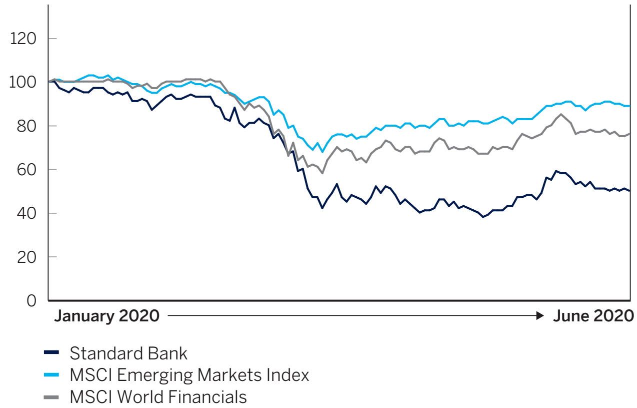
[1] Represents the ratio after applying the SARB phase-in provision for International Financial Reporting Standards 9 *Financial Instruments* (IFRS 9). Refer to page 69 for details regarding the fully loaded ratios.
[2] Restated. Refer to page 96.

MARKET AND ECONOMIC INDICATORS

SBK VERSUS JSE BANKS AND ALL SHARE INDEX (ZAR)



SBK VERSUS EMERGING MARKETS AND WORLD FINANCIALS (USD)



		Average				Closing			
		Change %	**1H20**	1H19	FY19	Change %	**1H20**	1H19	FY19
Market indicators									
South Africa (SA) prime overdraft rate	%		**8.66**	10.25	10.14		**7.25**	10.25	10.00
SA SARB repo rate	%		**5.16**	6.75	6.64		**3.75**	6.75	6.50
SA Consumer Price Index	%		**3.4**	4.3	4.1		**2.2**	4.5	4.0
JSE All Share Index		(8)	**51 867**	56 140	56 071	(7)	**54 362**	58 204	57 084
JSE Banks Index		(32)	**6 440**	9 532	9 221	(47)	**5 133**	9 720	8 731
SBK share price		(34)	**126.35**	192.55	184.49	(47)	**104.50**	196.67	168.32
Key exchange rates									
USD/ZAR		17	**16.64**	14.20	14.44	23	**17.34**	14.11	14.00
GBP/ZAR		14	**20.93**	18.36	18.43	19	**21.43**	17.96	18.42
ZAR/AOA		42	**32.03**	22.53	24.62	47	**33.38**	22.78	34.21
ZAR/ARS		34	**3.89**	2.91	3.26	38	**4.06**	2.95	4.28
ZAR/GHS		(8)	**0.34**	0.37	0.37	(11)	**0.33**	0.37	0.41
ZAR/KES		(12)	**6.27**	7.11	7.06	(14)	**6.14**	7.15	7.24
ZAR/MZN		(10)	**4.00**	4.42	4.32	(9)	**4.02**	4.44	4.45
ZAR/NGN		(15)	**21.61**	25.33	24.90	(19)	**20.74**	25.45	25.69
ZAR/UGX		(14)	**224.84**	261.82	256.27	(18)	**214.79**	262.92	261.54
ZAR/ZWL		>100	**1.34**	0.56	0.68	>100	**3.33**	0.47	1.20

OVERVIEW OF FINANCIAL RESULTS

Group results

Standard Bank Group's (SBG or the group) results for the six months ended 30 June 2020 (1H20) reflect that of a resilient, well diversified underlying franchise, negatively impacted by a very difficult environment, particularly in South Africa. The group's Africa Regions business and Corporate and Investment Banking business, most notably Global Markets, delivered strong top line growth.

Globally, 1H20 has been dominated by the Covid-19 pandemic (Covid-19) and the distressing human and economic cost thereof. During this time, we have remained steadfast in support of our clients, our employees and the communities in the countries in which we operate. The group's strong capital and liquidity positions going into this crisis, have allowed us to provide significant temporary relief to clients without constraining our ability to lend to existing and new clients or support new projects.

The group's banking operations' earnings were supported by strong balance sheet growth, robust trading revenues and well contained costs. Positive jaws of 100 bps supported pre-provision operating profit, which grew 4% period on period to R24.3 billion. Credit impairment charges increased to R11.3 billion, 2.7 times those reported in the prior period (1H19) and reflective of the tough environment and outlook. Consequently, banking operations reported headline earnings of R7.7 billion, down 40% on 1H19, and a return on equity (ROE) of 9.5%.

Group headline earnings were R7.5 billion, a decline of 44% on 1H19, and ROE was 8.5%. The group's capital position remained robust, with a common equity tier 1 capital adequacy (CET1) ratio as at 30 June 2020 of 12.6%, well in excess of the regulatory minimum of 7%. In line with the South African Reserve Bank's guidance, the SBG Board has not declared an interim dividend.

The group's Africa Regions business proved relatively resilient, delivering headline earnings growth of 11%, and 7% in constant currency (CCY). South Africa's headline earnings declined 72% as the pandemic exacerbated an already difficult environment. As a result, Africa Region's contribution to 1H20 banking headline earnings grew to 62%. The top six contributors to Africa Regions' headline earnings remained Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.

Operating environment

Covid-19 has led to the worst economic shock in living memory. In March 2020, the World Health Organization declared Covid-19 a pandemic and countries responded with widespread lockdowns. Supply chains were disrupted, and demand declined. An oil price war and oversupply drove a swift and significant decline in the oil price. Fear and uncertainty drove a precipitous fall in the markets and a liquidity squeeze in 1Q20. This was quickly followed by extraordinary fiscal and monetary actions and fiscal stimulus (in particular, in developed markets) and a variety of regulatory actions. These bold actions, combined with flattening infection curves, calmed markets somewhat and drove a recovery in 2Q20.

The considerable uncertainty in 1H20 drove an Emerging Market risk-off stance for foreign investors. Sub-Saharan Africa experienced record capital outflows and financial conditions tightened. Trade and foreign exchange inflows dried up and oil-exporters were negatively impacted by the lower oil price. Covid-19 related regulatory actions included wide-spread interest rate cuts, easing of capital and liquidity requirements and fee waivers and restrictions. West Africa was impacted by the lower oil prices, East Africa, by lower trade and a halting of travel and the South and Central economies remained closely coupled with South Africa.

In South Africa, the interrupted power supply extended the 4Q19 recession into 1Q20. Strict lockdowns brought the economy to a near-standstill. Prospects of a modest economic recovery in 2020 were replaced with expectations for a large decline (Standard Bank Research: South Africa's real GDP is forecast to decline 8.5% in 2020 followed by a 4.5% recovery in 2021). The poor economic outlook and declining inflation trend paved the way for cumulative interest rate cuts equating to 275 bps in the period. In addition, the South African government implemented a sizeable stimulus package to support those most vulnerable. Whilst necessary, the additional spending poses a material risk to the public debt trajectory. Fiscal diligence and urgent structural reforms are more important than ever.

Loans and advances

Gross loans and advances to customers grew 11% from 30 June 2019 to 30 June 2020, of which Corporate and Investment Banking (CIB) grew 17% and Personal and Business Banking (PBB) grew 6%. The depreciation of the South African Rand (ZAR) drove higher period-end balances. The deteriorating economic and trading environment, coupled with accounting and regulatory requirements relating to forward-looking expectations and Covid-19 client relief provided, drove a 26% increase in provisions held against loans and advances compared to 30 June 2019. Provisions increased across all stages and across all product portfolios. As at 30 June 2020, stage 3 loans represented 4.6% of the portfolio and provisions held against these loans remained sufficient at 46% (30 December 2019, 3.9% and 48% respectively). Provisions raised reflect the group's best estimate based on available data and our scenario-based analysis as at the reporting date.

Within PBB South Africa (PBB SA), lockdowns severely constrained disbursements in 2Q20, and in turn, portfolio growth in 1H20. Deeds and vehicle registration offices were closed in April and the first half of May, stalling mortgage and vehicle and asset finance (VAF) portfolio growth. While personal unsecured and business lending showed some growth, low business and consumer confidence weighed on demand.

As at 30 June 2020, Covid-19 client relief provided by PBB SA totalled R107 billion representing 18% of the PBB SA portfolio. Mortgages and VAF represented 62% and 23% of the PBB SA client relief portfolio respectively. As one of the first banks to proactively offer client relief initiatives, we lived up to our brand promise and deepened our customer relationships. As at 30 June 2020, loans approved under the South African Covid-19 loan guarantee scheme totalled R8.3 billion. These loans are included in the business lending portfolio and were partly drawn by 30 June 2020.

PBB Africa Regions (PBB AR) gross loans and advances grew 20% to R89 billion, supported by ongoing focus on client ecosystem origination, digital client onboarding and digital disbursements, as well as a weaker ZAR period on period. Strong growth in 1Q20 was stemmed by lockdowns in 2Q20. As at 30 June 2020, Covid-19 client relief provided by PBB AR totalled R11 billion representing 12% of the PBB AR portfolio. The East Africa Region represented 52% of the client relief, followed by 33% and 15% in the South & Central and the West Africa Regions, respectively.

PBB provisions held against loans and advances increased 28% period on period, with a large part of the increase driven by increases in South Africa. In PBB AR, increases were driven principally by provisions raised in Ghana, Kenya, Namibia, Tanzania and Uganda.

CIB balance growth was client driven, in terms of both Covid-19 liquidity and/or other funding needs. Gross loans and advances to customers grew 17% to R487 billion. The client sectors driving growth were Consumer (mainly Agriculture and Consumer Packaged Goods), Financial Institutions, Oil & Gas and Telecom & Media. CIB Covid-19 client risk exposure restructures equated to R48 billion. Provisions increased 45% year to date following a deterioration of corporate risk grades and higher stage 3 loans. From a sector perspective, the Consumer (primarily Retail and Hospitality), Industrials, Oil & Gas, Power & Infrastructure and Real Estate sectors were most impacted. The stage 3 ratio increased while the stage 3 coverage ratio was maintained (relative to 31 December 2019). Provisions held against stage 3 exposures are considered sufficient.

GROSS LOANS AND ADVANCES TO CUSTOMERS

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Personal & Business Banking	5	6	**706 607**	666 266	686 214
Mortgage loans	3	4	**381 614**	368 143	378 003
Vehicle and asset finance	2	3	**95 814**	92 800	94 833
Card debtors	2	2	**34 188**	33 610	34 612
Other loans and advances	9	14	**194 991**	171 713	178 766
Corporate & Investment Banking	10	17	**486 770**	416 730	425 427
Global markets	45	48	**40 782**	27 463	39 115
Investment banking	7	14	**388 173**	340 749	342 926
Transactional products and services	12	19	**57 815**	48 518	43 386
Central and other	(91)	(91)	**(342)**	(3 737)	(199)
Gross loans and advances to customers	7	11	**1 193 035**	1 079 259	1 111 442

DEPOSITS FROM CUSTOMERS

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Personal & Business Banking	11	16	**679 186**	583 155	606 965
Retail priced deposits	11	18	**534 728**	454 776	471 588
Wholesale priced deposits	13	13	**144 458**	128 379	135 377
Corporate & Investment Banking	19	21	**868 610**	720 449	723 123
Central and other	10	14	**(5 947)**	(5 237)	(5 127)
Deposits from customers	15	19	**1 541 849**	1 298 367	1 324 961
Comprising:					
Retail priced deposits	11	18	**534 728**	454 776	471 588
Wholesale priced deposits	18	19	**1 007 121**	843 591	853 373
Deposits from customers	15	19	**1 541 849**	1 298 367	1 324 961

Deposits and funding

Deposits from customers grew 19% period on period to R1.5 trillion. PBB customer deposits grew 16%, with strong growth in savings and investment products as well as call deposits, as retail customer balances increased during lockdown and business customers held additional liquidity to support cashflow demands in an uncertain environment. Growth in PBB AR deposits from customers was underpinned by continued strong current and savings account inflows. Our offshore operations in the Isle of Man and Jersey continued to provide the group with access to hard currency funding. Deposits totalled GBP5.2 billion as at 30 June 2020. CIB deposit growth was underpinned by higher corporate current account balances as market uncertainty led clients to reassess planned capital investments and hold larger cash balances.

Revenue

Revenue grew 3%. Net interest income (NII) was flat as balance sheet growth was offset by margin compression. Wide-spread interest rate cuts resulted in negative endowment. Net interest margin (NIM) declined 57 bps to 387 bps. Net fee and commission income declined as consumer activity levels and transactional volumes decreased significantly as a result of the lockdowns. Higher digital transaction volumes were offset by lower business and electronic funds transfer fees. Higher other fee and commission revenue was largely driven by growth in assets under management in Nigeria and commitment and arrangement fees from client deals in South Africa and International. Client transaction flows increased significantly as clients sought advice in terms of navigating a complex and volatile environment. This, together with strong foreign exchange flows in South Africa and the West Africa Region, supported trading revenues, which increased 40% to R8.1 billion (1H19: R5.8 billion). Market conditions led to declines in equity investment portfolio valuations which negatively impacted other revenue. Gross written premium increased as the portfolio tilt shifted towards higher cover and premium insurance products.

Credit impairment charges

Credit impairment charges increased to R11.3 billion, 2.7 times that of 1H19. The increase was driven by the deterioration in customer risk profiles and forward-looking assumptions, additional charges associated with the client relief portfolio in PBB, and corporate and sovereign risk downgrades. In addition, due to the considerable uncertainty and associated forecast risk, an additional R500 million provision was raised and held centrally. The group credit loss ratio (CLR) increased to 169 bps (1H19: 76 bps).

Operating expenses

Operating expense growth was well contained at 2%, supporting positive jaws of 100 bps and a decline in the cost-to-income ratio to 56.4% (1H19: 57.0%). Staff costs were up 1% as annual salary increases were offset by lower headcount and performance-related incentives. Other costs increased 3% as lockdown-driven reductions in discretionary spend, for example travel and entertainment, were offset by increases in information technology (IT) costs. The investment in customer proposition development and client experience workstreams continued. Software licence, data lines and cloud costs increased as remote working and business continuity management drove higher usage. Costs incurred specifically related to Covid-19 totalled R279 million in 1H20.

Capital management

The group maintained strong capital adequacy ratios, with an IFRS 9 phased-in CET1 ratio of 12.6% (1H19: 14.0%) and a total capital adequacy ratio of 15.5% (1H19: 17.3%). The CET1 ratio, including the full IFRS 9 transitional impact, was 12.5%.

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's second quarter average Basel III liquidity coverage ratio amounted to 136%, well in excess of the temporarily reduced minimum phased-in regulatory requirement of 80%. The group maintained its net stable funding ratio in excess of the 100% regulatory requirement.

During 1H20, the group successfully raised R24 billion of longer-term funding. The group also issued R5.5 billion Basel III compliant Tier 2 capital, the proceeds of which were invested in The Standard Bank of South Africa.

OVERVIEW OF FINANCIAL RESULTS

Overview of business unit performance

HEADLINE EARNINGS BY BUSINESS UNIT

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Personal & Business Banking	(61)	(60)	**2 876**	7 261	16 493
Corporate & Investment Banking	(10)	(7)	**5 715**	6 138	11 581
Central and other	54	44	**(851)**	(593)	(858)
Banking activities	(41)	(40)	**7 740**	12 806	27 216
Other banking interests	(>100)	(>100)	**508**	(320)	(864)
Liberty	(>100)	(>100)	**(707)**	875	1 855
Standard Bank Group	(44)	(44)	**7 541**	13 361	28 207

Personal & Business Banking

PBB revenues declined 1% to R35.1 billion. Negative endowment, and related margin compression, more than offset the revenue increases related to balance sheet growth. NIM declined 42 bps to 559 bps. NIR declined 5% as increased digital transactional volumes and modest annual price increases were insufficient to offset the significant lockdown-related decline in physical channel volumes, turnover reductions, a drop in trade activity and regulatory restrictions introduced on certain fees in Africa Regions. Operating expenses were well contained and supported by the savings derived from the branch reconfiguration concluded in 1H19. This was partially offset by the continued investment in client experience and digitisation workstreams, as well as certain Covid-19 specific expenses, for example front-line staff and customer safety measures. Against the difficult revenue environment, jaws were negative 327 bps and cost-to-income ratio increased to 62.6% (1H19: 60.6%). Credit impairment charges increased to R8.6 billion (1H19: R3.7 billion), 2.3 times 1H19 charges. Lockdowns disrupted businesses and impacted client incomes. The deterioration in macro-economic assumptions drove higher forward-looking provisions. CLR increased to 231 bps (1H19: 105 bps). PBB headline earnings declined 60% to R2.9 billion and ROE declined to 7.5% (1H19: 20.1%).

Lockdowns encouraged customers to transition to our digital channels. Digital transaction volumes increased 78% in SA, and comprised 99% of total transactions, while in Africa Regions volumes increased 24% and comprised 94% of total transactions. Physical transactions are expected to continue to decline as the transition to digital accelerates post Covid-19.

PBB SA was impacted by negative endowment, elevated impairments, lower transactional volumes and a significant decline in loan disbursements in 2Q20. To accommodate the lockdown requirements and protect our people, certain branches were temporarily closed and teams were reorganised to maintain the delivery of key functions to our clients. A partial resumption of economic activity, following the relaxation of the lockdown regulations in the second half of May and in June, resulted in a partial recovery of transactional volumes and values and, in turn, NIR by the end of the period. Despite the pandemic-related disruptions, PBB SA released several new digital capabilities and product enhancements. In addition, system resilience and security remained key to driving digital adoption. Digital active customers increased 13% to 2.6 million.

PBB AR recorded strong revenue growth. Ongoing customer acquisition and digital origination supported balance sheet and NII growth. Negative endowment was a headwind in the period. Lower turnover, trade and transactional levels alongside regulatory directives placed a strain on fees. This was more than offset by higher insurance, asset management and foreign currency service fees as well as higher point of representation fees. Below-inflation cost growth of 5% (CCY, 2%) delivered positive jaws of 4.0% and a cost-to-income ratio of 73.1%. Credit impairment charges increased across most countries, with notable increases in Kenya, Tanzania, Uganda and Zimbabwe.

Wealth International revenues were negatively impacted by lower interest rates (USD and GBP), albeit partially offset by higher fees from higher client FX transactional volumes. Structural balance sheet changes required, following the South African sovereign downgrade, also impacted performance. Underlying client growth has continued, with both client lending and discretionary assets under management increasing period on period.

Corporate & Investment Banking

CIB revenues grew 11% to R21.4 billion. During this period of significant volatility and disruption, CIB continued to proactively engage with clients to provide tailored funding, liquidity and risk management solutions. CIB's capabilities and reach remains attractive to domestic clients and multi-national corporates already operating, seeking to operate or seeking to expand on the continent. The business continued to benefit from diversification across clients, sectors and regions. Africa Regions delivered a strong performance. Significant margin pressure offset strong balance sheet growth to deliver flat NII. Cost growth was contained at 5%, delivering positive jaws of 639 bps and an improved cost-to-income ratio of 49.6%. Pre-provision operating profit grew 19% period on period.

The stressed global economic conditions drove downward equity valuation adjustments (affecting NIR in South Africa) and a substantial increase in credit impairments. Significant increases in impairment charges were recorded in East Africa, South & Central Africa, as well as in South Africa. CIB's CLR to customers was 88 bps (1H19: 40 bps). CIB's headline earnings declined 7% to R5.7 billion. The deteriorating credit environment drove a 39% increase in risk-weighted assets (RWA) period on period. The decline in earnings and increase in capital utilisation, led to a decline in ROE to 15.1% (1H19: 19.2%)

Global Markets (GM) revenue grew 43% on the back of strong risk management and increased client activity in volatile markets. Africa Regions had a strong half with revenue increasing by 53%, driven principally by Nigeria and Angola. In South Africa, the business maintained its foreign exchange market share and improved its equities market share. Investment in technology platforms resulted in cost growth of 7%. GM headline earnings increased 88% to R4.4 billion.

Transactional Products & Services (TPS) revenues were negatively impacted by margin pressure as well as adverse regulatory requirements, in particular in Nigeria. Credit impairment charges increased significantly as certain older Africa Regions exposures moved into default. Costs were well contained despite ongoing investment in digital capabilities and higher regulatory charges. TPS headline earnings decreased 36% to R1.2 billion.

Investment Banking (IB) revenues were negatively impacted by muted growth in fees and equity investment valuation declines on the back of the difficult economic environment. Robust gross loan origination and an increase in drawdowns of unutilised facilities supported average balances, which drove NII growth of 22%. Credit impairment charges increased significantly relative to 1H19, driven by the non-repeat of a prior year recovery coupled with deteriorating risk grades and increased provisioning across the IB portfolio. Costs were flat. IB headline earnings declined 91% to R181 million.

Central and other

This segment includes costs associated with corporate functions and the group's treasury and capital requirements that have not been otherwise allocated to the business units. The segment costs, including the R500 million (pre-tax) central provision amounted to R851 million (1H19: R593 million). We continue to proactively manage the costs recorded in the centre.

Other banking interests

ICBC Standard Bank (ICBCS) recorded a profit of USD70 million in 1H20 (1H19: loss of USD130 million). The turnaround was driven by the non-repeat of a single client loss in 1H19, revenues earned on the back of the market volatility experienced in 1H20 and an insurance recovery payment related to the aluminium-related losses the business incurred in Qingdao in 2015. The group's 40% share of ICBCS' earnings equated to R508 million.

In August 2019, the group exercised its option to sell its 20% stake in ICBC Argentina (ICBCA) to the Industrial and Commercial Bank of China (ICBC). From September 2019, the investment was recognised as held for sale and the group ceased recognising its share of profits. The sale was completed on 29 June 2020, post receipt of the necessary regulatory approvals. A foreign currency translation reserve (FCTR) accumulated over the life of the investment due to the devaluation of the Argentine Peso (ARS) vs ZAR. At the time of the change of control in 2012, the ARS/ZAR rate was c.0.5 and by the completion date it was c.4. On completion, the group recognised a gain on sale of R1.4 billion and the accumulated FCTR reserve (debit) of R3.4 billion was released to earnings.

The net impact of R2.0 billion negatively impacted earnings attributable to the group in 1H20. The gain on sale and the FCTR impact are both outside of headline earnings and therefore, did not impact group headline earnings. The release of the FCTR balance to earnings was a movement between reserves and therefore did not impact the net asset value of the group. The gain on sale added 11 bps to the group's common equity tier 1 ratio.

Liberty

The financial results reported are the consolidated results of the group's 57% investment in Liberty, adjusted for Standard Bank Group shares held by Liberty for the benefit of Liberty policyholders which are deemed to be treasury shares in the group's consolidated accounts.

In 1H20, Liberty's performance was negatively impacted by higher morbidity and mortality claims, new business strain and the creation of a R2.2 billion post-tax pandemic provision to cover future costs related Covid-19 which are still expected to arise. The Shareholder Investment Portfolio performance reflected negative investment market returns, particularly in respect of foreign and local equities. Liberty reported a headline loss of R2.3 billion (1H19: earnings of R2.0 billion). After adjusting for treasury shares, the group's share of the loss amounted to R0.7 billion (1H19: earnings of R0.9 billion).

Profit attributable

Profit attributable to ordinary shareholders declined 71% to R3.8 billion. The difference between headline earnings and profit attributable can be ascribed to a R1.4 billion post-tax gain on the sale of the 20% stake in ICBCA, the associated R3.4 billion negative impact of the FCTR release on sale and R1.9 billion related to the impairment of certain IT intangible assets. During the period, the group performed a review of certain of its IT capabilities. It was found that aspects of work performed to develop improvements to CIB's client engagement system were no longer suitable. Applying the group's accounting policy on IT intangibles, it was deemed necessary to impair the previously capitalised asset.

Prospects

In the month of July, customer activity and business turnover levels continued to recover. While this should be supportive for NIR growth into 2H20, ongoing uncertainty is expected to constrain balance sheet growth. Lower interest rates are expected to persist throughout 2H20, which will put pressure on NII. Trading revenues are expected to be below 1H20 levels. PBB provision levels, while deemed sufficient, are sensitive to macro-economic developments as well as client behaviour. Where appropriate, PBB has agreed to extend payment holidays and other relief measures. Client behaviour post the expiry thereof will be key. Forecast risk remains high and should the outcome be worse than expected, additional provisions will be required. While current CIB provision levels are deemed appropriate, CIB exposures, by their nature, are lumpy and additional provisions may be required if ratings deteriorate further and/or individual clients experience difficulties. The Board will take into account the SARB's guidance and group's capital position and the outlook before deciding whether to declare a final dividend. We are unable to provide revised medium-term targets at this time.

Covid-19 has already had a profound impact globally and there remains much uncertainty as to the ultimate human and economic toll. In addition, US/China tensions remain a risk. In contrast, lockdowns will be rolled back, and economies will reopen. The International Monetary Fund is forecasting global real GDP to contract by 4.9%, sub-Saharan Africa by 3.2% and South Africa by 8.0% in 2020, followed by a recovery of 5.4%, 3.4% and 3.5% respectively, in 2021. Accordingly, we shift our focus to recovery. Leveraging the group's strong capital position, we will continue to work with our individual, business and corporate clients, in a responsible manner, to find suitable solutions to enable them to participate and support the much-needed transition to the recovery phase.

The world changed fundamentally and, to some extent, permanently, in a matter of weeks. While the pandemic has created distress and anxiety for many people, it has also created new opportunities, specifically the opportunity to accelerate change. As a group operating across the continent, with operations and clients across the globe, we need to adapt to remain relevant. As we re-imagine the future, we remain of the view that our future-ready strategy remains valid. However, we recognise the need to accelerate our digital delivery and, in parallel, drive operational efficiency. We remain committed to delivering a positive societal, economic and environmental impact. Combined, this will ensure we remain relevant to our customers, attractive to our employees and enable us to deliver value to all stakeholders. And, in doing so, we will also deliver on our purpose of driving Africa's growth.

The safety and wellbeing of our customers and employees has been, and remains, of utmost importance. Despite the obvious risks, our employees have shown great fortitude and commitment as they have continued to support and service our customers. We thank them for their service. We wish all our stakeholders strength during this difficult time and ask that they continue to partner us as we drive a return to growth for all.

Sim Tshabalala
Group chief executive

19 August 2020

Thulani Gcabashe
Chairman

19 August 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the six months ended 30 June 2020

	CCY %	Change %	1H20 Rm	1H19[1] Rm	FY19 Rm
Assets					
Cash and balances with central banks	44	51	**107 405**	70 978	75 288
Derivative assets	>100	>100	**118 679**	52 104	71 407
Trading assets	42	45	**267 197**	184 201	222 802
Pledged assets	11	23	**25 356**	20 667	29 377
Financial investments[1]	7	9	**612 463**	559 953	567 319
Current and deferred tax assets	1	6	**5 065**	4 757	4 868
Disposal of group assets held for sale	71	71	**1 036**	605	2 599
Loans and advances[1]	8	13	**1 345 870**	1 186 265	1 181 067
Policyholders' assets	(13)	(13)	**5 746**	6 569	7 017
Other assets	4	28	**43 658**	34 219	29 901
Interest in associates and joint ventures	(40)	(35)	**6 505**	9 946	5 423
Investment property	(10)	(10)	**30 243**	33 551	34 180
Property, equipment and right of use assets	(10)	(8)	**21 632**	23 606	22 018
Goodwill and other intangible assets	(14)	(12)	**20 057**	22 830	22 323
Total assets	13	18	**2 610 912**	2 210 251	2 275 589
Equity and liabilities					
Equity	(1)	7	**218 453**	204 510	209 484
Equity attributable to ordinary shareholders	(2)	7	**179 244**	168 034	171 229
Equity attributable to other equity holders	0	0	**10 989**	10 989	10 989
Equity attributable to non-controlling interests	6	11	**28 220**	25 487	27 266
Liabilities	15	19	**2 392 459**	2 005 741	2 066 105
Derivative liabilities	>100	>100	**123 502**	53 707	69 498
Trading liabilities	7	9	**86 955**	79 611	83 847
Current and deferred tax liabilities	(25)	(23)	**6 623**	8 616	9 073
Disposal of group liabilities held for sale	(20)	(20)	**172**	215	246
Deposits and debt funding	14	20	**1 654 238**	1 384 216	1 426 193
Policyholders' liabilities	(2)	(2)	**315 852**	322 820	324 246
Subordinated debt	0	2	**34 132**	33 380	28 901
Provisions and other liabilities	34	39	**170 985**	123 176	124 101
Total equity and liabilities	13	18	**2 610 912**	2 210 251	2 275 589

[1] Restated. Refer to page 96.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2020

	CCY %	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
Income from Banking activities	1	3	**55 784**	54 277	110 461
Net interest income[1]	(2)	0	**31 204**	31 194	62 919
Non-interest revenue[1]	4	6	**24 580**	23 083	47 542
Income from investment management and life insurance activities	(51)	(51)	**5 733**	11 784	23 573
Total income	(8)	(7)	**61 517**	66 061	134 034
Credit impairment charges	>100	>100	**(11 291)**	(4 247)	(7 964)
Net income before operating expenses	(20)	(19)	**50 226**	61 814	126 070
Operating expenses from banking activities	0	2	**(31 489)**	(30 941)	(62 335)
Operating expenses from investment management and life insurance activities	2	2	**(8 267)**	(8 130)	(16 486)
Net income before capital items and equity accounted earnings	(55)	(54)	**10 470**	22 743	47 249
Non-trading and capital related items	>100	>100	**(4 134)**	(254)	(2 890)
Share of post-tax profit/(loss) from associates and joint ventures	(>100)	(>100)	**523**	(169)	(512)
Profit before indirect taxation	(70)	(69)	**6 859**	22 320	43 847
Indirect taxation	9	10	**(1 384)**	(1 255)	(2 592)
Profit before direct taxation	(74)	(74)	**5 475**	21 065	41 255
Direct taxation	(75)	(74)	**(1 353)**	(5 238)	(10 559)
Profit for the period	(74)	(74)	**4 122**	15 827	30 696
Attributable to ordinary shareholders	(72)	(71)	**3 767**	13 195	25 443
Attributable to other equity instrument holders	1	1	**429**	423	873
Attributable to non-controlling interests	(>100)	(>100)	**(74)**	2 209	4 380
Earnings per share (EPS) (cents)					
Basic earnings per ordinary share		(71)	**236.7**	827.0	1 593.5
Diluted earnings per ordinary share		(71)	**235.7**	818.5	1 584.7

[1] Restated. Refer to page 96.

CONDENSED CONSOLIDATED STATEMENT OF

for the six months ended 30 June 2020

	Change %	1H20 Ordinary shareholders' equity Rm	1H20 Non-controlling interests and other equity instruments Rm	1H20 Total equity Rm
Profit for the period	(74)	3 767	355	4 122
Other comprehensive income/(loss) after tax for the period		12 733	2 312	15 045
Items that may be subsequently reclassified to profit/(loss)		12 886	2 271	15 157
Movements in the cash flow hedging reserve		(394)	(12)	(406)
Movement in debt instruments measured at fair value through other comprehensive income (OCI)		224	148	372
Exchange difference on translating foreign operations		13 056	2 135	15 191
Items that may not be subsequently reclassified to (loss)/profit		(153)	41	(112)
Total comprehensive income for the period		16 500	2 667	19 167
Attributable to ordinary shareholders		16 500		16 500
Attributable to other equity holders			429	429
Attributable to non-controlling interests			2 238	2 238

OTHER COMPREHENSIVE INCOME

	1H19			FY19		
	Ordinary shareholders' equity Rm	Non-controlling interests and other equity instruments Rm	Total equity Rm	Ordinary shareholders' equity Rm	Non-controlling interests and other equity instruments Rm	Total equity Rm
	13 195	2 632	15 827	25 443	5 253	30 696
	(3 727)	(318)	(4 045)	(5 443)	(765)	(6 208)
	(3 777)	(324)	(4 101)	(5 548)	(807)	(6 355)
				190	15	205
	(36)	(31)	(67)	50	51	101
	(3 741)	(293)	(4 034)	(5 788)	(873)	(6 661)
	50	6	56	105	42	147
	9 468	2 314	11 782	20 000	4 488	24 488
	9 468		9 468	20 000		20 000
		423	423		873	873
		1 891	1 891		3 615	3 615

CONDENSED CONSOLIDATED STATEMENT

for the six months ended 30 June 2020

	Ordinary share capital and premium Rm	Empowerment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm
Balance at 1 January 2019	17 860	(201)	(2 157)	(1 800)	(983)	(194)
Increase in statutory credit risk reserve						
Transactions with non-controlling shareholders			(15)			
Equity-settled share-based payments						
Deferred tax on share-based payments						
Transfer of vested equity options						
Net decrease in treasury shares			504			
Net issue of share capital and share premium and other equity instruments	124					
Unincorporated property partnerships capital reductions and distributions						
Redemption of empowerment funding		7				
Hyperinflation adjustments						
Total comprehensive income for the period				(3 741)		
Dividends paid						
Balance at 30 June 2019	17 984	(194)	(1 668)	(5 541)	(983)	(194)
Balance at 1 July 2019	17 984	(194)	(1 668)	(5 541)	(983)	(194)
Decrease in statutory credit risk reserve						
Transactions with non-controlling shareholders			(1)	5		
Equity-settled share-based payments						
Deferred tax on share-based payments						
Transfer of vested equity options						
Net (increase)/decrease in treasury shares			(990)			
Net issue of share capital and share premium and other equity instruments						
Unincorporated property partnerships capital reductions and distributions						
Redemption of empowerment funding		125				
Hyperinflation adjustments						
Total comprehensive income for the period				(2 047)		190
Dividends paid						
Balance at 31 December 2019	17 984	(69)	(2 659)	(7 583)	(983)	(4)
Balance at 1 January 2020	**17 984**	**(69)**	**(2 659)**	**(7 583)**	**(983)**	**(4)**
Increase in statutory credit risk reserve						
Transactions with non-controlling shareholders			**(17)**	**31**		
Equity-settled share-based payments						
Deferred tax on share-based payments						
Transfer of vested equity options						
Net (increase)/decrease in treasury shares			**(686)**			
Net issue of share capital and share premium and other equity instruments	**31**					
Unincorporated property partnerships capital reductions and distributions						
Redemption of empowerment funding		**9**				
Hyperinflation adjustments						
Total comprehensive income for the period				**13 056**		**(394)**
Dividends paid						
Balance at 30 June 2020	**18 015**	**(60)**	**(3 362)**	**5 504**	**(983)**	**(398)**

All balances are stated net of applicable tax.

OF CHANGES IN EQUITY

Regulatory and statutory credit risk reserve Rm	Fair value through OCI reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary shareholders' equity Rm	Other equity instruments Rm	Non-controlling interest Rm	Total equity Rm
3 664	523	(1 025)	256	149 308	165 251	9 047	24 955	199 253
783				(783)				
				23	8		(303)	(295)
		746		64	810			810
				91	91			91
		173		(173)				
				438	942		61	1 003
					124	1 942		2 066
							(154)	(154)
					7			7
				13	13		6	19
	42		(16)	13 183	9 468	423	1 891	11 782
				(8 680)	(8 680)	(423)	(969)	(10 072)
4 447	565	(106)	240	153 484	168 034	10 989	25 487	204 510
4 447	565	(106)	240	153 484	168 034	10 989	25 487	204 510
(87)				87				
(7)			(1)	75	71		524	595
		235		95	330		50	380
				(121)	(121)			(121)
		155		(155)				
				(187)	(1 177)		69	(1 108)
							200	200
							(139)	(139)
					125			125
				734	734		1	735
	32		7	12 350	10 532	450	1 724	12 706
				(7 299)	(7 299)	(450)	(650)	(8 399)
4 353	597	284	246	159 063	171 229	10 989	27 266	209 484
4 353	**597**	**284**	**246**	**159 063**	**171 229**	**10 989**	**27 266**	**209 484**
935				**(935)**				
7				**(36)**	**(15)**		**(150)**	**(165)**
		804		**(164)**	**640**		**7**	**647**
				(283)	**(283)**			**(283)**
		(117)		**117**				
				277	**(409)**		**100**	**(309)**
					31			**31**
							71	**71**
					9			**9**
				263	**263**		**(1)**	**262**
	167		**26**	**3 645**	**16 500**	**429**	**2 238**	**19 167**
				(8 721)	**(8 721)**	**(429)**	**(1 311)**	**(10 461)**
5 295	**764**	**971**	**272**	**153 226**	**179 244**	**10 989**	**28 220**	**218 453**

BANKING ACTIVITIES' INCOME STATEMENT

for the six months ended 30 June 2020

	CCY %	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
Net interest income[1]	(2)	0	**31 204**	31 194	62 919
Non-interest revenue[1]	4	6	**24 580**	23 083	47 542
Net fee and commission revenue	(8)	(6)	**14 239**	15 112	30 622
Trading revenue	39	40	**8 143**	5 809	12 075
Other revenue	(4)	(3)	**1 737**	1 787	4 089
Other gains and losses on financial instruments	20	23	**461**	375	756
Total income	1	3	**55 784**	54 277	110 461
Credit impairment charges	>100	>100	**(11 291)**	(4 247)	(7 964)
Loans and advances	>100	>100	**(11 271)**	(4 467)	(8 076)
Financial investments	>100	(>100)	**119**	(6)	(86)
Letters of credit and guarantees	(>100)	(>100)	**(139)**	226	198
Net income before operating expenses	(13)	(11)	**44 493**	50 030	102 497
Operating expenses	0	2	**(31 489)**	(30 941)	(62 335)
Staff costs	0	1	**(17 618)**	(17 409)	(34 554)
Other operating expenses	0	3	**(13 871)**	(13 532)	(27 781)
Net income before non-trading and capital related items	(34)	(32)	**13 004**	19 089	40 162
Non-trading and capital related items	>100	>100	**(2 428)**	(129)	(151)
Net income before equity accounting earnings	(46)	(44)	**10 576**	18 960	40 011
Share of post-tax profits from associates and joint ventures	(80)	(80)	**28**	142	333
Profit before indirect taxation	(46)	(44)	**10 604**	19 102	40 344
Indirect taxation	9	11	**(1 099)**	(994)	(2 006)
Profit before direct taxation	(49)	(48)	**9 505**	18 108	38 338
Direct taxation	(59)	(57)	**(1 574)**	(3 691)	(7 888)
Profit for the period	(47)	(45)	**7 931**	14 417	30 450
Attributable to preference shareholders	0	0	**(206)**	(207)	(415)
Attributable to additional tier 1 (AT1) capital shareholders	3	3	**(223)**	(216)	(458)
Attributable to non-controlling interests	15	18	**(1 518)**	(1 284)	(2 528)
Attributable to ordinary shareholders	(54)	(53)	**5 984**	12 710	27 049
Headline adjustable items	>100	>100	**1 756**	96	167
Banking activities – headline earnings	(41)	(40)	**7 740**	12 806	27 216

[1] Restated. Refer to page 96.

RECONCILIATION TO SBG HEADLINE EARNINGS

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Banking activities	(41)	(40)	**7 740**	12 806	27 216
Other banking interests	(>100)	(>100)	**508**	(320)	(864)
ICBC Standard Bank Plc (40% shareholding)	(>100)	(>100)	**508**	(752)	(1 447)
ICBC Argentina (20% shareholding)[2]	(100)	(100)	**0**	432	583
Liberty	(>100)	(>100)	**(707)**	875	1 855
Standard Bank Group headline earnings	(44)	(44)	**7 541**	13 361	28 207

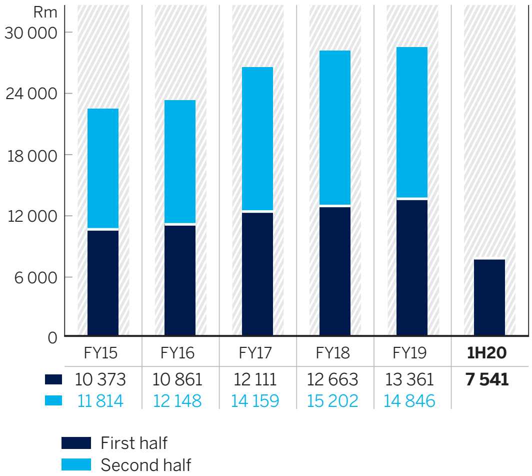
[2] The disposal of ICBC Argentina was completed during June 2020.

HEADLINE EARNINGS

for the six months ended 30 June 2020

HEADLINE EARNINGS

CAGR (1H15 – 1H20): (6%)



RECONCILIATION OF PROFIT FOR THE PERIOD TO GROUP HEADLINE EARNINGS

	1H20				1H19				FY19
	Gross Rm	**Tax[1] Rm**	**NCI and other[2] Rm**	**Net Rm**	Gross Rm	Tax[1] Rm	NCI and other[2] Rm	Net Rm	Net Rm
Profit for the period – Banking activities	**9 505**	**(1 574)**	**(1 947)**	**5 984**	18 108	(3 691)	(1 707)	12 710	27 049
Headline adjustable items – Banking activities added/(reversed)	**2 428**	**(668)**	**(4)**	**1 756**	129	(33)		96	167
IAS 36 – Impairment of intangible assets	**2 610**	**(729)**	**(2)**	**1 879**	118	(33)		85	169
IAS 16 – Losses/(gains) on sale of properties and equipment	**27**	**(6)**	**(2)**	**19**					66
IAS 36 – Goodwill impairment					11			11	11
IAS 40 – Fair value (gains) on investment property	**(209)**	**67**		**(142)**					(79)
Headline earnings – Banking activities	**11 933**	**(2 242)**	**(1 951)**	**7 740**	18 237	(3 724)	(1 707)	12 806	27 216
Headline earnings/(losses) – Other banking interests	**508**			**508**	(320)			(320)	(864)
Loss for the period – other banking interests	**(1 024)**	**(416)**		**(1 440)**	(320)			(320)	(3 282)
IAS 28 – (Gain) on disposal of associate	**(1 835)**	**416**		**(1 419)**					
IAS 21 – FCTR release on disposal of associate	**3 367**			**3 367**					
IAS 36 – Impairment of associate									2 418
Headline earnings – Liberty	**(2 832)**	**588**	**1 537**	**(707)**	3 402	(1 547)	(980)	875	1 855
(Loss)/profit for the period – Liberty	**(3 006)**	**637**	**1 592**	**(777)**	3 277	(1 547)	(925)	805	1 676
IFRS 5 – Impairment of non-current assets held for sale					125		(55)	70	179
IAS 36 – Impairment of intangible assets	**174**	**(49)**	**(55)**	**70**					
Standard Bank Group headline earnings	**9 609**	**(1 654)**	**(414)**	**7 541**	21 319	(5 271)	(2 687)	13 361	28 207

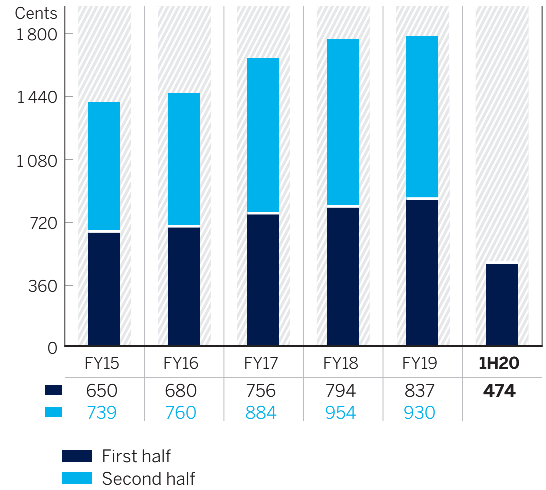
[1] Direct taxation.
[2] Non-controlling interests and other equity instrument holders.

HEADLINE EARNINGS AND DIVIDEND PER SHARE

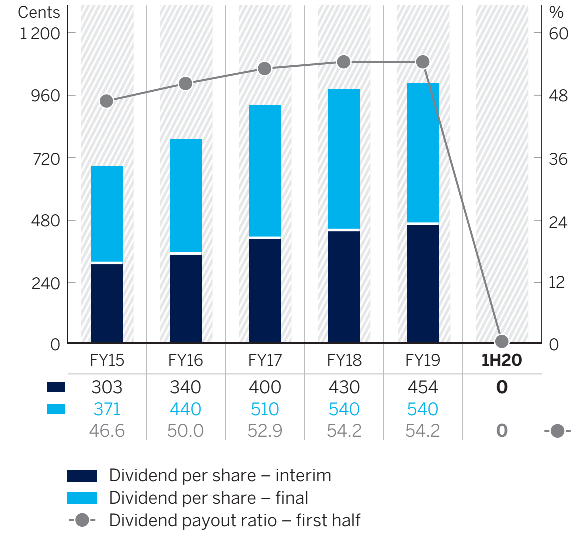
for the six months ended 30 June 2020

HEADLINE EARNINGS PER SHARE

CAGR (1H15 – 1H20): (6%)



DIVIDEND PER SHARE AND PAYOUT RATIO



		Change %	1H20	1H19	FY19
Headline earnings	Rm	(44)	**7 541**	13 361	28 207
Headline EPS	cents	(43)	**474**	837	1 767
Basic EPS	cents	(71)	**237**	827	1 594
Total dividend per share	cents	(100)	**0**	454	994
Interim	cents	(100)	**0**	454	454
Final	cents				540
Dividend cover – based on headline EPS	times		**0**	1.8	1.8
Dividend payout ratio – based on headline EPS	%		**0**	54.2	56.3

MOVEMENT IN NUMBER OF ORDINARY AND WEIGHTED AVERAGE SHARES ISSUED

	1H20		1H19		FY19	
	Issued number of shares '000	**Weighted number of shares '000**	Issued number of shares '000	Weighted number of shares '000	Issued number of shares '000	Weighted number of shares '000
Beginning of the period – IFRS shares	**1 594 072**	**1 594 072**	1 590 217	1 590 217	1 590 217	1 590 217
Shares in issue	**1 619 709**	**1 619 709**	1 618 514	1 618 514	1 618 514	1 618 514
Deemed treasury shares[1]	**(25 637)**	**(25 637)**	(28 297)	(28 297)	(28 297)	(28 297)
Shares issued for equity compensation plans	**220**	**148**	721	339	1 195	610
Movement in deemed treasury shares	**(3 130)**	**(2 532)**	7 733	5 021	2 660	5 797
Share exposures held to facilitate client trading activities	**(5 276)**	**(3 435)**	6 202	4 371	(1 871)	3 849
Shares held for the benefit of Liberty policyholders	**2 146**	**903**	1 326	562	1 545	1 012
Shares held by Tutuwa Structured Entities (SPEs)[1]	**0**	**0**	205	88	2 986	936
End of the period – IFRS shares	**1 591 162**	**1 591 688**	1 598 671	1 595 577	1 594 072	1 596 624
Shares in issue	**1 619 929**	**1 619 857**	1 619 235	1 618 853	1 619 709	1 619 124
Deemed treasury shares[1]	**(28 767)**	**(28 169)**	(20 564)	(23 276)	(25 637)	(22 500)

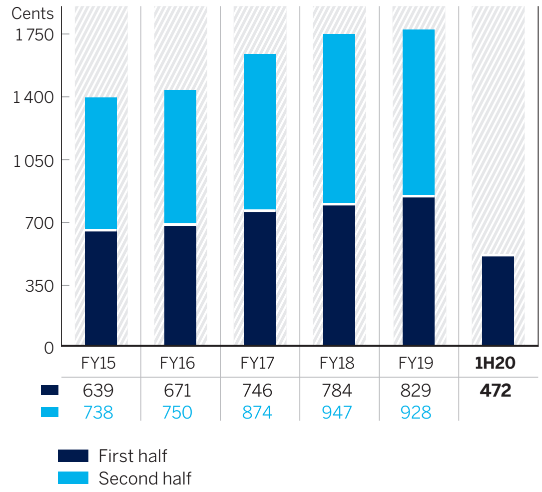
[1] Includes shares held by Tutuwa Structured Entities, the group's share exposures held to facilitate client trading activities and for the benefit of Liberty policyholders. All shares in these Tutuwa entities were redeemed prior to the final redemption date of 4 October 2019.

DILUTED HEADLINE EARNINGS PER SHARE

for the six months ended 30 June 2020

DILUTED HEADLINE EARNINGS PER SHARE

CAGR (1H15 – 1H20): (6%)



	Change %	1H20 cents	1H19 cents	FY19 cents
Diluted headline EPS	(43)	**472**	829	1 757
Diluted EPS	(71)	**236**	819	1 585

DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ISSUED

	1H20 '000	1H19 '000	FY19 '000
Weighted average shares	**1 591 688**	1 595 577	1 596 624
Dilution from equity compensation plans	**6 657**	14 443	8 887
Group share incentive scheme	**95**	224	188
Equity growth scheme	**61**	2 201	1 322
Deferred bonus scheme, long-term incentive plans and related hedges	**6 501**	12 018	7 377
Tutuwa	**0**	2 056	0
Diluted weighted average shares	**1 598 345**	1 612 076	1 605 511

Notes

SEGMENTAL REPORTING

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SEGMENTAL STRUCTURE FOR KEY BUSINESS LINES

Standard Bank Group

BANKING ACTIVITIES

PERSONAL & BUSINESS BANKING

Banking and other financial services to individual customers, small to medium-sized enterprises and commercial banking customers in South Africa, Africa Regions and Wealth International. We enable customers to take control of all their financial aspects such as transacting, saving, borrowing or planning by making use of the following product sets either through face-to-face interaction or digitally according to their preference

What we offer

Transactional products

Comprehensive suite of transactional, saving, investment, trade, foreign exchange, payment and liquidity management solutions made accessible through a range of physical and digital channels

Mortgage lending

Residential accommodation loans mainly to personal market customers

Card products

- Credit card facilities to individuals and businesses (credit card issuing)
- Merchant transaction acquiring services (merchant solutions)

Vehicle and asset finance

- Finance of vehicles for retail market customers
- Finance of vehicles and equipment in the business and corporate assets market
- Fleet solutions

Lending product

- Lending products offered to both personal and business markets
- Business lending offerings constitute a comprehensive suite of lending product offerings, structured working capital finance solutions, commercial property finance solutions and trade finance

Wealth

- Short-term and life insurance products comprising:
  - loan protection plans sold in conjunction with related banking products, homeowners' insurance, funeral cover, household contents and vehicle insurance
  - life, disability and investment policies sold by qualified intermediaries
- Financial planning and modelling
- Integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estate administration
- Tailored banking, wealth management, investment and advisory services solutions for high net worth individuals
- Offshore financial services to high net worth, mass-affluent and corporate clients of the group
- Investment services including global asset management
- Pension fund administration services

CORPORATE & INVESTMENT BANKING

Services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates

What we offer

Client coverage

Provide in-depth sector expertise to develop relevant client solutions and foster client relationships

Global markets

Trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities

Transactional products and services

Comprehensive suite of cash management, international trade finance, working capital and investor service solutions

Investment banking

Full suite of advisory and financing solutions, from term lending to structured and specialised products across the equity and debt capital markets

CENTRAL AND OTHER

Impact of group hedging activities, group capital instruments, group surplus capital and strategic acquisitions

Costs of centralised corporate functions, direct costs of corporate functions are recharged to the business segments

OTHER BANKING INTERESTS

Equity investments held in terms of strategic partnership agreements with ICBC, including:

- ICBC Standard Bank Plc (40% associate)
- ICBC Argentina (20% associate). The disposal of the associate was completed during June 2020.

LIBERTY

Life insurance and investment management activities

What we offer

South Africa Retail

Insurance and investment solutions to individual customers in South Africa

Business development

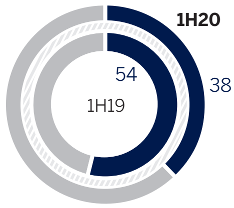
Insurance and investment solutions to corporate clients and retirement funds across sub-Saharan Africa

Asset management

Asset management capabilities to manage investment assets in South Africa and southern African Region

SEGMENTAL HIGHLIGHTS

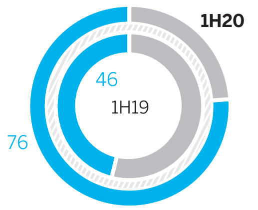
% OF GROUP HEADLINE EARNINGS



PERSONAL & BUSINESS BANKING

		1H20	1H19	FY19
Headline earnings	Rm	**2 876**	7 261	16 493
Headline earnings contribution	%	**38**	54	58
ROE	%	**7.5**	20.1	22.4
Cost-to-income ratio	%	**62.6**	60.6	59.5
CLR on loans to customers	bps	**249**	113	96
Gross loans and advances to customers	Rbn	**707**	666	686
Net loans and advances	Rbn	**719**	688	708

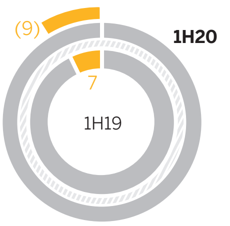
% OF GROUP HEADLINE EARNINGS



CORPORATE & INVESTMENT BANKING

		1H20	1H19	FY19
Headline earnings	Rm	**5 715**	6 138	11 581
Headline earnings contribution	%	**76**	46	41
ROE	%	**15.1**	19.2	17.7
Cost-to-income ratio	%	**49.6**	52.7	54.1
CLR on loans to customers	bps	**88**	40	40
Gross loans and advances to customers	Rbn	**487**	417	425
Net loans and advances	Rbn	**685**	556	528

% OF GROUP HEADLINE EARNINGS



LIBERTY

		1H20	1H19	FY19
Normalised headline earnings as reported by Liberty	Rm	**(2 173)**	2 013	3 205
IFRS headline earnings attributable to the group	Rm	**(707)**	875	1 855
IFRS headline earnings contribution	%	**(9)**	7	7
ROE[1]	%	**(12.5)**	15.9	16.5
Value of new business	Rm	**24**	171	407
Normalised group equity value	Rbn	**35**	40	41
Third-party funds under management	Rbn	**725**	758	738

[1] As determined on consolidation of Liberty into SBG.

CONDENSED CONSOLIDATED SEGMENTAL

for the six months ended 30 June 2020

	Personal & Business Banking				Corporate & Investment Banking			
	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
Assets								
Cash and balances with central banks	3	**14 299**	13 816	15 435	63	**92 807**	57 044	59 669
Derivative assets	(5)	**588**	616	676	>100	**110 181**	48 152	66 671
Trading assets	(67)	**2**	6	6	48	**268 432**	181 196	223 627
Pledged assets					2	**12 194**	11 962	17 800
Financial investments[1]	62	**62 647**	38 595	45 146	20	**185 320**	154 765	154 564
Current tax assets	100	**94**	47	21	51	**124**	82	73
Disposal of group assets held for sale								
Loans and advances[1]	4	**718 681**	688 300	708 063	23	**685 119**	556 438	527 611
Loans and advances to banks	(4)	**49 499**	51 338	51 377	41	**206 591**	146 903	107 876
Loans and advances to customers	5	**669 182**	636 962	656 686	17	**478 528**	409 535	419 735
Other assets	0	**9 012**	9 012	10 611	88	**24 792**	13 203	11 308
Interest in associates and joint ventures	17	**1 996**	1 704	1 843	(21)	**484**	610	563
Investment property								
Property, equipment and right of use asset	(10)	**9 112**	10 144	9 553	(9)	**441**	485	338
Goodwill and other intangible assets	(9)	**11 150**	12 213	11 886	(68)	**937**	2 928	3 018
Deferred tax assets	31	**588**	449	483	12	**811**	727	865
Total assets	7	**828 169**	774 902	803 723	34	**1 381 642**	1 027 592	1 066 107
Equity and liabilities								
Equity	7	**82 922**	77 782	79 528	33	**93 763**	70 535	74 117
Equity attributable to ordinary shareholders	3	**76 827**	74 260	74 459	31	**82 193**	62 921	66 147
Equity attributable to other equity holders	56	**2 504**	1 607	2 384	57	**2 792**	1 781	2 662
Preference shares								
AT1 capital shareholders	56	**2 504**	1 607	2 384	57	**2 792**	1 781	2 662
Equity attributable to non-controlling interests	88	**3 591**	1 915	2 685	50	**8 778**	5 833	5 308
Liabilities	7	**745 247**	697 120	724 195	35	**1 287 879**	957 057	991 990
Derivative liabilities	3	**610**	593	609	>100	**115 164**	49 005	64 803
Trading liabilities					11	**88 778**	79 899	83 946
Current tax liabilities	(37)	**1 600**	2 546	4 939	(36)	**1 743**	2 704	2 289
Deposits and debt funding	17	**683 565**	583 406	610 475	20	**1 048 053**	871 970	891 951
Deposits from banks	>100	**4 379**	251	3 510	18	**179 443**	151 521	168 828
Deposits and current accounts from customers	16	**679 186**	583 155	606 965	21	**868 610**	720 449	723 123
Interdivisional funding/(lending)	(64)	**30 777**	86 529	78 377	(56)	**(39 346)**	(89 902)	(89 863)
Subordinated debt	2	**8 957**	8 804	8 765	4	**11 537**	11 058	12 989
Provision and other liabilities	28	**21 301**	16 629	22 357	89	**62 451**	32 958	26 490
Deferred tax liabilities	13	**(1 563)**	(1 387)	(1 327)	(21)	**(501)**	(635)	(615)
Total equity and liabilities	7	**828 169**	774 902	803 723	34	**1 381 642**	1 027 592	1 066 107
Average gross loans and advances	6	**750 263**	704 957	714 407	20	**641 544**	534 356	536 011
Average interest-earning assets	8	**782 367**	723 314	733 702	19	**869 046**	728 975	771 778
Average ordinary shareholders' equity	5	**76 827**	72 885	73 609	18	**76 351**	64 438	65 304

[1] Restated. Refer to page 96.

STATEMENT OF FINANCIAL POSITION

Central and other				Banking activities			
Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
>100	**299**	118	184	51	**107 405**	70 978	75 288
69	**(1 865)**	(1 101)	(522)	>100	**108 904**	47 667	66 825
(>100)	**(5 239)**	284	(3 224)	45	**263 195**	181 486	220 409
				2	**12 194**	11 962	17 800
(4)	**4 620**	4 835	4 993	27	**252 587**	198 195	204 703
27	**483**	379	473	38	**701**	508	567
100	**819**		819	100	**819**		819
(1)	**(57 930)**	(58 473)	(54 607)	13	**1 345 870**	1 186 265	1 181 067
4	**(57 088)**	(54 736)	(54 408)	39	**199 002**	143 505	104 845
(77)	**(842)**	(3 737)	(199)	10	**1 146 868**	1 042 760	1 076 222
(>100)	**(1 532)**	1 193	(924)	38	**32 272**	23 408	20 995
6	**101**	95	96	7	**2 581**	2 409	2 502
100	**637**		373	100	**637**		373
(3)	**9 898**	10 157	9 717	(6)	**19 451**	20 786	19 608
7	**7 496**	7 018	6 808	(12)	**19 583**	22 159	21 712
3	**2 763**	2 683	2 636	8	**4 162**	3 859	3 984
20	**(39 450)**	(32 812)	(33 178)	23	**2 170 361**	1 769 682	1 836 652
(43)	**11 973**	21 023	22 876	11	**188 658**	169 340	176 521
(53)	**5 880**	12 582	15 058	10	**164 900**	149 763	155 664
(25)	**5 693**	7 601	5 943	0	**10 989**	10 989	10 989
0	**5 503**	5 503	5 503	0	**5 503**	5 503	5 503
(91)	**190**	2 098	440	0	**5 486**	5 486	5 486
(52)	**400**	840	1 875	49	**12 769**	8 588	9 868
(4)	**(51 423)**	(53 835)	(56 054)	24	**1 981 703**	1 600 342	1 660 131
19	**(1 329)**	(1 118)	(688)	>100	**114 445**	48 480	64 724
>100	**(2 027)**	(175)	(229)	9	**86 751**	79 724	83 717
(>100)	**605**	(214)	(2 060)	(22)	**3 948**	5 036	5 168
(1)	**(57 965)**	(58 619)	(56 346)	20	**1 673 653**	1 396 757	1 446 080
(3)	**(52 018)**	(53 382)	(51 219)	34	**131 804**	98 390	121 119
14	**(5 947)**	(5 237)	(5 127)	19	**1 541 849**	1 298 367	1 324 961
>100	**8 569**	3 373	11 486				
1	**8 072**	7 968	1 565	3	**28 566**	27 830	23 319
38	**(10 060)**	(7 293)	(12 228)	74	**73 692**	42 294	36 619
21	**2 712**	2 243	2 446	>100	**648**	221	504
20	**(39 450)**	(32 812)	(33 178)	23	**2 170 361**	1 769 682	1 836 652
6	**(54 564)**	(51 403)	(56 310)	13	**1 337 243**	1 187 910	1 194 108
(2)	**(34 417)**	(35 287)	(45 594)	14	**1 616 996**	1 417 002	1 459 886
2	**10 152**	9 970	11 547	11	**163 330**	147 293	150 460

CONDENSED CONSOLIDATED SEGMENTAL

for the six months ended 30 June 2020

	Banking activities				Other banking interests			
	Change %	1H20 Rm	1H19[1] Rm	FY19 Rm	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Assets								
Cash and balances with central banks	51	**107 405**	70 978	75 288				
Derivative assets	>100	**108 904**	47 667	66 825				
Trading assets	45	**263 195**	181 486	220 409				
Pledged assets	2	**12 194**	11 962	17 800				
Financial investments[1]	27	**252 587**	198 195	204 703				
Current tax assets	38	**701**	508	567				
Disposal of group assets held for sale	100	**819**		819				1 196
Loans and advances[1]	13	**1 345 870**	1 186 265	1 181 067				
Loans and advances to banks	39	**199 002**	143 505	104 845				
Loans and advances to customers	10	**1 146 868**	1 042 760	1 076 222				
Policyholders' assets								
Other assets	38	**32 272**	23 408	20 995				
Interest in associates and joint ventures	7	**2 581**	2 409	2 502	(49)	**3 671**	7 169	2 645
Investment property	100	**637**		373				
Property, equipment and right of use asset	(6)	**19 451**	20 786	19 608				
Goodwill and other intangible assets	(12)	**19 583**	22 159	21 712				
Deferred tax assets	8	**4 162**	3 859	3 984				
Total assets	23	**2 170 361**	1 769 682	1 836 652	(49)	**3 671**	7 169	3 841
Equity and liabilities								
Equity	11	**188 658**	169 340	176 521	(49)	**3 671**	7 169	3 841
Equity attributable to ordinary shareholders	10	**164 900**	149 763	155 664	(49)	**3 671**	7 169	3 841
Equity attributable to other equity holders	0	**10 989**	10 989	10 989				
Preference shares	0	**5 503**	5 503	5 503				
AT1 capital shareholders	0	**5 486**	5 486	5 486				
Equity attributable to non-controlling interests	49	**12 769**	8 588	9 868				
Liabilities	24	**1 981 703**	1 600 342	1 660 131				
Derivative liabilities	>100	**114 445**	48 480	64 724				
Trading liabilities	9	**86 751**	79 724	83 717				
Current tax liabilities	(22)	**3 948**	5 036	5 168				
Disposal of group liabilities held for sale								
Deposits and debt funding	20	**1 673 653**	1 396 757	1 446 080				
Deposits from banks	34	**131 804**	98 390	121 119				
Deposits and current accounts from customers	19	**1 541 849**	1 298 367	1 324 961				
Policyholders' liabilities								
Subordinated debt	3	**28 566**	27 830	23 319				
Provision and other liabilities	74	**73 692**	42 294	36 619				
Deferred tax liabilities	>100	**648**	221	504				
Total equity and liabilities	23	**2 170 361**	1 769 682	1 836 652	(49)	**3 671**	7 169	3 841
Average gross loans and advances	13	**1 337 243**	1 187 910	1 194 108				
Average interest-earning assets	14	**1 616 996**	1 417 002	1 459 886				
Average ordinary shareholders' equity	11	**163 330**	147 293	150 460	(44)	**4 356**	7 739	6 613

[1] Restated. Refer to page 96.

[2] Includes adjustments on consolidation of Liberty into the group.

STATEMENT OF FINANCIAL POSITION

Liberty[2]				Standard Bank Group			
Change %	1H20 Rm	1H19 Rm	FY19 Rm	Change %	1H20 Rm	1H19[1] Rm	FY19 Rm
				51	**107 405**	70 978	75 288
>100	**9 775**	4 437	4 582	>100	**118 679**	52 104	71 407
47	**4 002**	2 715	2 393	45	**267 197**	184 201	222 802
51	**13 162**	8 705	11 577	23	**25 356**	20 667	29 377
(1)	**359 876**	361 758	362 616	9	**612 463**	559 953	567 319
(48)	**202**	390	317	1	**903**	898	884
(64)	**217**	605	584	71	**1 036**	605	2 599
				13	**1 345 870**	1 186 265	1 181 067
				39	**199 002**	143 505	104 845
				10	**1 146 868**	1 042 760	1 076 222
(13)	**5 746**	6 569	7 017	(13)	**5 746**	6 569	7 017
5	**11 386**	10 811	8 906	28	**43 658**	34 219	29 901
(31)	**253**	368	276	(35)	**6 505**	9 946	5 423
(12)	**29 606**	33 551	33 807	(10)	**30 243**	33 551	34 180
(23)	**2 181**	2 820	2 410	(8)	**21 632**	23 606	22 018
(29)	**474**	671	611	(12)	**20 057**	22 830	22 323
				8	**4 162**	3 859	3 984
1	**436 880**	433 400	435 096	18	**2 610 912**	2 210 251	2 275 589
(7)	**26 124**	28 001	29 122	7	**218 453**	204 510	209 484
(4)	**10 673**	11 102	11 724	7	**179 244**	168 034	171 229
				0	**10 989**	10 989	10 989
				0	**5 503**	5 503	5 503
				0	**5 486**	5 486	5 486
(9)	**15 451**	16 899	17 398	11	**28 220**	25 487	27 266
1	**410 756**	405 399	405 974	19	**2 392 459**	2 005 741	2 066 105
73	**9 057**	5 227	4 774	>100	**123 502**	53 707	69 498
(>100)	**204**	(113)	130	9	**86 955**	79 611	83 847
				(22)	**3 948**	5 036	5 168
(20)	**172**	215	246	(20)	**172**	215	246
55	**(19 415)**	(12 541)	(19 887)	20	**1 654 238**	1 384 216	1 426 193
55	**(19 415)**	(12 541)	(19 887)	31	**112 389**	85 849	101 232
				19	**1 541 849**	1 298 367	1 324 961
(2)	**315 852**	322 820	324 246	(2)	**315 852**	322 820	324 246
0	**5 566**	5 550	5 582	2	**34 132**	33 380	28 901
20	**97 293**	80 882	87 482	39	**170 985**	123 176	124 101
(40)	**2 027**	3 359	3 401	(25)	**2 675**	3 580	3 905
1	**436 880**	433 400	435 096	18	**2 610 912**	2 210 251	2 275 589
2	**11 337**	11 096	11 247	8	**179 023**	166 128	168 320

CONDENSED CONSOLIDATED SEGMENTAL

for the six months ended 30 June 2020

	Personal & Business Banking				Corporate & Investment Banking			
	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
Income from banking activities	(1)	**35 126**	35 521	72 902	11	**21 389**	19 185	38 765
Net interest income[1]	1	**21 790**	21 547	44 135	0	**10 075**	10 078	20 002
Non-interest revenue[1]	(5)	**13 336**	13 974	28 767	24	**11 314**	9 107	18 763
Net fee and commission revenue	(8)	**11 280**	12 279	24 985	4	**3 163**	3 040	6 002
Trading revenue	>100	**477**	131	425	38	**7 695**	5 590	11 669
Other revenue	(2)	**1 543**	1 567	3 336	(70)	**31**	102	363
Other gains and losses on financial instruments	(>100)	**36**	(3)	21	13	**425**	375	729
Total income	(1)	**35 126**	35 521	72 902	11	**21 389**	19 185	38 765
Credit impairment charges	>100	**(8 574)**	(3 695)	(6 360)	>100	**(2 225)**	(552)	(1 590)
Loans and advances	>100	**(8 610)**	(3 673)	(6 351)	>100	**(2 161)**	(794)	(1 725)
Financial investments	100	**34**		3	(>100)	**77**	(6)	(74)
Letters of credit and guarantees	(>100)	**2**	(22)	(12)	(>100)	**(141)**	248	209
Income before operating expenses	(17)	**26 552**	31 826	66 542	3	**19 164**	18 633	37 175
Operating expenses in banking activities	2	**(21 984)**	(21 520)	(43 362)	5	**(10 614)**	(10 102)	(20 957)
Staff costs	(1)	**(6 956)**	(7 028)	(13 714)	(6)	**(3 257)**	(3 467)	(7 001)
Other operating expenses	4	**(15 028)**	(14 492)	(29 648)	11	**(7 357)**	(6 635)	(13 956)
Net income before non-trading and capital items, and equity accounted earnings	(56)	**4 568**	10 306	23 180	0	**8 550**	8 531	16 218
Non-trading and capital related items	>100	**(171)**	(3)	148	>100	**(2 254)**	(128)	(215)
Share of post-tax profit from associates and joint ventures	(36)	**90**	140	325	(100)	**(62)**		2
Profit before indirect taxation	(57)	**4 487**	10 443	23 653	(26)	**6 234**	8 403	16 005
Indirect taxation	0	**(261)**	(261)	(530)	23	**(190)**	(155)	(318)
Profit before direct taxation	(58)	**4 226**	10 182	23 123	(27)	**6 044**	8 248	15 687
Direct taxation	(59)	**(1 055)**	(2 565)	(5 795)	(42)	**(666)**	(1 148)	(2 201)
Profit for the period	(58)	**3 171**	7 617	17 328	(24)	**5 378**	7 100	13 486
Attributable to preference shareholders								
Attributable to AT1 capital shareholders	41	**(99)**	(70)	(160)	12	**(115)**	(103)	(229)
Attributable to non-controlling interests	17	**(335)**	(287)	(610)	22	**(1 167)**	(954)	(1 858)
Attributable to ordinary shareholders	(62)	**2 737**	7 260	16 558	(32)	**4 096**	6 043	11 399
Headline adjustable items	>100	**139**	1	(65)	>100	**1 619**	95	182
Headline earnings	(60)	**2 876**	7 261	16 493	(7)	**5 715**	6 138	11 581
NIM (bps)		**559**	601	602		**233**	279	259
CLR (bps)		**231**	105	89		**68**	30	32
Cost-to-income ratio (%)		**62.6**	60.6	59.5		**49.6**	52.7	54.1
Number of employees	(2)	**24 596**	25 082	24 578	(4)	**3 535**	3 664	3 551
ROE (%)		**7.5**	20.1	22.4		**15.1**	19.2	17.7

[1] Restated. Refer to page 96.

INCOME STATEMENT

	Central and other				Banking activities			
	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
	70	**(731)**	(429)	(1 206)	3	**55 784**	54 277	110 461
	53	**(661)**	(431)	(1 218)	0	**31 204**	31 194	62 919
	(>100)	**(70)**	2	12	6	**24 580**	23 083	47 542
	(1)	**(204)**	(207)	(365)	(6)	**14 239**	15 112	30 622
	(>100)	**(29)**	88	(19)	40	**8 143**	5 809	12 075
	38	**163**	118	390	(3)	**1 737**	1 787	4 089
	(100)		3	6	23	**461**	375	756
	70	**(731)**	(429)	(1 206)	3	**55 784**	54 277	110 461
	(100)	**(492)**		(14)	>100	**(11 291)**	(4 247)	(7 964)
	(100)	**(500)**			>100	**(11 271)**	(4 467)	(8 076)
	100	**8**		(15)	(>100)	**119**	(6)	(86)
				1	(>100)	**(139)**	226	198
	>100	**(1 223)**	(429)	(1 220)	(11)	**44 493**	50 030	102 497
	63	**1 109**	681	1 984	2	**(31 489)**	(30 941)	(62 335)
	7	**(7 405)**	(6 914)	(13 839)	1	**(17 618)**	(17 409)	(34 554)
	12	**8 514**	7 595	15 823	3	**(13 871)**	(13 532)	(27 781)
	(>100)	**(114)**	252	764	(32)	**13 004**	19 089	40 162
	(>100)	**(3)**	2	(84)	>100	**(2 428)**	(129)	(151)
	(100)		2	6	(80)	**28**	142	333
	(>100)	**(117)**	256	686	(44)	**10 604**	19 102	40 344
	12	**(648)**	(578)	(1 158)	11	**(1 099)**	(994)	(2 006)
	>100	**(765)**	(322)	(472)	(48)	**9 505**	18 108	38 338
	>100	**147**	22	108	(57)	**(1 574)**	(3 691)	(7 888)
	>100	**(618)**	(300)	(364)	(45)	**7 931**	14 417	30 450
	0	**(206)**	(207)	(415)	0	**(206)**	(207)	(415)
	(79)	**(9)**	(43)	(69)	3	**(223)**	(216)	(458)
	(63)	**(16)**	(43)	(60)	18	**(1 518)**	(1 284)	(2 528)
	43	**(849)**	(593)	(908)	(53)	**5 984**	12 710	27 049
	(100)	**(2)**		50	>100	**1 756**	96	167
	44	**(851)**	(593)	(858)	(40)	**7 740**	12 806	27 216
						387	444	431
						169	76	68
						56.4	57.0	56.4
	(3)	**16 911**	17 422	16 867	(2)	**45 042**	46 168	44 996
						9.5	17.5	18.1

CONDENSED CONSOLIDATED SEGMENTAL

for the six months ended 30 June 2020

	Banking activities				Other banking interests			
	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Income from banking activities	3	**55 784**	54 277	110 461				
Net interest income[1]	0	**31 204**	31 194	62 919				
Non-interest revenue[1]	6	**24 580**	23 083	47 542				
Net fee and commission revenue	(6)	**14 239**	15 112	30 622				
Trading revenue	40	**8 143**	5 809	12 075				
Other revenue	(3)	**1 737**	1 787	4 089				
Other gains and losses on financial instruments	23	**461**	375	756				
Net income from investment management and life insurance activities								
Total income	3	**55 784**	54 277	110 461				
Credit impairment charges	>100	**(11 291)**	(4 247)	(7 964)				
Loans and advances	>100	**(11 271)**	(4 467)	(8 076)				
Financial investments	(>100)	**119**	(6)	(86)				
Letters of credit and guarantees	(>100)	**(139)**	226	198				
Income before operating expenses	(11)	**44 493**	50 030	102 497				
Operating expenses in banking activities	2	**(31 489)**	(30 941)	(62 335)				
Staff costs	1	**(17 618)**	(17 409)	(34 554)				
Other operating expenses	3	**(13 871)**	(13 532)	(27 781)				
Operating expenses in insurance activities								
Net income before non-trading and capital items, and equity accounted earnings	(32)	**13 004**	19 089	40 162				
Non-trading and capital related items	>100	**(2 428)**	(129)	(151)	(100)	**(1 532)**		(2 418)
Share of post-tax profit from associates and joint ventures	(80)	**28**	142	333	(>100)	**508**	(320)	(864)
Profit before indirect taxation	(44)	**10 604**	19 102	40 344	>100	**(1 024)**	(320)	(3 282)
Indirect taxation	11	**(1 099)**	(994)	(2 006)				
Profit before direct taxation	(48)	**9 505**	18 108	38 338	>100	**(1 024)**	(320)	(3 282)
Direct taxation	(57)	**(1 574)**	(3 691)	(7 888)	(100)	**(416)**		
Profit for the period	(45)	**7 931**	14 417	30 450	>100	**(1 440)**	(320)	(3 282)
Attributable to preference shareholders	0	**(206)**	(207)	(415)				
Attributable to AT1 capital shareholders	3	**(223)**	(216)	(458)				
Attributable to non-controlling interests	18	**(1 518)**	(1 284)	(2 528)				
Attributable to ordinary shareholders	(53)	**5 984**	12 710	27 049	>100	**(1 440)**	(320)	(3 282)
Headline adjustable items	>100	**1 756**	96	167	100	**1 948**		2 418
Headline earnings	(40)	**7 740**	12 806	27 216	(>100)	**508**	(320)	(864)
NIM (bps)		**387**	444	431				
CLR (bps)		**169**	76	68				
Cost-to-income ratio (%)		**56.4**	57.0	56.4				
Number of employees	(2)	**45 042**	46 168	44 996				
ROE (%)		**9.5**	17.5	18.1		**23.5**	(8.3)	(13.1)

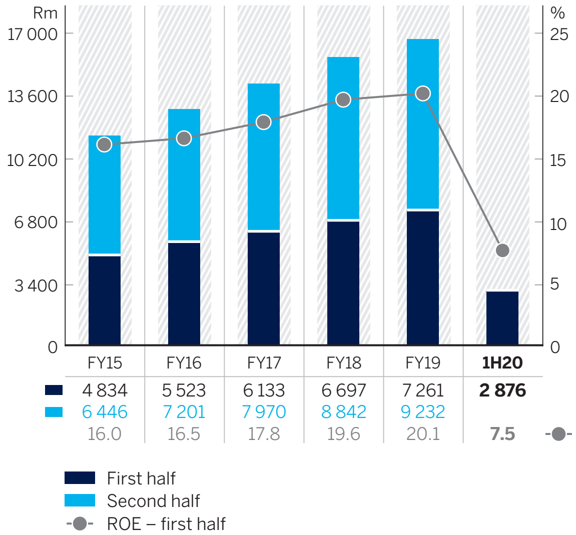
[1] Restated. Refer to page 96.
[2] Includes adjustments on consolidation of Liberty into the group.

Liberty[2]				Standard Bank Group			
Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19[1] Rm	FY19 Rm
				3	**55 784**	54 277	110 461
				0	**31 204**	31 194	62 919
				6	**24 580**	23 083	47 542
				(6)	**14 239**	15 112	30 622
				40	**8 143**	5 809	12 075
				(3)	**1 737**	1 787	4 089
				23	**461**	375	756
(51)	**5 733**	11 784	23 573	(51)	**5 733**	11 784	23 573
(51)	**5 733**	11 784	23 573	(7)	**61 517**	66 061	134 034
				>100	**(11 291)**	(4 247)	(7 964)
				>100	**(11 271)**	(4 467)	(8 076)
				(>100)	**119**	(6)	(86)
				(>100)	**(139)**	226	198
(51)	**5 733**	11 784	23 573	(19)	**50 226**	61 814	126 070
				2	**(31 489)**	(30 941)	(62 335)
				1	**(17 618)**	(17 409)	(34 554)
				3	**(13 871)**	(13 532)	(27 781)
2	**(8 267)**	(8 130)	(16 486)	2	**(8 267)**	(8 130)	(16 486)
(>100)	**(2 534)**	3 654	7 087	(54)	**10 470**	22 743	47 249
39	**(174)**	(125)	(321)	>100	**(4 134)**	(254)	(2 890)
(>100)	**(13)**	9	19	(>100)	**523**	(169)	(512)
(>100)	**(2 721)**	3 538	6 785	(69)	**6 859**	22 320	43 847
9	**(285)**	(261)	(586)	10	**(1 384)**	(1 255)	(2 592)
(>100)	**(3 006)**	3 277	6 199	(74)	**5 475**	21 065	41 255
(>100)	**637**	(1 547)	(2 671)	(74)	**(1 353)**	(5 238)	(10 559)
(>100)	**(2 369)**	1 730	3 528	(74)	**4 122**	15 827	30 696
				0	**(206)**	(207)	(415)
				3	**(223)**	(216)	(458)
(>100)	**1 592**	(925)	(1 852)	(>100)	**74**	(2 209)	(4 380)
(>100)	**(777)**	805	1 676	(71)	**3 767**	13 195	25 443
0	**70**	70	179	>100	**3 774**	166	2 764
(>100)	**(707)**	875	1 855	(44)	**7 541**	13 361	28 207
(1)	**5 665**	5 726	5 695	(2)	**50 707**	51 894	50 691
	(12.5)	15.9	16.5		**8.5**	16.2	16.8

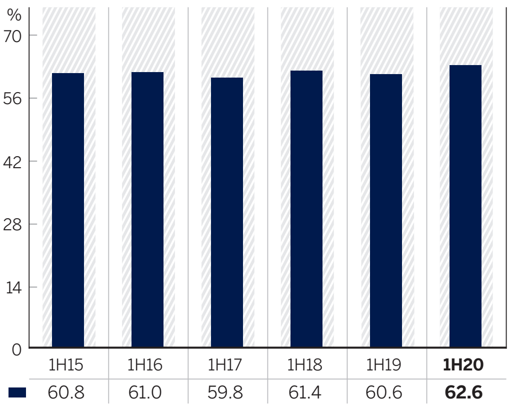
PERSONAL & BUSINESS BANKING

HEADLINE EARNINGS

CAGR (1H15 – 1H20): (10%)



COST-TO-INCOME RATIO



		CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net interest income		(1)	1	**21 790**	21 547	44 135
Non-interest revenue		(6)	(5)	**13 336**	13 974	28 767
Total income		(3)	(1)	**35 126**	35 521	72 902
Credit impairment charges		>100	>100	**(8 574)**	(3 695)	(6 360)
Operating expenses		1	2	**(21 984)**	(21 520)	(43 362)
Taxation		(54)	(53)	**(1 316)**	(2 826)	(6 325)
Headline earnings		(61)	(60)	**2 876**	7 261	16 493
Headline earnings change	%			**(60)**	8	6
Headline earnings contribution to the group	%			**38**	54	58
NIM	bps			**559**	601	602
CLR	bps			**231**	105	89
CLR on loans to customers	bps			**249**	113	96
Cost-to-income ratio	%			**62.6**	60.6	59.5
Jaws	bps			**(327)**	139	213
Effective direct taxation rate	%			**25.0**	25.2	25.1
RoRWA	%			**1.3**	3.6	4.0
ROE	%			**7.5**	20.1	22.4
Number of employees			(2)	**24 596**	25 082	24 578

Client focus

- Client relief of R107 billion in SA and R11 billion in Africa Regions was provided to both individual and business clients to assist with temporary liquidity constraints as a result of the impact of the pandemic.
- To proactively respond to the effects of the Covid-19 lockdown, we actively engaged with clients, provided temporary fee reductions, enhanced digital capabilities and e-commerce solutions.
- Client activity reduced substantially during Q2 driven by the lockdown across the continent.
- Business activity was impacted by the implementation of business continuity management measures and focus on client and employee safety measures.
- Disbursements and new account growth remained subdued during the period.
- Client numbers continued to grow in Africa Regions, offsetting the reduction in the non-relationship banked customer numbers in SA.
- Net promoter scores in SA improved to 69 points from 67 points in December 2019.
- Positive uplift in digital unsecured lending disbursements, primarily driven by digital credit pre-scoring.

Financial outcome

- Strong deposit growth was supported by reduced client spend and conscientious client liquidity management, given the uncertain environment.
- Loan growth was supported by strong disbursements in 2H19, moderated by a substantial reduction in the demand for lending noted during the lockdown period.
- Reducing interest rates resulted in declining margins and muted NII growth.
- Fee and commission revenue was impacted by lower client transactional activity across all channels other than mobile banking offerings.
- Credit impairments charges increased due to the deteriorating economic outlook, proactive provisioning and customer score and payment deterioration.
- Low cost growth as a result of prudent cost management complimented by the savings realised from the branch reconfiguration in 2019. This was partly offset by a continued investment in client proposition initiatives and Covid-19 related expenses.

LOANS AND ADVANCES BY PRODUCT

	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net loans and advances to banks	(18)	(4)	**49 499**	51 338	51 377
Gross loans and advances to banks	(18)	(4)	**49 519**	51 338	51 391
Credit impairments for loans and advances to banks	(100)	(100)	**(20)**	0	(14)
Net loans and advances to customers	4	5	**669 182**	636 962	656 686
Gross loans and advances to customers	5	6	**706 607**	666 266	686 214
Mortgage loans	3	4	**381 614**	368 143	378 003
Vehicle and asset finance	2	3	**95 814**	92 800	94 833
Card debtors	2	2	**34 188**	33 610	34 612
Other loans and advances	9	14	**194 991**	171 713	178 766
Personal unsecured lending	12	16	**71 286**	61 625	66 463
Business and other lending	7	12	**123 705**	110 088	112 303
Credit impairments for loans and advances to customers	26	28	**(37 425)**	(29 304)	(29 528)
Credit impairments for stage 3 loans	31	33	**(24 357)**	(18 382)	(19 298)
Credit impairments for stage 1 and 2 loans	18	20	**(13 068)**	(10 922)	(10 230)
Net loans and advances	2	4	**718 681**	688 300	708 063
Gross loans and advances	3	5	**756 126**	717 604	737 605
Credit impairments	26	28	**(37 445)**	(29 304)	(29 542)

DEPOSITS AND CURRENT ACCOUNTS BY PRODUCT

	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Wholesale priced call deposits	13	13	**144 458**	128 379	135 377
Retail priced deposits	11	18	**534 728**	454 776	471 588
Current accounts	12	16	**176 819**	152 916	157 603
Cash management deposits	17	17	**45 220**	38 690	38 589
Call deposits	8	21	**157 632**	130 272	133 344
Savings accounts	22	32	**38 023**	28 800	29 828
Term deposits	7	11	**108 012**	96 974	104 368
Other funding	35	27	**9 022**	7 124	7 856
Deposits from customers	11	16	**679 186**	583 155	606 965
Deposits from banks	>100	>100	**4 379**	251	3 510
Wholesale priced interdivisional funding	(62)	(64)	**30 777**	86 529	78 377
Total deposits	3	7	**714 342**	669 935	688 852

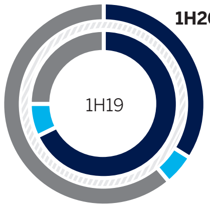
PERSONAL & BUSINESS BANKING

KEY BUSINESS STATISTICS

		Change %	1H20	1H19	FY19
South Africa					
Mortgage lending					
New business disbursements	Rm	(32)	**15 139**	22 236	48 246
Number of loan applications received	thousands	5	**111**	106	220
Average loan to value (LTV) of new business registered	%		**87.6**	88.7	87.9
Portfolio market share[1]	%		**33.8**	34.2	34.0
New business referred by mortgage originators	%		**60.0**	59.2	54.8
Vehicle and asset finance					
New business disbursements	Rm	(32)	**13 746**	20 288	39 891
– motor	Rm	(38)	**10 460**	16 986	33 017
– non-motor	Rm	0	**3 286**	3 302	6 874
Clients					
Active clients	thousands	(6)	**9 116**	9 661	9 397
Digital active clients	thousands	13	**2 643**	2 342	2 455
Ucount clients	thousands	7	**929**	866	897
Standard Bank Mobile subscribers	thousands	>100	**120**	9	68
Clients activity					
Instant Money turnover	Rm	(1)	**9 190**	9 285	20 161
Instant Money transactional volumes	thousands	(4)	**12 004**	12 554	26 744
Digital transactional volumes	thousands	78	**1 240 832**	695 199	1 726 190
Internet banking transactional volumes	thousands	(10)	**222 389**	246 958	490 981
Mobile banking transactional volumes	thousands	>100	**1 018 443**	448 241	1 235 209
ATM transactional volumes	thousands	(21)	**142 354**	179 246	360 726
Branch transactional volumes	thousands	(42)	**18 459**	31 675	58 453
Points of representation					
Branch square metres	thousands	(4)	**303**	314	311
Branches		(1)	**524**	531	529
ATMs[2]		(24)	**5 321**	7 022	6 728
Africa Regions					
Clients					
Active clients	thousands	15	**5 950**	5 175	5 373
Clients activity					
Digital transactional volumes	thousands	24	**108 081**	87 249	191 750
Internet banking transactional volumes	thousands	24	**9 484**	7 620	16 001
Mobile banking transactional volumes	thousands	45	**53 536**	36 931	150 358
ATM transactional volumes	thousands	(4)	**68 507**	71 408	150 358
Branch transactional volumes	thousands	(26)	**10 618**	14 291	28 901
Points of representation					
Branches[3]		0	**585**	584	586
ATMs		13	**2 248**	1 991	2 248

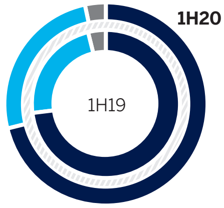
[1] Residential mortgages only.
[2] ATM period on period declined due to the termination of contracts relating to non-Standard Bank owned ATMs.
[3] Includes service centres, customer service trade points, agencies, in-store banking and 'bank at work' sites.

HEADLINE EARNINGS BY MARKET SEGMENT (%)



	1H20	1H19
Retail and business banking	34	68
Commercial banking	5	7
Wealth	61	25

TOTAL INCOME BY GEOGRAPHY (Rm)



	1H20	1H19
South Africa	25 014	25 957
Africa Regions	8 982	8 254
International	1 130	1 310

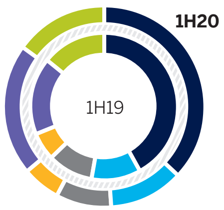
SUMMARISED INCOME STATEMENT BY GEOGRAPHY

	South Africa					Africa Regions				
	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net interest income	1	1	**15 942**	15 831	32 610	3	8	**5 176**	4 804	9 801
Non-interest revenue	(10)	(10)	**9 072**	10 126	20 780	6	10	**3 806**	3 450	7 201
Total income	(4)	(4)	**25 014**	25 957	53 390	4	9	**8 982**	8 254	17 002
Credit impairment charges	>100	>100	**(7 690)**	(2 990)	(5 040)	19	25	**(883)**	(704)	(1 312)
Operating expenses	1	1	**(14 781)**	(14 701)	(29 472)	2	5	**(6 567)**	(6 254)	(12 795)
Headline earnings	(68)	(68)	**1 930**	6 104	13 981	(8)	3	**506**	493	1 252
CLR (bps)			**261**	106	88			**206**	187	169
Cost-to-income ratio (%)			**59.1**	56.6	55.2			**73.1**	75.8	75.3
ROE (%)			**7.1**	23.0	25.9			**7.4**	7.4	9.4

	Wealth International				
	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net interest income	(35)	(26)	**672**	912	1 724
Non-interest revenue	0	15	**458**	398	786
Total income	(25)	(14)	**1 130**	1 310	2 510
Credit impairment charges	0	0	**(1)**	(1)	(8)
Operating expenses	(2)	13	**(636)**	(565)	(1 095)
Headline earnings	(42)	(34)	**440**	664	1 260
CLR (bps)			**0**	0	1
Cost-to-income ratio (%)			**56.3**	43.1	43.6
ROE (%)			**10.9**	22.6	20.1

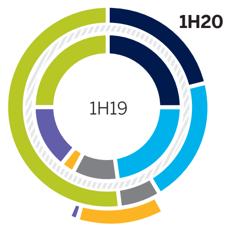
34 PERSONAL & BUSINESS BANKING

PBB COMPOSITION OF TOTAL INCOME BY PRODUCT (%)



	1H20	1H19
Transactional products	**37**	42
Mortgage lending	**12**	11
Card products	**9**	10
Vehicle and asset finance	**6**	6
Lending products	**21**	17
Wealth	**15**	14

PBB COMPOSITION OF HEADLINE EARNINGS BY PRODUCT (%)



	1H20	1H19
Transactional products	**25**	25
Mortgage lending	**24**	23
Card products	**8**	10
Vehicle and asset finance	**(17)**	3
Lending products	**(1)**	14
Wealth	**61**	25

SUMMARISED INCOME STATEMENT BY PRODUCT

	Transactional products					Mortgage lending				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	(9)	(7)	**7 673**	8 259	16 815	6	6	**4 128**	3 888	8 069
Non-interest revenue	(13)	(13)	**5 788**	6 629	13 436	(2)	(2)	**143**	146	305
Total income	(11)	(10)	**13 461**	14 888	30 251	6	6	**4 271**	4 034	8 374
Credit impairment charges						>100	>100	**2 227**	736	923
Operating expenses	(1)	1	**12 166**	12 076	23 976	2	2	**1 112**	1 091	2 223
Headline earnings	(62)	(62)	**687**	1 803	4 188	(59)	(59)	**686**	1 673	3 938

	Card products					Vehicle and asset finance				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	11	11	**1 667**	1 503	3 115	3	4	**1 564**	1 504	3 145
Non-interest revenue	(16)	(16)	**1 635**	1 947	4 084	(19)	(19)	**394**	485	969
Total income	(4)	(4)	**3 302**	3 450	7 199	(2)	(2)	**1 958**	1 989	4 114
Credit impairment charges	90	91	**1 020**	535	992	>100	>100	**1 413**	487	969
Operating expenses	0	1	**1 904**	1 890	3 727	1	1	**1 169**	1 159	2 342
Headline earnings	(67)	(67)	**240**	734	1 767	(>100)	(>100)	**(454)**	228	541

	Lending products					Wealth				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	12	13	**5 595**	4 960	10 220	(27)	(19)	**1 163**	1 433	2 771
Non-interest revenue	3	0	**1 316**	1 313	2 663	11	18	**4 060**	3 454	7 310
Total income	10	10	**6 911**	6 273	12 883	(1)	7	**5 223**	4 887	10 081
Credit impairment charges	98	>100	**3 895**	1 937	3 463	100	100	**19**		13
Operating expenses	4	3	**2 896**	2 816	5 735	4	10	**2 737**	2 488	5 359
Headline earnings	(>100)	(>100)	**(27)**	1 012	2 482	(11)	(4)	**1 744**	1 811	3 577

Transactional products

- Strong deposit growth across the portfolio driven by lower customer spend following Covid-19 restrictions.
- Net interest income was impacted by negative endowment following the interest rate cuts by central banks.
- Net fee and commission revenue declined year on year as result of lower client activity and the impact of regulatory fee waivers and caps introduced in SA and Africa Regions.
- Once-off branch reconfiguration costs in the prior year as well as stringent cost efficiency measures implemented in 1H20 resulted in below inflation cost growth.

Mortgage lending

- Net interest income increased as a result of loan book growth in SA, Namibia and Nigeria driven by higher registrations in the second half of 2019 and a slowdown in prepayments in 1H20.
- The lockdown restrictions in SA exacerbated an already protracted and constrained legal environment which resulted in higher stage 3 provisions.
- Credit impairments were further increased due to proactive expected loss provisioning in response to the restructure population and the deteriorated economic outlook.

Card products

- Solid growth in new customer acquisition in Botswana, Kenya, Lesotho, Namibia and Nigeria.
- Higher average interest-earning asset balances supported NII growth, despite funding cost pressures.
- Non-interest revenue was negatively impacted by lower transaction activity during lockdown, regulatory fee capping as well as additional pressure from card related fees impacting Botswana, Kenya, Lesotho, Namibia, Nigeria and SA.
- Increase in credit impairment charges as a result of a constrained collection environment and higher expected losses linked to the economic environment and restructure population.

Vehicle and asset finance

- Balance sheet growth was supported by new business, partly offset by repayments in the last 12 months.
- Net interest income increased in line with balance sheet growth, partially offset by margin compression.
- Lower fleet rental income and reduced end of contract profits has resulted in lower non-interest revenue in SA.
- Credit impairment charges has increased due to lower recoveries, ageing linked to client income reduction, score deterioration and expected loss provision increases caused by the economic environment.
- Credit impairment charges in Africa Regions were elevated, particularly in Ghana, Kenya and Tanzania due to the difficult economic conditions, partly offset by recoveries in Zambia and Mozambique due to focused collection strategy.

Lending products

- New business disbursements, supported by online origination capability introduced in 2H19 led to book growth.
- Net interest income growth was assisted by good balance sheet growth, moderated by margin compression.
- Under the National Treasury Covid-19 guarantee loans scheme, new loans were originated that supported book growth, but at minimal margins.
- Strong unsecured lending book growth evidenced in Botswana, Mozambique, Nigeria and Zimbabwe supported by digital origination capability.
- Higher credit impairment charges driven by higher expected losses given business turnover and personal income reductions within specific industries and a deterioration in the economic outlook.

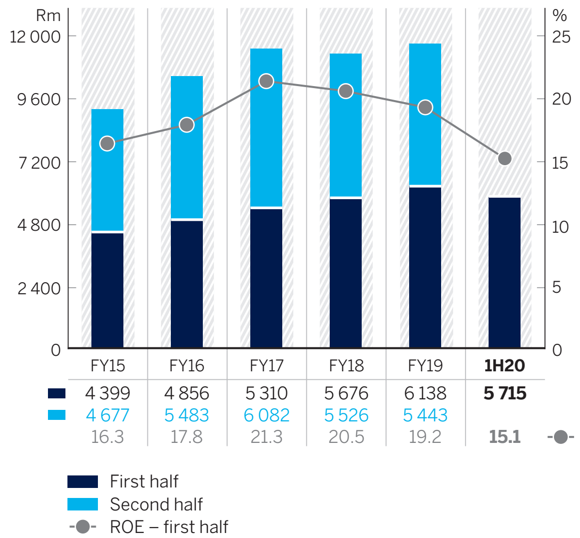
Wealth

- Good deposit and lending growth in Wealth and Investment due to continued focus on new client acquisition and enhanced client experience.
- Lower revenue in Wealth International largely attributed to USD and GBP interest rate cuts coupled with the impact of the SA sovereign downgrade.
- Sustained growth in the Nigeria Wealth business' assets under management and continued diversification of the Wealth business in Africa Regions.
- Focus placed on increasing revenue from insurance brokerage services in SA and Africa Regions.
- Revenue pressures in the Investment business related to weaker macroeconomic conditions.

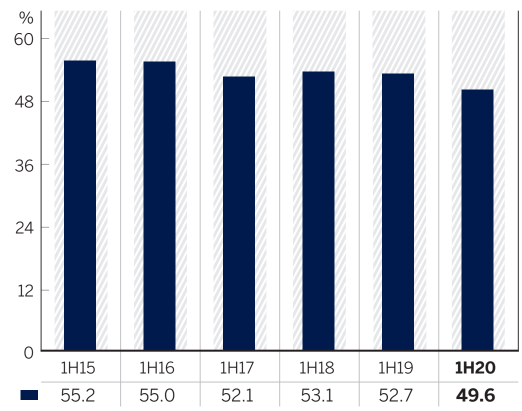
CORPORATE & INVESTMENT BANKING

HEADLINE EARNINGS

CAGR (1H15 – 1H20): 5%



COST-TO-INCOME RATIO



		CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net interest income		(2)	0	**10 075**	10 078	20 002
Non-interest revenue		20	24	**11 314**	9 107	18 763
Total income		9	11	**21 389**	19 185	38 765
Credit impairment charges		>100	>100	**(2 225)**	(552)	(1 590)
Operating expenses		2	5	**(10 614)**	(10 102)	(20 957)
Taxation		(37)	(34)	**(856)**	(1 303)	(2 519)
Headline earnings		(10)	(7)	**5 715**	6 138	11 581
Headline earnings change	%			**(7)**	8	3
Headline earnings contribution to the group	%			**76**	46	41
NIM	bps			**233**	279	259
CLR	bps			**68**	30	32
CLR to customers	bps			**88**	40	40
Cost-to-income ratio	%			**49.6**	52.7	54.1
Jaws	bps			**639**	166	50
Effective direct taxation rate	%			**11.0**	13.9	14.0
RoRWA	%			**1.9**	2.5	2.3
ROE	%			**15.1**	19.2	17.7
Number of employees			(4)	**3 535**	3 664	3 551

Client focus

- Continued to focus on serving our clients and proactively engaging with them to provide tailored support to assist with the impact of Covid-19.
- Clients with exposure totalling R48 billion qualified for Covid-19 relief, including increased liquidity facilities, loan restructurings, covenant relaxations and payment holidays.
- Successfully partnered global multinational companies and large domestic corporates, consolidating our standing as a leading specialist investment bank on the continent.
- Serviced our clients' liquidity, capital and risk management needs in volatile market conditions.
- Focus on product innovation and enhanced offerings, including our sustainable finance team which is tasked with capturing emerging opportunities as the importance of sustainable and impactful investment solutions grows.

Financial outcome

- Strong balance sheet growth in both loans and advances and deposits, augmented by increased utilisation of existing facilities.
- Declining interest rate environment and competitive pressures resulted in margin compression.
- Elevated market volatility, increased client activity and appropriate risk management supported trading revenue growth.
- Negative revaluations on the equity investment portfolio were a significant drag on SA results.
- The franchise benefitted from regional diversification with strong results in Africa Regions bolstering performance.
- Focus on cost discipline and management was maintained whilst absorbing Covid-19 related costs.
- Credit impairments escalated across sectors and regions, driven by the tough economic environment and the impact of Covid-19.
- Deterioration of client risk grades drove higher capital utilisation.
- In response to client needs, the migration to the New Business Online (new BOL) platform in SA was halted and new more responsive solutions are being explored to better serve our clients.

LOANS AND ADVANCES BY PRODUCT

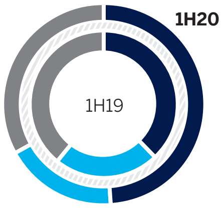
	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Gross loans and advances to banks	24	41	**206 665**	146 937	107 921
Credit impairments for banks	>100	>100	**(74)**	(34)	(45)
Net loans and advances to banks	24	41	**206 591**	146 903	107 876
Gross loans and advances to customers including high quality liquid assets (HQLA)	10	17	**505 788**	431 108	444 055
Global markets	45	48	**40 782**	27 463	39 115
Investment banking	8	15	**407 191**	355 127	361 554
Customer lending qualifying as HQLA	32	32	**19 018**	14 378	18 628
Other loans and advances to customers	7	14	**388 173**	340 749	342 926
Transactional products and services	12	19	**57 815**	48 518	43 386
Less: HQLA	32	32	**(19 018)**	(14 378)	(18 628)
Gross loans and advances to customers	10	17	**486 770**	416 730	425 427
Credit impairments for loans and advances	8	15	**(8 242)**	(7 195)	(5 692)
Credit impairments for stage 3 loans	(2)	6	**(5 198)**	(4 910)	(3 316)
Credit impairments for stage 1 and 2 loans	28	33	**(3 044)**	(2 285)	(2 376)
Net loans and advances to customers	10	17	**478 528**	409 535	419 735
Comprising:					
Net loans and advances	14	23	**685 119**	556 438	527 611
Gross loans and advances	14	23	**693 435**	563 667	533 348
Credit impairments	8	15	**(8 316)**	(7 229)	(5 737)

DEPOSITS AND DEBT FUNDING BY PRODUCT

	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Current accounts	25	32	**106 043**	80 191	82 911
Cash management deposits	20	19	**178 780**	149 718	146 378
Call deposits	26	31	**128 178**	98 081	87 030
Term deposits	18	19	**213 669**	179 513	193 655
Negotiable certificates of deposit	2	3	**159 701**	155 321	148 622
Other funding	41	43	**82 239**	57 625	64 527
Deposits from customers	19	21	**868 610**	720 449	723 123
Interbank deposits	(4)	18	**179 443**	151 521	168 828
Interdivisional funding	(54)	(56)	**(39 346)**	(89 902)	(89 863)
Total deposits and debt funding	21	29	**1 008 707**	782 068	802 088

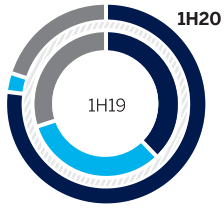
CORPORATE & INVESTMENT BANKING

CIB COMPOSITION OF TOTAL INCOME BY PRODUCT (%)



	1H20	1H19
Global market	**49**	38
Investment banking	**18**	23
Transactional products and services	**33**	39

CIB COMPOSITION OF HEADLINE EARNINGS BY PRODUCT (%)



	1H20	1H19
Global markets	**77**	38
Investment banking	**3**	32
Transactional products and services	**20**	30

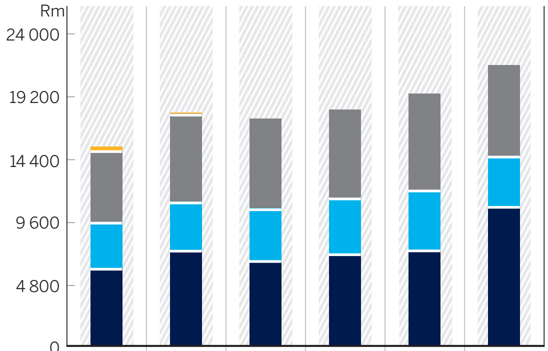
SUMMARISED INCOME STATEMENT BY PRODUCT

	Global markets					Investment banking				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	(12)	(14)	**1 927**	2 249	4 252	14	22	**3 116**	2 560	5 280
Non-interest revenue	65	69	**8 521**	5 043	10 810	(66)	(63)	**701**	1 908	3 588
Total income	42	43	**10 448**	7 292	15 062	(20)	(15)	**3 817**	4 468	8 868
Credit impairment charges	>100	(>100)	**45**	(15)	(111)	>100	>100	**(1 615)**	(274)	(580)
Operating expenses	4	7	**(3 729)**	(3 498)	(7 073)	(5)	0	**(2 423)**	(2 430)	(5 041)
Headline earnings	86	88	**4 374**	2 329	4 831	(91)	(91)	**181**	1 994	3 730

	Transactional products and services					Corporate & Investment Banking				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	(6)	(4)	**5 032**	5 269	10 470	(2)	0	**10 075**	10 078	20 002
Non-interest revenue	(6)	(3)	**2 092**	2 156	4 365	20	24	**11 314**	9 107	18 763
Total income	(6)	(4)	**7 124**	7 425	14 835	9	11	**21 389**	19 185	38 765
Credit impairment charges	>100	>100	**(655)**	(263)	(899)	>100	>100	**(2 225)**	(552)	(1 590)
Operating expenses	5	7	**(4 462)**	(4 174)	(8 843)	2	5	**(10 614)**	(10 102)	(20 957)
Headline earnings	(38)	(36)	**1 160**	1 815	3 020	(10)	(7)	**5 715**	6 138	11 581

CIB TOTAL INCOME BY PRODUCT

CAGR: Global markets 12%
Investment banking 2%
Transactional products and services 5%



	1H15	1H16	1H17	1H18	1H19	**1H20**
Global markets	5 871	7 145	6 474	6 904	7 292	**10 448**
Investment banking	3 466	3 806	3 976	4 256	4 468	**3 817**
Transactional products and services	5 513	6 701	6 851	6 799	7 425	**7 124**
Real estate and Principal Investment Management	299	80	(17)			

Global markets
Investment banking
Transactional products and services
Real estate and Principal Investment Management

Global markets

- Strong revenue performance driven by increased client activity in volatile markets as well as appropriate risk management.
- The Africa Regions portfolio, led by West Africa, produced strong revenue growth with our foreign exchange offering in particular benefitting from increased volumes.
- Maintained foreign exchange market share in SA and improved equities market share in a subdued trading environment. The consolidation of the South African equities offering into a single business continued to deliver benefits.

Investment banking

- Strong loan book growth driven by robust origination in both local and foreign currency as well as facility drawdowns.
- The portfolio continues to benefit from growing regional diversification.
- The Capital Markets and Advisory businesses delivered improved performances with healthy pipelines going into 2H20.
- Decrease in net interest margin as a result of interest rate reductions in most key markets.
- Equity investment portfolio in SA incurred significant write downs as the economic environment impacted profitability of certain investments and their carrying value.
- Impairments increased sharply as a result of the worsening macroeconomic outlook and the deterioration in trading and operating environments.

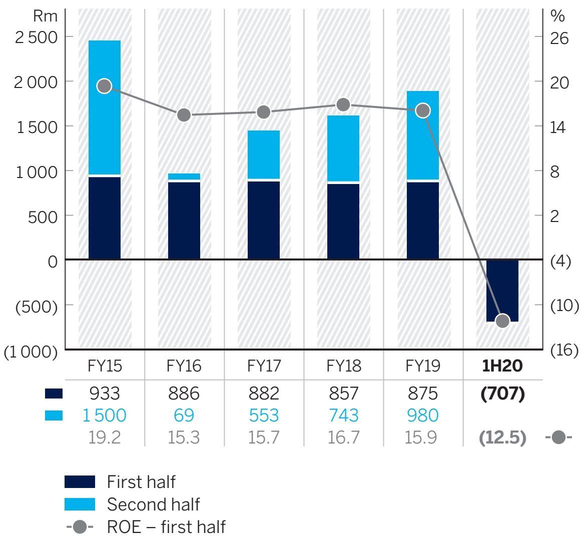
Transactional products and services

- Stable underlying franchise demonstrated by client wins and increasing client share of wallet.
- Significant growth in loans and advances driven by increased utilisation of working capital and trade finance facilities.
- Strong growth in customer deposits in SA and Africa Regions as clients reassess planned capital investments.
- The declining interest rate environment negatively impacted revenues in key markets such as Angola, Mozambique, Nigeria and SA.
- Adverse impact of regulatory interventions in key markets, particularly Nigeria.
- Stage 3 credit impairment charges increased, mainly in relation to the finalisation of names in Africa Regions that have failed to cure.
- The new BOL platform in SA was assessed and impaired due to new technologies rendering components of the platform outdated, with SA clients not being migrated to the platform.

LIBERTY

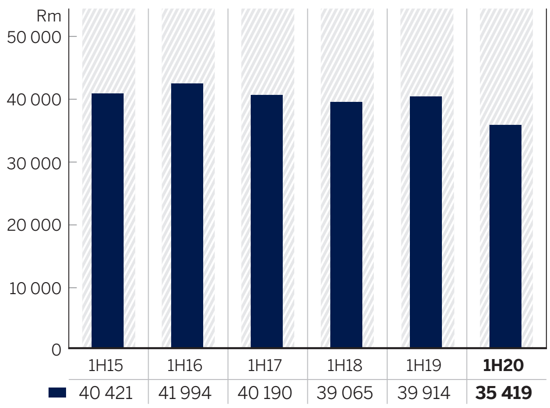
HEADLINE EARNINGS – SBG SHARE

CAGR (1H15 – 1H20): (>100)



NORMALISED GROUP EQUITY VALUE

CAGR[1] (1H15 – 1H20): (3%)



KEY RATIOS AND STATISTICS AS REPORTED BY LIBERTY

		Change %	1H20	1H19	FY19
Normalised operating earnings	Rm	(>100)	**(1 542)**	1 091	2 201
Normalised headline earnings	Rm	(>100)	**(2 173)**	2 013	3 205
IFRS headline earnings	Rm	(>100)	**(2 263)**	1 996	3 254
Normalised return on Liberty group equity value[1]	%		**(18.9)**	14.0	11.5
Normalised group equity value	Rm	(11)	**35 419**	39 914	40 907
Solvency capital requirement coverage ratio	times		**1.83**	1.85	1.99
Indexed new business (excluding contractual increases)	Rm	(11)	**3 430**	3 840	8 125
New business margin	%		**0.2**	0.9	1.0
Value of new business	Rm	(86)	**24**	171	407
Net cash inflows in long-term insurance operations	Rm	88	**(1 062)**	(565)	(142)
Group assets under management	Rbn	(4)	**725**	758	738
Asset management net cash flows (external)	Rm	38	**15 076**	10 944	12 843

[1] Return on embedded value.

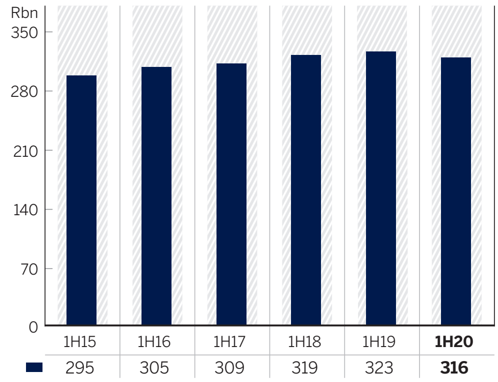
KEY RATIOS AND STATISTICS AS CONSOLIDATED IN SBG

		Change %	1H20	1H19	FY19
Effective interest in Liberty at end of period	%		**57.1**	56.4	56.4
Headline earnings attributable to the group[1]	Rm	(>100)	**(707)**	875	1 855
SBG share of Liberty's IFRS headline earnings	Rm	(>100)	**(1 294)**	1 123	1 847
Impact of SBG shares held for the benefit of Liberty policyholders	Rm	(>100)	**587**	(248)	8
ROE	%		**(12.5)**	15.9	16.5

[1] Includes an adjustment for group shares held for the benefit of Liberty policyholders (deemed treasury shares).

LONG-TERM POLICYHOLDER LIABILITIES

CAGR (1H15 – 1H20): 1%



HEADLINE EARNINGS

	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
South African insurance operations	(45)	**557**	1 012	1 986
SA Retail	(41)	**458**	782	1 505
Liberty Corporate	5	**41**	39	85
LibFin Markets	(70)	**58**	191	396
South Africa Asset Management – STANLIB	8	**226**	209	460
Africa Regions	19	**37**	31	54
Liberty Africa Insurance	47	**25**	17	29
STANLIB Africa	(14)	**12**	14	25
Operations under ownership review	5	**(67)**	(64)	(147)
Central costs and sundry income	24	**(120)**	(97)	(152)
Normalised operating earnings excluding pandemic reserve	(42)	**633**	1 091	2 201
Covid-19 pandemic reserve	(100)	**(2 175)**		
Normalised operating (loss)/earnings	(>100)	**(1 542)**	1 091	2 201
Shareholder Investment Portfolio (SIP)	(>100)	**(631)**	922	1 004
Normalised headline (loss)/earnings	(>100)	**(2 173)**	2 013	3 205
BEE preference shares income	(33)	**(2)**	(3)	(6)
Accounting profit or loss mismatch arising on consolidation of Liberty Two Degrees	>100	**(88)**	(14)	55
IFRS headline (loss)/earnings	(>100)	**(2 263)**	1 996	3 254

[1] Comprises Liberty Africa Insurance and STANLIB Africa within southern African Region.

Client focus

- In continuing to support our clients through their life journeys and fulfilling our promises to them, death and disability payments made by Liberty in the six months to 30 June 2020 increased by 5.1% to R5.3 billion and annuity payments increased by 6.1% to R4.1 billion.
- Various premium relief measures were implemented for risk and investment products during the period to assist and provide relief to our individual and corporate clients experiencing financial hardship.
- An interim underwriting model was developed, which does not require blood tests and medical examinations for new clients, enabled through tele-assessments.

Financial outcome

- Liberty's operations remain financially sound and well capitalised, with Liberty Group Limited remaining towards the upper end of the capital coverage target range of 1.5 – 2.0 times after taking account of the operational and financial market impacts of the pandemic and the establishment of the pandemic reserve.
- South African asset management business, STANLIB South Africa, reported improved earnings for the period and increased net external third-party client cash inflows. This reflects the benefits of having diverse sources of income between the insurance and asset management operations within the group.
- Weak performance in SIP and LibFin Markets portfolios and lower earnings from all insurance business areas largely attributable to the Covid-19 pandemic impact, including the creation of a pandemic reserve amounting to R2.2 billion post-tax.

Notes

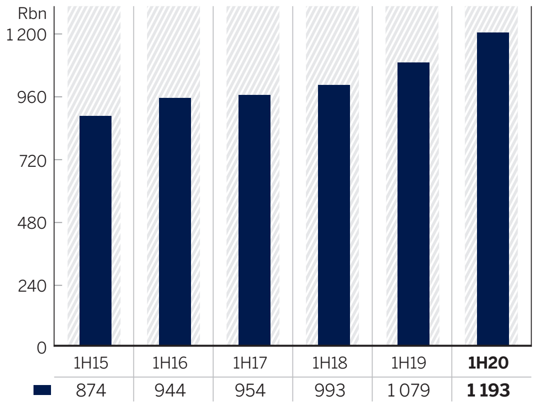
FINANCIAL PERFORMANCE

43

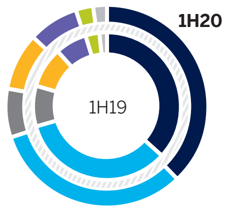
LOANS AND ADVANCES

GROSS LOANS AND ADVANCES TO CUSTOMERS

CAGR (1H15 – 1H20): 6%



COMPOSITION OF LOANS TO CUSTOMERS (%)



	1H20	1H19
Term loans	**38**	37
Mortgage lending	**32**	34
Vehicle and asset finance	**8**	9
Overdraft and other demand loans	**9**	9
Other term loans	**8**	7
Card debtors	**3**	3
Loans granted under resale agreements	**2**	1

	CCY %	Change %	1H20 Rm	1H19[1] Rm	FY19 Rm
Personal & Business Banking	5	6	**706 607**	666 266	686 214
Mortgage loans	3	4	**381 614**	368 143	378 003
Vehicle and asset finance	2	3	**95 814**	92 800	94 833
Card debtors	2	2	**34 188**	33 610	34 612
Other loans and advances	9	14	**194 991**	171 713	178 766
Personal unsecured	12	16	**71 286**	61 625	66 463
Business lending and other	7	12	**123 705**	110 088	112 303
Corporate & Investment Banking	10	17	**486 770**	416 730	425 427
Global markets	45	48	**40 782**	27 463	39 115
Investment banking	7	14	**388 173**	340 749	342 926
Transactional products and services	12	19	**57 815**	48 518	43 386
Central and other	(91)	(91)	**(342)**	(3 737)	(199)
Gross loans and advances to customers	7	11	**1 193 035**	1 079 259	1 111 442
Credit impairments on loans and advances to customers	24	26	**(46 167)**	(36 499)	(35 220)
Credit impairments on stage 3 loans	24	27	**(29 555)**	(23 292)	(22 614)
Credit impairments on stage 1 and 2 loans	24	26	**(16 612)**	(13 207)	(12 606)
Net loans and advances to customers	6	10	**1 146 868**	1 042 760	1 076 222
Gross loans and advances to banks	15	39	**199 096**	143 538	104 904
Credit impairment charges on loans and advances to banks	>100	>100	**(94)**	(33)	(59)
Net loans and advances to banks	15	39	**199 002**	143 505	104 845
Net loans and advances	8	13	**1 345 870**	1 186 265	1 181 067
Gross loans and advances	8	14	**1 392 131**	1 222 797	1 216 346
Credit impairments	24	27	**(46 261)**	(36 532)	(35 279)

[1] Restated. Refer to page 96.

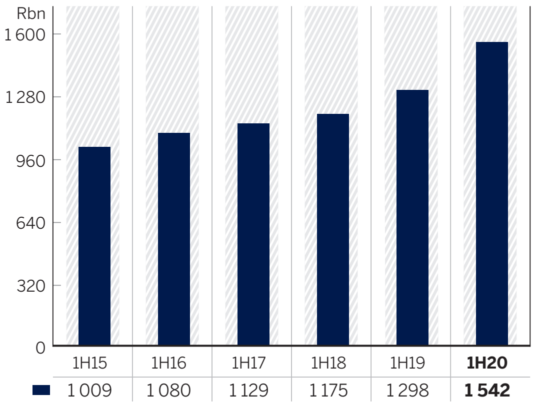
	1H20 Rm	1H19 Rm	FY19 Rm
Loans and advances classification[1]			
Net loans and advances measured at amortised cost	**1 343 578**	1 185 038	1 180 906
Loans and advances measured at fair value through profit or loss	**2 292**	1 227	161
Total net loans and advances	**1 345 870**	1 186 265	1 181 067

[1] For more details on the classification of the group's assets and liabilities, refer to pages 116 – 119.

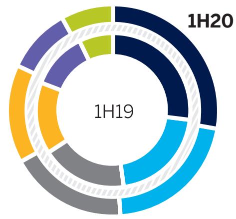
DEPOSITS AND DEBT FUNDING

DEPOSITS FROM CUSTOMERS

CAGR (1H15 – 1H20): 9%



COMPOSITION OF DEPOSITS FROM CUSTOMERS (%)



	1H20	1H19
Call deposits	**28**	27
Term deposits	**21**	21
Current accounts	**18**	18
Cash management deposits	**15**	15
Negotiable certificates of deposits	**10**	12
Other deposits	**8**	7

	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Personal & Business Banking	11	16	**679 186**	583 155	606 965
Wholesale priced deposits	13	13	**144 458**	128 379	135 377
Retail priced deposits	11	18	**534 728**	454 776	471 588
Current accounts	12	16	**176 819**	152 916	157 603
Cash management deposits	17	17	**45 220**	38 690	38 589
Call deposits	8	21	**157 632**	130 272	133 344
Savings accounts	22	32	**38 023**	28 800	29 828
Term deposits	7	11	**108 012**	96 974	104 368
Other deposits	35	27	**9 022**	7 124	7 856
Corporate & Investment Banking	19	21	**868 610**	720 449	723 123
Current accounts	25	32	**106 043**	80 191	82 911
Cash management deposits	20	19	**178 780**	149 718	146 378
Call deposits	26	31	**128 178**	98 081	87 030
Term deposits	18	19	**213 669**	179 513	193 655
Negotiable certificates of deposit	2	3	**159 701**	155 321	148 622
Other funding	41	43	**82 239**	57 625	64 527
Central and other	10	14	**(5 947)**	(5 237)	(5 127)
Deposits from customers	15	19	**1 541 849**	1 298 367	1 324 961
Deposits from banks	(2)	34	**131 804**	98 390	121 119
Total deposits and debt funding	14	20	**1 673 653**	1 396 757	1 446 080
Retail priced deposits	11	18	**534 728**	454 776	471 588
Wholesale priced deposits	15	21	**1 138 925**	941 981	974 492
Wholesale priced deposits – customers	18	19	**1 007 121**	843 591	853 373
Wholesale priced deposits – banks	(2)	34	**131 804**	98 390	121 119

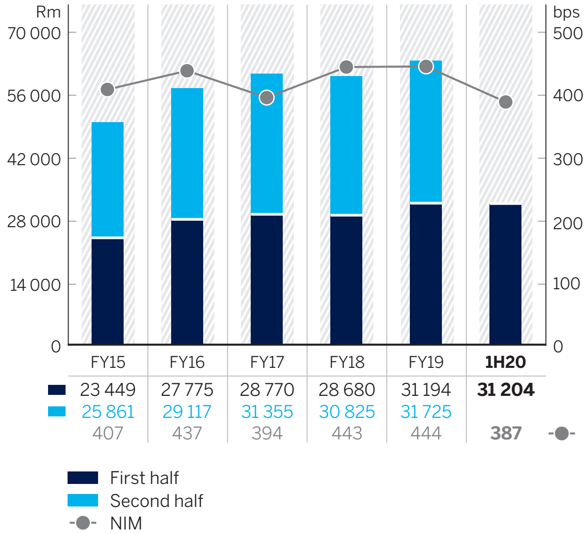
BANKING ACTIVITIES' AVERAGE BALANCE SHEET

	1H20			1H19		
	Average balance Rm	Interest Rm	Average rate bps	Average balance Rm	Interest Rm	Average rate bps
Interest-earning assets						
Cash and balances with central banks[1]	78 268			59 168		
Financial investments	234 707	8 378	716	200 198	8 088	815
Net loans and advances	1 304 021	54 615	840	1 157 636	57 092	995
Gross loans and advances	1 337 243	54 615	819	1 187 910	57 092	969
Gross loans and advances to banks	160 613	2 158	269	132 796	1 938	294
Gross loans and advances to customers	1 176 630	52 457	894	1 055 114	55 154	1 054
Personal & Business Banking	696 617	34 566	995	653 382	37 214	1 149
Mortgage loans	377 865	16 242	862	362 667	18 288	1 017
Vehicle and asset finance	94 496	4 504	956	89 997	5 015	1 124
Card debtors	34 347	2 865	1 673	33 056	2 894	1 765
Other loans and advances	189 909	10 955	1 157	167 662	11 017	1 325
Corporate & Investment Banking	481 580	17 891	745	404 006	17 940	895
Central and other	(1 567)			(2 274)		
Credit impairment charges on loans and advances	(33 222)			(30 274)		
Interest-earning assets	1 616 996	62 993	781	1 417 002	65 180	928
Trading book assets	237 838			171 075		
Non-interest-earning assets	91 202			87 983		
Average assets	1 946 036	62 993	649	1 676 060	65 180	784
Interest-bearing liabilities						
Deposits and debt funding	1 583 736	30 680	389	1 381 225	33 009	482
Deposits from banks	131 822	1 287	196	109 373	1 207	223
Deposits from customers	1 451 914	29 393	406	1 271 852	31 802	504
Personal & Business Banking	646 518	9 328	289	579 962	10 409	362
Current accounts	159 811	95	12	145 531	126	17
Cash management deposits	42 722	877	412	36 371	1 017	564
Call deposits	296 656	4 584	310	261 145	5 605	433
Savings accounts	34 385	280	163	27 893	287	207
Term and other deposits	112 944	3 492	620	109 022	3 374	624
Corporate & Investment Banking	812 688	20 065	495	698 483	21 393	618
Central and other	(7 292)			(6 593)		
Subordinated bonds	24 722	1 109	900	19 619	977	1 004
Interest-bearing liabilities	1 608 458	31 789	396	1 400 844	33 986	489
Average equity	163 330			147 329		
Trading book liabilities	85 925			64 647		
Other liabilities	88 323			63 240		
Average equity and liabilities	1 946 036	31 789	328	1 676 060	33 986	409
Margin on average interest-earning assets	1 616 996	31 204	387	1 417 002	31 194	444

NET INTEREST INCOME AND NET INTEREST MARGIN

NET INTEREST INCOME AND NET INTEREST MARGIN (NIM)

NII CAGR (1H15 – 1H20): 6%



MOVEMENT IN AVERAGE INTEREST-EARNING ASSETS, NET INTEREST INCOME AND NIM

	Average interest-earning assets Rm	Net interest income Rm	Net interest margin bps
1H19[1]	**1 417 002**	**31 194**	**444**
Asset growth	199 994	3 983	
Cash and cash balances with central banks	19 100		
Financial investments	34 509		
Loans and advances	146 385		
Change in asset and liability pricing		(1 277)	(18)
Endowment impact		(1 752)	(25)
Change in balance sheet composition and other		(770)	(12)
Treasury activities and assets held for liquidity purposes		(174)	(2)
1H20	**1 616 996**	**31 204**	**387**

[1] Restated. Refer to page 96.

Net interest income and NIM

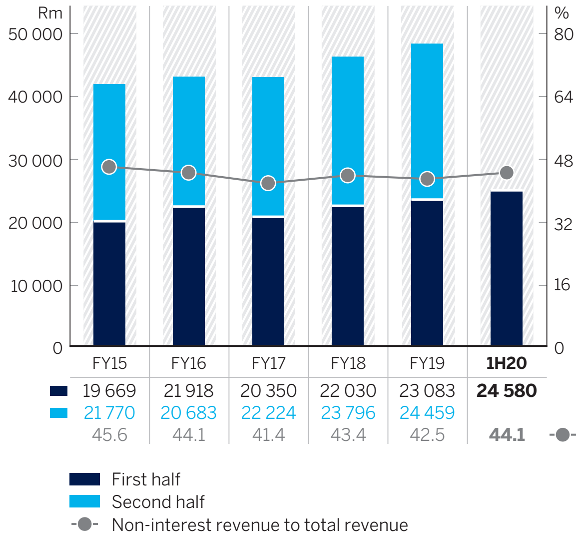
Net interest income was flat, increases driven by:

- Strong origination in both local and foreign currency loan book and facility drawdowns in the Investment Banking portfolio.
- Continued, albeit moderate, balance growth in lending portfolios in PBB.
- A surge in deposit growth as clients adopted a wait-and-see approach during the height of the Covid-19 pandemic across markets.
- Growth in loans to banks due to excess liquidity placements in Angola, Mozambique, Nigeria and SA.
- Increase in financial investments linked to higher placement of prudential assets in SA government bonds.
- Significant increase in negative endowment following deep interest rates cuts in SA and several markets in Africa Regions.
- Pricing pressures, particularly in the competitive markets Investment Banking operates in.
- Impact of lower new business margins on the retail and commercial asset finance within the VAF portfolio.
- Continued increase in the cash reserving requirement owing to book growth in Angola, Ghana, Nigeria and SA.
- Pressures in Wealth International largely due to USD and GBP interest rate cuts coupled with the impact of SA sovereign downgrade.

NON-INTEREST REVENUE ANALYSIS

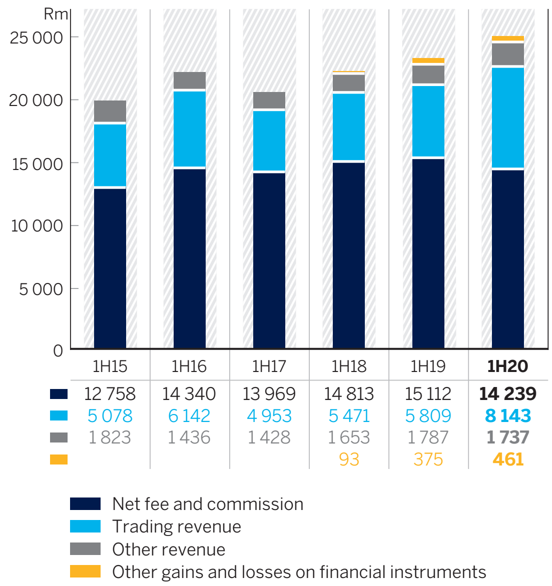
NON-INTEREST REVENUE

CAGR (1H15 – 1H20): 5%



ANALYSIS OF NON-INTEREST REVENUE

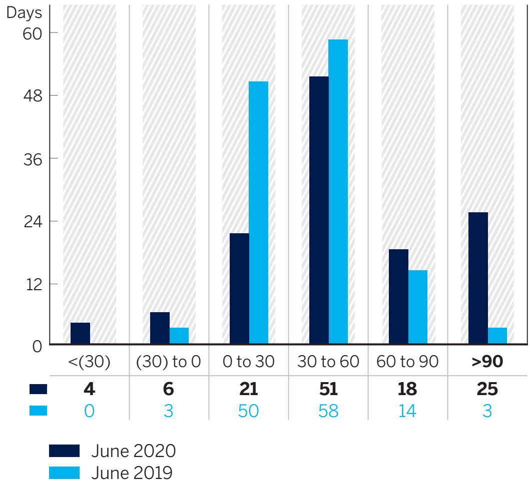
CAGR: Net fee and commission 2%
Trading revenue 10%
Other revenue (1%)



	CCY %	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Net fee and commission revenue	(8)	(6)	**14 239**	15 112	30 622
Fee and commission revenue	(8)	(6)	**17 300**	18 338	37 354
Account transaction fees	(13)	(13)	**4 903**	5 665	11 272
Electronic banking	(3)	(3)	**2 053**	2 116	4 546
Knowledge-based fees and commission	(10)	(1)	**1 183**	1 199	2 304
Card-based commission	(13)	(13)	**2 980**	3 436	7 041
Insurance – fees and commission	(4)	(4)	**875**	907	1 857
Documentation and administration fees	(4)	(6)	**1 104**	1 174	2 281
Foreign currency service fees	(14)	(12)	**960**	1 095	2 253
Other	5	18	**3 242**	2 746	5 800
Fee and commission expense	(5)	(5)	**(3 061)**	(3 226)	(6 732)
Trading revenue	39	40	**8 143**	5 809	12 075
Fixed income and currencies	48	50	**6 685**	4 467	9 452
Commodities	100	100	**44**		32
Equities	5	5	**1 414**	1 342	2 591
Other revenue	(4)	(3)	**1 737**	1 787	4 089
Banking and other	(41)	(37)	**383**	609	1 300
Property-related revenue	(3)	(5)	**140**	147	296
Insurance-related revenue	18	18	**1 214**	1 031	2 493
Other gains and losses on financial instruments[1]	20	23	**461**	375	756
Non-interest revenue	4	6	**24 580**	23 083	47 542

[1] Restated. Refer to page 96.

DISTRIBUTION OF DAILY TRADING INCOME (FREQUENCY OF DAYS)



Net fee and commission revenue

- Net fee and commission revenue was adversely impacted by lower transactional volumes across all fee lines as a result of the slowdown in economic activities linked to the Covid-19 lockdown in SA and African markets, including:
  - Decrease in account transaction fees due to a significant decline in transactional activity notably; cash deposits and withdrawals volumes.
  - Lower electronic banking fees attributed to decrease in business online and electronic funds transfer volumes.
  - Decline in card-based commission revenue due to lower card issuing and acquiring turnover.
  - Decrease in foreign currency services fees as a result of lower international spend due to travel restrictions.
  - Revenue was also impacted by fee waivers.
  - Regulatory imposed fee caps and waivers in certain African markets.
  - Reduction in fee and commission expenses aligned to decrease in transactional volumes and activities.
- Lower insurance fees due to the reduction in number of client deals related to weaker macroeconomic conditions.
- Lower documentation and administration fees driven by a decline in fleet card customers and managed maintenance vehicles as well as lower mortgage and VAF disbursements.
- Higher other fee and commission revenue largely driven by fees earned from Nigeria's pension fund business coupled with an increase in commitment and arrangement fees from corporate client deals in SA and international.

Trading revenue

- Strong growth in fixed income and currencies revenue driven by:
  - Increased forex volumes in SA and across key Africa Regions markets, including Angola and Mozambique.
  - Desks being well positioned as market volatility increased across all major risk classes, particularly during the global sell off in March and April.
- Growth in equities on the back of increased client flows as the consolidation of the South African equities offering into a single business and the introduction of new revenue streams continued to deliver benefits.

Other revenue

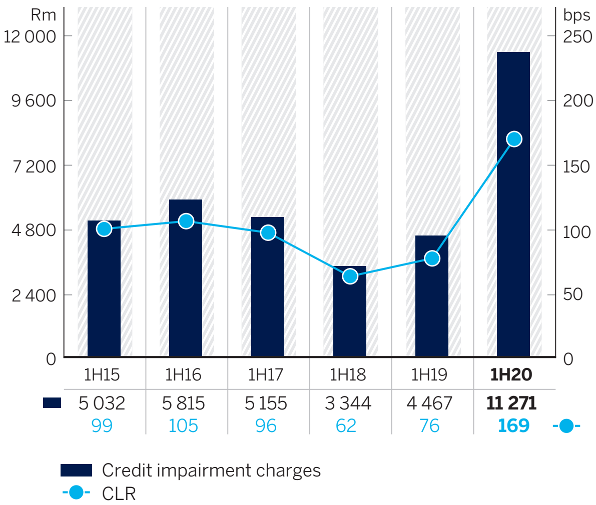
- Banking and other revenue declined on the back of currency hedge losses as well as lower fleet end-of-contract profits.
- Insurance-related revenue growth was assisted by:
  - Non-recurrence of prior year catastrophic events in SA relating to the KwaZulu-Natal flooding.
  - Higher gross written premium as the portfolio tilts towards higher cover and premium products.

Other gains and losses on financial instruments

- Fair value gains on government bonds and treasury bills on the back of declining bond yields, partly offset by lower equity valuations in SA.

CREDIT IMPAIRMENT ANALYSIS
Income statement charges

CREDIT IMPAIRMENT CHARGES ON LOANS AND ADVANCES
CAGR (1H15 – 1H20): 18%



INCOME STATEMENT CREDIT IMPAIRMENT CHARGES

		1H20					
	Change %	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps
Personal & Business Banking	>100	215	2 573	2 788	5 822	8 610	231
Mortgage loans	>100	81	724	805	1 422	2 227	119
Vehicle and asset finance	>100	109	285	394	1 019	1 413	301
Card debtors	91	(73)	308	235	785	1 020	597
Other loans and advances	>100	98	1 256	1 354	2 596	3 950	326
Personal unsecured lending	>100	(10)	831	821	1 892	2 713	788
Business lending and other	>100	108	425	533	704	1 237	143
Corporate & Investment Banking	>100	494	36	530	1 631	2 161	68
Corporate and sovereign lending	>100	431	36	467	1 631	2 098	88
Bank lending	(>100)	63		63		63	8
Central and other	100	185	315	500		500	
Total loans and advances credit impairment charges	>100	894	2 924	3 818	7 453	11 271	169
Credit impairment charge – financial investments						(119)	
Credit impairment charge – letters of credit and guarantees						139	
Total credit impairment charges						11 291	

[1] Includes post write-off recoveries and modification gains and losses.

Credit impairment charges

Personal & Business Banking

- PBB book performance deterioration predominantly related to the Covid-19 impact on businesses and individuals:
  - Higher job losses and income reductions experienced by individual customers coupled with a constrained collections environment which impacted all portfolios,
  - Business customers experienced a decline in turnover was materially lower than pre-Covid-19 levels and only gradually recovering,
  - Forward-looking provisioning models due to weakened economic outlook,
  - Proactive staging of the client relief portfolio taking into account the risk profile related to the deterioration in customer income and industry outlooks. Where relevant the loans have been shifted from stage 1 to stage 2 and 3 and provided for accordingly,
- Elevated credit impairment charges in countries in Africa Regions with significant increases in Kenya, Tanzania, Uganda and Zimbabwe due to economic strain on consumers and small businesses.

Partly offset by:

- Continued focus on risk appetite optimisation to address emerging risks and ensuring enhanced risk management during the crisis.
- Post write-off recovery from an exposure in Malawi, sale of non-performing exposures in Tanzania and the non-recurrence of large stage 3 provisions raised in Namibia and Nigeria in the retail portfolio in 2019.

Corporate & Investment Banking

- Significant expected credit losses on stage 3 portfolio with a rise in enforcement actions required, increased execution risk on sale of assets to settle debts, and political and/or legal risk in certain Africa Regions jurisdictions.
- Increased client migration to watch-list and stage 2 lifetime expected losses following sector reviews taking into account the economic impact of Covid-19.
- Deterioration of probability of defaults in the corporate lending portfolio.
- Sovereign downgrades of Angolan and Zambian country risk grades.

Post-model adjustments held within central and other

- Additional R500 million judgemental credit adjustment on the total loans and advances to customers portfolio. Refer to page 101 for further detail.

	1H19						FY19					
	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps
	237	234	471	3 202	3 673	105	(684)	756	72	6 279	6 351	89
	(40)	(129)	(169)	905	736	41	(358)	(7)	(365)	1 288	923	25
	63	15	78	409	487	109	(107)	100	(7)	976	969	106
	(8)	69	61	474	535	326	(52)	62	10	982	992	297
	222	279	501	1 414	1 915	176	(167)	601	434	3 033	3 467	156
	130	270	400	914	1 314	442	(143)	591	448	1 952	2 400	391
	92	9	101	500	601	76	(24)	10	(14)	1 081	1 067	66
	232	162	394	400	794	30	313	254	567	1 158	1 725	32
	243	162	405	400	805	40	252	254	506	1 158	1 664	40
	(11)		(11)		(11)	(2)	61		61		61	5
	469	396	865	3 602	4 467	76	(371)	1 010	639	7 437	8 076	68
					6						86	
					(226)						(198)	
					4 247						7 964	

CREDIT IMPAIRMENT ANALYSIS

Reconciliation of expected credit loss for loans and advances measured at amortised cost

	1 January 2020 opening balance Rm	Total transfers between stages Rm	Net provisions raised and released Rm
Personal & Business Banking	29 542		9 143
Stage 1	3 871	296	(81)
Stage 2	6 373	(1 323)	3 778
Stage 3	19 298	1 027	5 446
Mortgage loans	10 910		2 180
Stage 1	667	175	(94)
Stage 2	1 910	(273)	945
Stage 3	8 333	98	1 329
Vehicle and asset finance	3 720		1 459
Stage 1	663	50	59
Stage 2	991	(259)	541
Stage 3	2 066	209	859
Card debtors	2 656		1 293
Stage 1	592	1	(74)
Stage 2	975	(295)	569
Stage 3	1 089	294	798
Other loans and advances	12 256		4 211
Stage 1	1 949	70	28
Stage 2	2 497	(496)	1 723
Stage 3	7 810	426	2 460
Personal unsecured lending	7 445		2 739
Stage 1	1 253	36	(46)
Stage 2	1 780	(315)	1 117
Stage 3	4 412	279	1 668
Business lending and other	4 811		1 472
Stage 1	696	34	74
Stage 2	717	(181)	606
Stage 3	3 398	147	792
Corporate & Investment Banking	5 737		2 172
Stage 1	1 267	(87)	581
Stage 2	1 154	(86)	122
Stage 3	3 316	173	1 469
Corporate and sovereign lending	5 692		2 109
Stage 1	1 222	(87)	518
Stage 2	1 154	(86)	122
Stage 3	3 316	173	1 469
Bank lending	45		63
Stage 1	45		63
Central and other			500
Stage 1			185
Stage 2			315
Total	35 279		11 815
Stage 1	5 138	209	685
Stage 2	7 527	(1 409)	4 215
Stage 3	22 614	1 200	6 915

The income statement credit impairment charge on loans and advances of R11 271 million is made up of total transfers of Rnil, net provision raised and released of R11 815 million less modification losses and post write off recoveries of R544 million.

Impaired accounts written off Rm	Currency translation and other movements Rm	Time value of money and interest in suspense Rm	June 2020 closing balance Rm	Modification losses and recoveries of amounts written off Rm
(3 348)	856	1 252	37 445	533
	73		4 159	
	101		8 929	(118)
(3 348)	682	1 252	24 357	651
(458)	49	630	13 311	(47)
	7		755	
	21		2 603	(52)
(458)	21	630	9 953	5
(538)	69	114	4 824	46
	10		782	
	15		1 288	(3)
(538)	44	114	2 754	49
(678)	11	64	3 346	273
	1		520	
	3		1 252	(34)
(678)	7	64	1 574	307
(1 674)	727	444	15 964	261
	55		2 102	
	62		3 786	(29)
(1 674)	610	444	10 076	290
(1 237)	443	354	9 744	26
	34		1 277	
	30		2 612	(29)
(1 237)	379	354	5 855	55
(437)	284	90	6 220	235
	21		825	
	32		1 174	
(437)	231	90	4 221	235
(460)	655	212	8 316	11
	66		1 827	
	101		1 291	
(460)	488	212	5 198	11
(460)	689	212	8 242	11
	100		1 753	
	101		1 291	
(460)	488	212	5 198	11
	(34)		74	
	(34)		74	
			500	
			185	
			315	
(3 808)	1 511	1 464	46 261	544
	139		6 171	
	202		10 535	(118)
(3 808)	1 170	1 464	29 555	662

CREDIT IMPAIRMENT ANALYSIS

Reconciliation of expected credit loss for loans and advances measured at amortised cost

	1 January 2019 opening balance Rm	Total transfers between stages Rm	Net provisions raised and released Rm
Personal & Business Banking	28 047		7 527
Stage 1	4 657	980	(1 664)
Stage 2	6 098	(1 141)	1 634
Stage 3	17 292	161	7 557
Mortgage loans	10 130		922
Stage 1	1 037	500	(858)
Stage 2	2 018	(306)	222
Stage 3	7 075	(194)	1 558
Vehicle and asset finance	3 402		1 253
Stage 1	770	92	(199)
Stage 2	948	(193)	293
Stage 3	1 684	101	1 159
Card debtors	3 067		1 675
Stage 1	643	216	(268)
Stage 2	980	(242)	240
Stage 3	1 444	26	1 703
Other loans and advances	11 448		3 677
Stage 1	2 207	172	(339)
Stage 2	2 152	(400)	879
Stage 3	7 089	228	3 137
Personal unsecured lending	6 687		2 474
Stage 1	1 435	99	(242)
Stage 2	1 300	(53)	520
Stage 3	3 952	(46)	2 196
Business lending and other	4 761		1 203
Stage 1	772	73	(97)
Stage 2	852	(347)	359
Stage 3	3 137	274	941
Corporate & Investment Banking	8 638		1 792
Stage 1	1 083	6	307
Stage 2	1 046	109	145
Stage 3	6 509	(115)	1 340
Corporate and sovereign lending	8 575		1 731
Stage 1	1 023	6	246
Stage 2	1 043	109	145
Stage 3	6 509	(115)	1 340
Bank lending	63		61
Stage 1	60		61
Stage 2	3		
Total	36 685		9 319
Stage 1	5 740	986	(1 357)
Stage 2	7 144	(1 032)	1 779
Stage 3	23 801	46	8 897

The income statement credit impairment charge on loans and advances of R8 076 million is made up of total transfers of Rnil, net provision raised and released of R9 319 million less modification losses and post write off recoveries of R1 243 million.

Impaired accounts written off Rm	Currency translation and other movements Rm	Time value of money and interest in suspense Rm	December 2019 closing balance Rm	Modification losses and recoveries of amounts written off Rm
(8 016)	(582)	2 566	29 542	1 176
	(102)		3 871	
	(218)		6 373	(263)
(8 016)	(262)	2 566	19 298	1 439
(1 069)	(119)	1 046	10 910	(1)
	(12)		667	
	(24)		1 910	(77)
(1 069)	(83)	1 046	8 333	76
(1 017)	(128)	210	3 720	284
			663	
	(57)		991	
(1 017)	(71)	210	2 066	284
(2 213)	(2)	129	2 656	683
	1		592	
	(3)		975	(64)
(2 213)		129	1 089	747
(3 717)	(333)	1 181	12 256	210
	(91)		1 949	
	(134)		2 497	(122)
(3 717)	(108)	1 181	7 810	332
(2 459)	(105)	848	7 445	74
	(39)		1 253	
	13		1 780	(124)
(2 459)	(79)	848	4 412	198
(1 258)	(228)	333	4 811	136
	(52)		696	
	(147)		717	2
(1 258)	(29)	333	3 398	134
(4 974)	(347)	628	5 737	67
	(129)		1 267	
	(146)		1 154	
(4 974)	(72)	628	3 316	67
(4 974)	(268)	628	5 692	67
	(53)		1 222	
	(143)		1 154	
(4 974)	(72)	628	3 316	67
	(79)		45	
	(76)		45	
	(3)			
(12 990)	(929)	3 194	35 279	1 243
	(231)		5 138	
	(364)		7 527	(263)
(12 990)	(334)	3 194	22 614	1 506

CREDIT IMPAIRMENT ANALYSIS

Loans and advances performance

	Gross carrying loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm	SB 21 – 25 Stage 1 Rm	SB 21 – 25 Stage 2 Rm
1H20							
Personal & Business Banking	**755 875**	**230 802**	**3 047**	**366 123**	**26 429**	**21 606**	**57 452**
Mortgage loans	**381 614**	**149 429**	**2 618**	**149 718**	**15 270**	**8 630**	**28 719**
Vehicle and asset finance	**95 814**	**6 338**	**249**	**66 816**	**3 920**	**4 977**	**7 360**
Card debtors	**34 188**	**154**	**26**	**24 748**	**2 192**	**714**	**3 779**
Other loans and advances	**244 259**	**74 881**	**154**	**124 841**	**5 047**	**7 285**	**17 594**
Personal unsecured lending	**71 286**	**2 192**	**2**	**47 987**	**1 756**	**4 378**	**7 944**
Business lending and other	**172 973**	**72 689**	**152**	**76 854**	**3 291**	**2 907**	**9 650**
Corporate & Investment Banking	**691 394**	**434 989**	**5 093**	**203 034**	**27 671**	**3 231**	**3 616**
Corporate and sovereign lending	**486 770**	**240 345**	**4 720**	**194 597**	**26 664**	**3 130**	**3 554**
Bank lending	**204 624**	**194 644**	**373**	**8 437**	**1 007**	**101**	**62**
Central and other	**(57 430)**	**(57 430)**					
Gross loans and advances	**1 389 839**	**608 361**	**8 140**	**569 157**	**54 100**	**24 837**	**61 068**
Percentage of total book (%)	**100**	**43.8**	**0.6**	**41.0**	**3.9**	**1.8**	**4.4**
Gross loans and advances at amortised cost	**1 389 839**						
Gross loans and advances at fair value	**2 292**						
Total gross loans and advances	**1 392 131**						

	Gross carrying loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm	SB 21 – 25 Stage 1 Rm	SB 21 – 25 Stage 2 Rm
FY19							
Personal & Business Banking	737 494	264 388	475	355 060	16 932	16 076	45 900
Mortgage loans	378 003	168 629	17	146 081	10 231	7 046	24 329
Vehicle and asset finance	94 833	10 467	164	68 906	2 238	2 406	6 352
Card debtors	34 612	1 245	11	27 480	646	858	2 871
Other loans and advances	230 046	84 047	283	112 593	3 817	5 766	12 348
Personal unsecured lending	66 463	3 065	32	46 597	715	4 784	5 935
Business lending and other	163 583	80 982	251	65 996	3 102	982	6 413
Corporate & Investment Banking	533 348	314 850	2 731	176 738	20 537	7 523	2 704
Corporate and sovereign lending	425 427	219 616	2 731	168 117	20 258	4 035	2 405
Bank lending	107 921	95 234		8 621	279	3 488	299
Central and other	(54 657)	(54 657)					
Gross loans and advances	1 216 185	524 581	3 206	531 798	37 469	23 599	48 604
Percentage of total book (%)	100	43.1	0.3	43.7	3.1	1.9	4.0
Gross loans and advances at amortised cost	1 216 185						
Gross loans and advances at fair value	161						
Total gross loans and advances	1 216 346						

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). Ratings are mapped to probability of defaults (PD) by means of calibration formulae that use historical default rates and other data from the applicable portfolio.

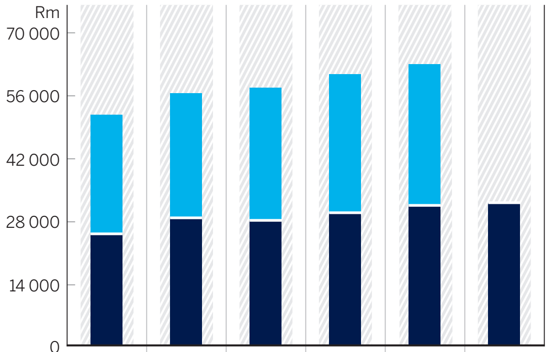
Total stage 1 and 2 loans Rm	Total stage 3 loans Rm	Securities and expected recoveries on stage 3 exposures loans Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross stage 3 loans coverage ratio %	Stage 3 exposures ratio %
705 459	50 416	26 059	24 357	48	6.7
354 384	27 230	17 277	9 953	37	7.1
89 660	6 154	3 400	2 754	45	6.4
31 613	2 575	1 001	1 574	61	7.5
229 802	14 457	4 381	10 076	70	5.9
64 259	7 027	1 172	5 855	83	9.9
165 543	7 430	3 209	4 221	57	4.3
677 634	13 760	8 562	5 198	38	2.0
473 010	13 760	8 562	5 198	38	2.8
204 624					
(57 430)					
1 325 663	64 176	34 621	29 555	46	4.6
95.4	4.6	2.5	2.1		4.6

Total stage 1 and 2 loans Rm	Total stage 3 loans Rm	Securities and expected recoveries on stage 3 exposures loans Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross stage 3 loans coverage ratio %	Stage 3 exposures ratio %
698 831	38 663	19 365	19 298	50	5.2
356 333	21 670	13 337	8 333	38	5.7
90 533	4 300	2 234	2 066	48	4.5
33 111	1 501	412	1 089	73	4.3
218 854	11 192	3 382	7 810	70	4.9
61 128	5 335	923	4 412	83	8.0
157 726	5 857	2 459	3 398	58	3.6
525 083	8 265	4 949	3 316	40	1.5
417 162	8 265	4 949	3 316	40	1.9
107 921					
(54 657)					
1 169 257	46 928	24 314	22 614	48	3.9
96.1	3.9	2.0	1.9		3.9

OPERATING EXPENSES

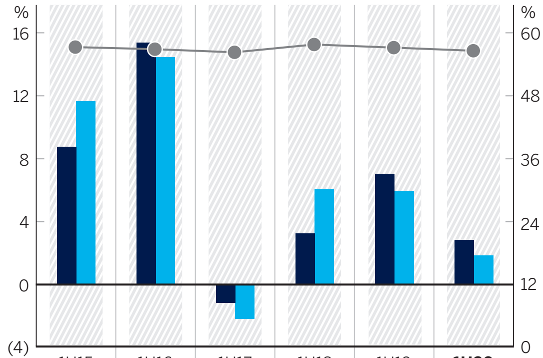
OPERATING EXPENSES

CAGR (1H15 – 1H20): 5%



	FY15	FY16	FY17	FY18	FY19	**1H20**
First half	24 624	28 170	27 553	29 205	30 941	**31 489**
Second half	26 446	27 701	29 496	30 879	31 394	

COST AND INCOME GROWTH



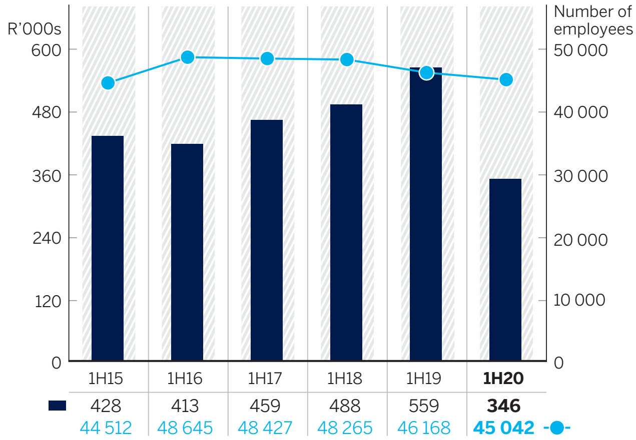
	1H15	1H16	1H17	1H18	1H19	**1H20**
Total income growth	8.7	15.3	(1.2)	3.2	7.0	**2.8**
Total cost growth	11.6	14.4	(2.2)	6.0	5.9	**1.8**
Cost-to-income ratio	57.1	56.7	56.1	57.6	57.0	**56.4**

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Staff costs					
Fixed remuneration	3	5	**12 829**	12 235	24 125
Variable remuneration	(17)	(16)	**3 236**	3 831	7 714
Charge for incentive payments	(13)	(11)	**2 353**	2 641	5 744
IFRS 2 charge: cash-settled share schemes	(55)	(55)	**155**	342	461
IFRS 2 charge: equity-settled share schemes	(14)	(14)	**728**	848	1 509
Other staff costs	14	16	**1 553**	1 343	2 715
Total staff costs	0	1	**17 618**	17 409	34 554
Variable remuneration as a % of total staff costs			**18.4**	22.0	22.3
Other operating expenses					
Information technology	25	26	**4 399**	3 484	7 487
Amortisation of intangible assets	4	4	**1 284**	1 230	2 497
Depreciation	(5)	(3)	**2 233**	2 313	4 504
Premises	(17)	(17)	**1 029**	1 237	2 263
Professional fees	(2)	0	**847**	848	1 828
Communication	3	5	**558**	531	1 114
Marketing and advertising	(10)	(8)	**800**	874	1 889
Other	(14)	(10)	**2 721**	3 015	6 199
Total other operating expenses	0	3	**13 871**	13 532	27 781
Total operating expenses	0	2	**31 489**	30 941	62 335
Total income	1	3	**55 784**	54 277	110 461
Cost-to-income ratio (%)			**56.4**	57.0	56.4
Jaws (bps)			**100**	110	113

ANALYSIS OF TOTAL INFORMATION TECHNOLOGY FUNCTION SPEND

	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Information technology staff costs	5	6	**2 025**	1 916	3 856
Information technology licences, maintenance and related costs	25	26	**4 399**	3 484	7 487
Amortisation of intangible assets	4	4	**1 284**	1 230	2 497
Depreciation and other expenses	12	14	**1 376**	1 202	2 541
Total information technology function spend	15	16	**9 084**	7 832	16 381

BANKING ACTIVITIES HEADLINE EARNINGS PER EMPLOYEE



	Change %	1H20 Number	1H19 Number	FY19 Number
Headcount by business unit				
Personal & Business Banking	(2)	**24 596**	25 082	24 578
Corporate & Investment Banking	(4)	**3 535**	3 664	3 551
Central and other (including corporate functions)	(3)	**16 911**	17 422	16 867
Banking activities	(2)	**45 042**	46 168	44 996
Headcount by geography				
South Africa	(4)	**30 058**	31 201	30 102
Africa Regions	0	**14 369**	14 352	14 274
International	0	**615**	615	620
Banking activities	(2)	**45 042**	46 168	44 996

Staff costs and headcount

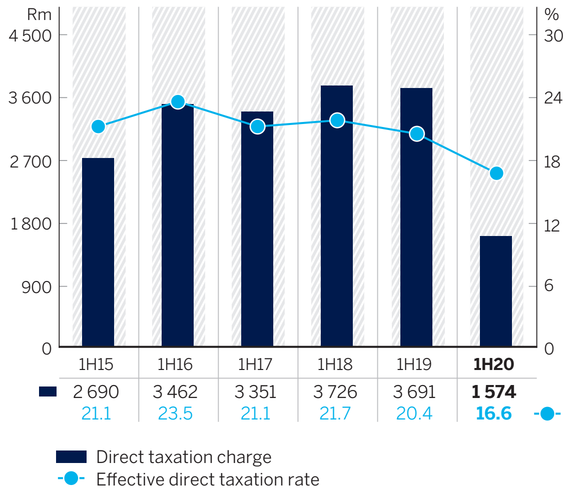
- Increase in fixed remuneration due to annual salary increases offset by savings from business rationalisation across the group.
- Lower variable remuneration as incentive accruals decrease due to business performance.
- Higher other staff cost largely due to Permanent Health Insurance linked to new staff health benefits introduced in 2H19.
- Lower headcount driven by the branch reconfiguration in the prior period as well as natural attrition in the current period.

Other operating expenses

- Growth in information technology spend due to continued investment in new capabilities, with specific focus on:
  - Furthering the bank's cloud strategy,
  - Investing in customer propositions initiatives,
  - Strengthening our client relationship management capabilities,
  - Costs incurred to enable more than 30 000 employees to work remotely during the Covid-19 lockdown.
- Branch closures in SA during 2019 resulted in lower premises costs.
- Lower marketing spend following the cancellation of promotional and sponsorship programmes as well as the non-repeat of media and marketing costs associated with brand campaigns in SA and Africa Regions.
- Decrease in other expenses mainly attributable to savings from business travel and conferencing costs aligned to regulatory restrictions on such activities during the Covid-19 lockdown. This was partly offset by an increase in insurance costs due to higher depositor insurance linked to deposit growth in Nigeria and Ghana.

TAXATION

DIRECT TAXATION CHARGE AND EFFECTIVE DIRECT TAXATION RATE



DIRECT TAXATION RATE RECONCILIATION

	1H20 %	1H19 %	FY19 %
Direct taxation – statutory rate	**28.0**	28.0	28.0
Prior period tax	**0.1**	0.0	(0.5)
Total direct taxation – current period	**28.1**	28.0	27.5
Capital gains tax	**0.0**	(0.2)	(0.1)
Adjustment: Foreign tax and withholdings tax	**5.5**	2.8	3.0
Change in tax rate	**1.2**	0.0	0.0
Normal direct taxation – current period	**34.8**	30.6	30.4
Permanent differences:	**(18.2)**	(10.2)	(9.8)
Non-taxable income – capital profit	**0.0**	(0.1)	0.0
Non-taxable income – dividends	**(8.3)**	(4.7)	(5.1)
Non-taxable income – other [1]	**(12.9)**	(6.7)	(5.6)
Effects of profits taxed in different jurisdictions	**(1.2)**	(1.0)	(1.0)
Other	**4.2**	2.3	1.9
Effective direct taxation rate	**16.6**	20.4	20.6

[1] Primarily comprises non-taxable interest income

Direct taxation rate

The decrease in the effective direct taxation rate is primarily driven by the decrease in the net profit before taxation as well as the following:

- Increase in the impact of dividends received in SBSA.
- Increase in the impact of non-taxable interest income in Africa Regions.

These were partly offset by:

- Change in the Corporate Income Tax rate in Kenya.
- Foreign tax and withholdings tax in Africa Regions.
- Increase in non-deductible expenses incurred to generate exempt income in Africa Regions.

LIQUIDITY AND CAPITAL MANAGEMENT

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LIQUIDITY MANAGEMENT

Liquidity management overview

- Appropriate liquidity buffers were held in line with the assessment of liquidity risk in stressed market conditions across the geographies in which the group operates.
- Proactive liquidity management in line with group liquidity standards ensured that, despite volatile and constrained liquidity environments mainly attributable to the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through frequent engagements between treasury and capital management, risk and business units in which the liquidity risk with respect to on- and off-balance sheet positions was carefully monitored. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands.
- The group continues to leverage the extensive deposit franchises across the group to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding.
- In light of the effects of Covid-19 on the South African market, the SARB has amended the minimum requirements relating to the liquidity coverage ratio (LCR) from 100% to 80% (effective 1 April 2020) to provide temporary liquidity relief to banks, in line with the intention of the Basel III LCR framework, and to promote continued provision of credit by banks. No temporary measures have been applied to the net stable funding ratio (NSFR).
- The group maintained both the LCR and the NSFR in excess of the minimum regulatory requirements during the first half of 2020.
- Longer-term funding was increased by R24.2 billion through the issuance of negotiable certificate of deposits, senior debt and syndicated loans. More recently, the group has also benefitted from increased liquidity in the market, contributing to stronger liquidity ratios being reported.
- R5.5 billion Tier II capital was issued in the first half of 2020, the proceeds of which were invested in SBSA on the same terms and conditions.

Total contingent liquidity

- Portfolios of marketable and liquid instruments to meet regulatory and internal stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits on the basis of diversification and liquidity.
- Managed liquidity represents unencumbered marketable instruments other than eligible Basel III LCR HQLA (excluding trading assets), which would be able to provide sources of liquidity in a stress scenario.

	1H20 Rbn	1H19 Rbn	FY19 Rbn
Eligible LCR HQLA[1] comprising:	**361.2**	274.5	304.7
Notes and coins	**16.8**	15.1	16.5
Balances with central banks	**34.0**	34.8	37.1
Government bonds and bills	**270.0**	177.1	207.3
Other eligible liquid assets	**40.4**	47.5	43.8
Managed liquidity	**200.8**	138.0	122.6
Total contingent liquidity	**562.0**	412.5	427.3
Total contingent liquidity as a % of funding-related liabilities	**33.0**	28.9	29.1

[1] Eligible LCR HQLA are defined according to the Basel Committee on Banking Supervision LCR and liquidity risk monitoring framework and consider any liquidity transfer restrictions that will inhibit the transfer of HQLA across jurisdictions.

Liquidity coverage ratio (average)

- The Basel III LCR promotes short-term resilience of the group's 30 calendar day liquidity risk profile by ensuring it has sufficient HQLA to meet potential outflows in a stressed environment.
- The SBG and SBSA LCR figures reflect the simple average of daily observations over the periods as reflected in the table below.

	2Q20 Rbn	2Q19 Rbn	4Q19 Rbn
SBG[1]			
Total HQLA	**341.7**	264.3	293.6
Net cash outflows	**251.1**	213.7	212.1
LCR (%)	**136.1**	123.7	138.4
SBSA[2]			
Total HQLA	**221.5**	172.8	205.4
Net cash outflows	**189.0**	133.3	165.1
LCR (%)	**117.2**	129.6	124.4
Minimum requirement (%)	**80.0**	100.0	100.0

[1] Includes quarterly daily results for SBSA, SBSA Isle of Man branch, Stanbic Bank Ghana, Stanbic Bank Uganda, Standard Bank Namibia, Stanbic IBTC Bank Nigeria, Standard Bank Isle of Man Limited and Standard Bank Jersey Limited and the simple average of three month-end data points for the respective quarter for the other Africa Regions' banking entities.
[2] Excludes foreign branches.

Structural liquidity requirements

Net stable funding ratio (NSFR)[1]

- The objective of the Basel III NSFR is to promote funding stability and resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of assets and off-balance sheet activities.
- The available stable funding is defined as the portion of capital and liabilities expected to be available over the one year time horizon considered by the NSFR.
- The amount of required stable funding is a function of the liquidity characteristics and residual maturities of the various assets (including off-balance sheet exposures) held by the bank.

	1H20 Rbn	1H19 Rbn	FY19 Rbn
SBG			
Available stable funding	**1 332.6**	1 125.2	1 171.2
Required stable funding	**1 090.1**	946.8	980.1
NSFR (%)	**122.2**	118.8	119.5
SBSA[2]			
Available stable funding	**890.8**	812.3	830.9
Required stable funding	**805.8**	746.9	763.6
NSFR (%)	**110.5**	108.8	108.8
Minimum requirement (%)	**100.0**	100.0	100.0

[1] Period-end position
[2] Excludes foreign branches.

Diversified funding base

- Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the competitive and regulatory environment.
- The group continued to focus on building its deposit base as a key component of the funding mix. Deposits sourced from South Africa and other major jurisdictions in the Africa Regions, Isle of Man and Jersey provide diversity of stable sources of funding for the group.

FUNDING-RELATED LIABILITIES COMPOSITION[1]

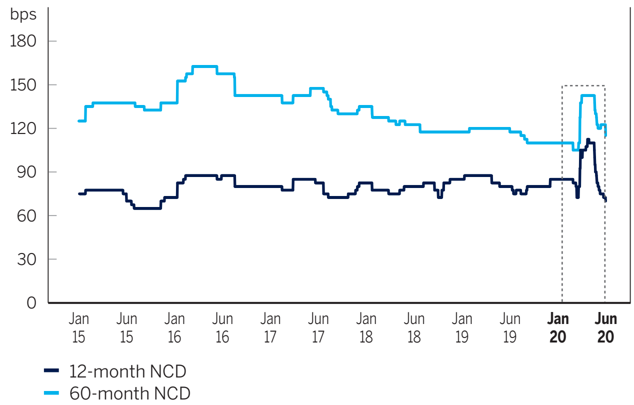
	1H20 Rbn	1H19 Rbn	FY19 Rbn
Corporate funding	**530**	405	437
Retail deposits[2]	**441**	381	395
Institutional funding	**398**	351	324
Government and parastatals	**98**	97	97
Interbank funding	**81**	75	84
Senior debt	**66**	61	65
Term loan funding	**51**	23	37
Subordinated debt issued	**29**	28	23
Other liabilities to the public	**8**	4	7
Total banking activities funding-related liabilities	**1 702**	1 425	1 469

[1] Composition aligned to Basel III liquidity classification.
[2] Comprises individual and small business customers.

Funding costs

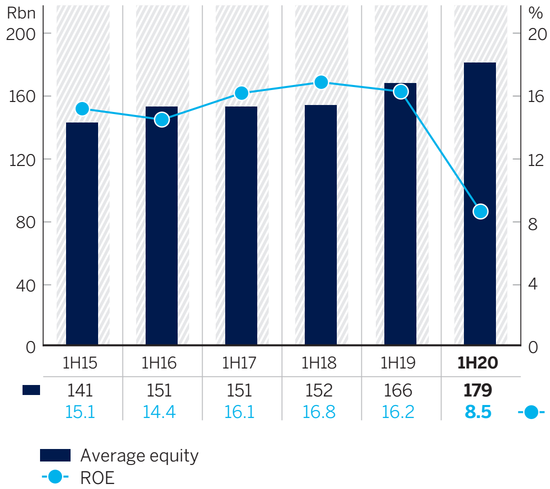
- The market cost of liquidity is measured as the spread paid on negotiable certificates of deposit (NCDs) relative to the prevailing reference rate, three-month JIBAR.
- The graph is based on actively issued money market instruments by SBSA, namely 12- and 60-month NCDs.
- The cost of liquidity, as measured by pricing of 12-month and 5-year NCDs, has experienced significant volatility during the period, primarily caused by the market volatility during the initial phases of the Covid-19 lockdown. Pricing has improved significantly in the second quarter, driven by strong demand for bank credit, healthy bank liquidity ratios and a significant amount of liquidity availability in the economy.

SBSA 12- AND 60-MONTH LIQUIDITY SPREAD



RETURN ON EQUITY, COST OF EQUITY AND ECONOMIC RETURNS

RETURN ON ORDINARY SHAREHOLDERS' EQUITY – GROUP



ROE AND AVERAGE EQUITY

	1H20		1H19		FY19	
	Average equity Rm	**ROE %**	Average equity Rm	ROE %	Average equity Rm	ROE %
Personal & Business Banking	**76 827**	**7.5**	72 885	20.1	73 609	22.4
Corporate & Investment Banking	**76 351**	**15.1**	64 438	19.2	65 304	17.7
Central and other	**10 152**	**(16.9)**	9 970	(12.0)	11 547	(7.4)
Banking activities	**163 330**	**9.5**	147 293	17.5	150 460	18.1
Other banking interests	**4 356**	**23.5**	7 739	(8.3)	6 613	(13.1)
Liberty	**11 337**	**(12.5)**	11 096	15.9	11 247	16.5
Standard Bank Group	**179 023**	**8.5**	166 128	16.2	168 320	16.8

COST OF EQUITY ESTIMATES[1]

	Average 1H20 %	Average 1H19 %	Average FY19 %
Standard Bank Group	**14.3**	13.9	13.9
Banking activities	**14.4**	14.0	14.0

[1] Estimated using the capital asset pricing model, by applying estimates of risk free rate, 9.3% (1H19: 8.9%, FY19: 9.0%), equity risk premium, 6.1% (1H19: 6.2%, FY19: 6,2%), and beta 82.1% (1H19: 80.0%, FY19: 80.3%). Beta for banking activities estimated at 83.1% (1H19: 80.8%, FY19: 81.4%).

ECONOMIC RETURNS

	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Average ordinary shareholders' equity	8	**179 023**	166 128	168 320
Headline earnings	(44)	**7 541**	13 361	28 207
Cost of equity charge	11	**(12 730)**	(11 451)	(23 396)
Economic returns	(>100)	**(5 189)**	1 910	4 811

CURRENCY TRANSLATION EFFECTS AND ECONOMIC CAPITAL

MOVEMENT IN GROUP RESERVE

	1H20 Rm	1H19 Rm	FY19 Rm
Balance at beginning of the period: (debit)	**(8 566)**	(2 783)	(2 783)
Translation and hedge reserve increase/(decrease) for the period	**9 720**	(3 741)	(5 783)
Translation reserve increase/(decrease)	**9 781**	(3 741)	(5 783)
Africa Regions	**7 297**	(3 271)	(4 964)
International	**2 403**	(461)	(798)
Liberty	**81**	(9)	(21)
Currency hedge losses	**(61)**		
Movement due to disposal and liquidation of entities	**3 367**		
Balance at end of the period: credit/(debit)	**4 521**	(6 524)	(8 566)

ECONOMIC CAPITAL UTILISATION BY RISK TYPE

	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Credit risk	33	**105 773**	79 434	87 068
Equity risk	(32)	**5 083**	7 457	6 617
Market risk	93	**2 015**	1 044	1 322
Operational risk	10	**16 553**	15 015	14 695
Business risk	6	**4 182**	3 931	4 039
Interest rate risk in the banking book	6	**4 835**	4 563	4 782
Economic capital requirement	24	**138 441**	111 444	118 523
Available financial resources	9	**194 523**	178 524	174 417
Economic capital coverage ratio (times)		**1.41**	1.60	1.47

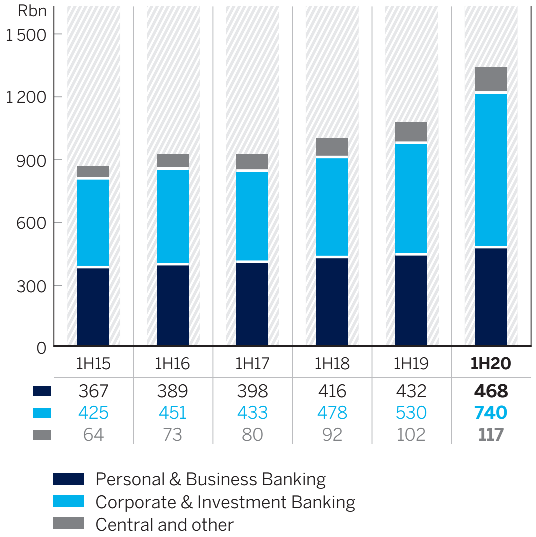
ECONOMIC CAPITAL UTILISATION BY BUSINESS LINE

	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Personal & Business Banking	11	**32 526**	29 225	29 942
Corporate & Investment Banking	35	**98 408**	72 973	78 593
Other banking interests and other	(19)	**7 507**	9 246	9 988
Economic capital requirement	24	**138 441**	111 444	118 523

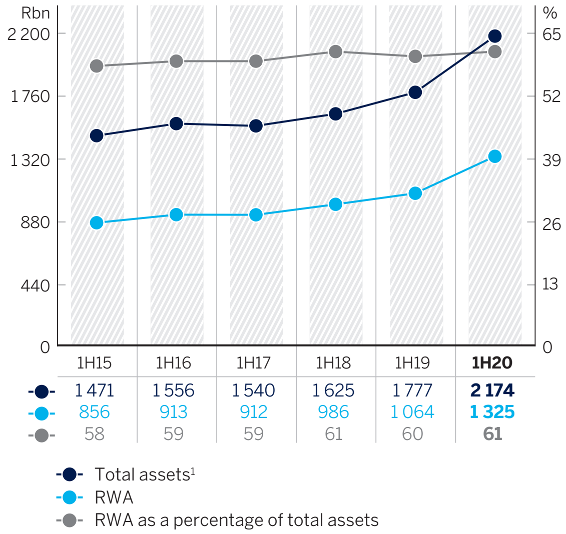
RISK-WEIGHTED ASSETS

RISK-WEIGHTED ASSETS (RWA) BY BUSINESS UNIT

CAGR (1H15 – 1H20): Personal & Business Banking 5%
Corporate & Investment Banking 12%
Central and other 13%



RWA AND TOTAL ASSETS (CLOSING BALANCES)



[1] Banking activities and other banking interest.

BY BUSINESS UNIT AND RISK TYPE

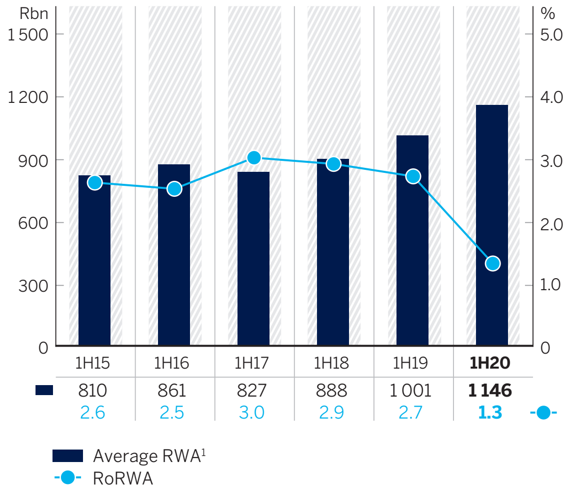
	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Personal & Business Banking	8	**467 989**	431 932	434 894
Credit risk	9	**359 111**	328 322	330 691
Counterparty credit risk	(19)	**382**	472	441
Market risk	(96)	**69**	1 796	1 192
Operational risk	5	**104 599**	99 368	100 186
Equity risk in the banking book	94	**3 828**	1 974	2 384
Corporate & Investment Banking	40	**740 243**	530 137	565 034
Credit risk	47	**519 629**	353 806	385 984
Counterparty credit risk	86	**55 691**	29 999	31 471
Market risk	18	**85 993**	73 182	74 191
Operational risk	10	**69 430**	63 190	62 588
Equity risk in the banking book	(5)	**9 500**	9 960	10 800
Central and other	14	**116 535**	101 797	99 600
Credit risk	20	**51 803**	43 111	40 842
Operational risk	19	**4 477**	3 768	3 045
Equity risk in the banking book	(31)	**2 395**	3 471	3 770
RWA for investments in financial entities	12	**57 860**	51 447	51 943
Standard Bank Group	25	**1 324 767**	1 063 866	1 099 528

BY RISK TYPE

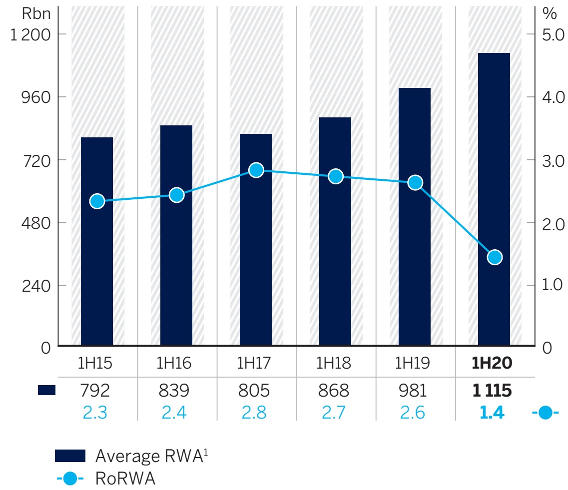
	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Credit risk	28	**930 543**	725 239	757 517
Counterparty credit risk	84	**56 073**	30 471	31 912
Market risk	15	**86 062**	74 978	75 383
Operational risk	7	**178 506**	166 326	165 819
Equity risk in the banking book	2	**15 723**	15 405	16 954
RWA for investments in financial entities	12	**57 860**	51 447	51 943
Standard Bank Group	25	**1 324 767**	1 063 866	1 099 528

RETURN ON RISK-WEIGHTED ASSETS

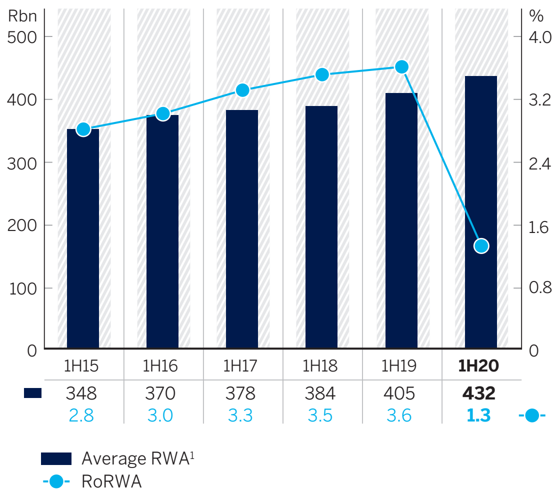
SBG RORWA



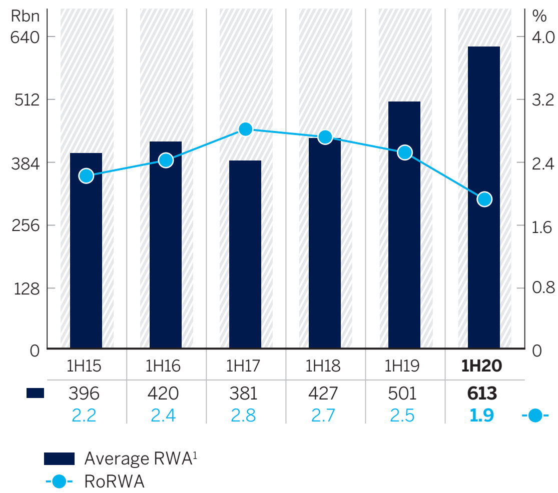
BANKING ACTIVITIES RORWA



PBB RORWA



CIB RORWA

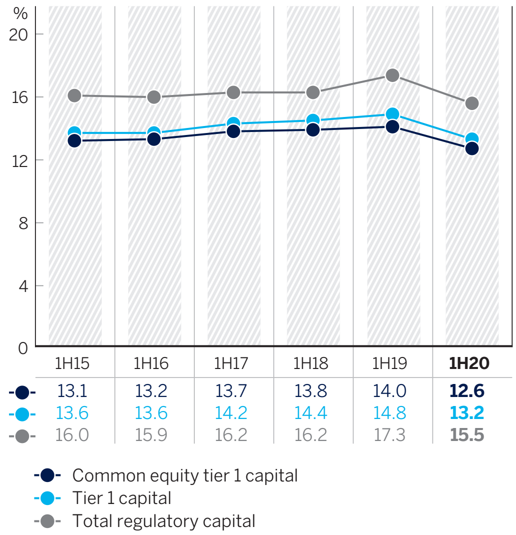


[1] Average RWA calculated net of non-controlling interests.

CAPITAL ADEQUACY

CAPITAL ADEQUACY[1]

(including unappropriated profit)



[1] Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.

QUALIFYING REGULATORY CAPITAL EXCLUDING UNAPPROPRIATED PROFIT

	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Ordinary shareholders' equity	7	**179 244**	168 034	171 229
Qualifying non-controlling interest	39	**8 354**	5 990	5 611
Regulatory adjustments	(20)	**(20 171)**	(25 231)	(22 459)
Goodwill	21	**(2 616)**	(2 164)	(2 186)
Other intangible assets	(13)	**(14 646)**	(16 794)	(16 518)
Investments in financial entities	(67)	**(2 866)**	(8 690)	(5 833)
Other adjustments including IFRS 9 phase-in	(>100)	**(43)**	2 417	2 078
Total common equity tier 1 capital (including unappropriated profit)	13	**167 427**	148 793	154 381
Unappropriated profit	(76)	**(2 743)**	(11 600)	(14 159)
Common equity tier 1 capital	20	**164 684**	137 193	140 222
Qualifying other equity instruments	(14)	**6 585**	7 684	7 123
Qualifying non-controlling interest	29	**1 198**	931	636
Tier 1 capital	18	**172 467**	145 808	147 981
Tier 2 capital	13	**30 169**	26 729	22 002
Qualifying tier 2 subordinated debt	7	**24 993**	23 294	19 317
General allowance for credit impairments	51	**5 176**	3 435	2 685
Total regulatory capital	17	**202 636**	172 537	169 983

CAPITAL ADEQUACY RATIOS (PHASED-IN)

	Internal target ratios[1,2] %	SARB minimum regulatory requirement[3] %	**Excluding unappropriated profit**			**Including unappropriated profit**		
			1H20 %	1H19 %	FY19 %	**1H20 %**	1H19 %	FY19 %
Common equity tier 1 capital adequacy ratio	10.0 – 11.5	7.0	**12.4**	12.9	12.8	**12.6**	14.0	14.0
Tier 1 capital adequacy ratio	>11.0	8.5	**13.0**	13.7	13.5	**13.2**	14.8	14.7
Total capital adequacy ratio	>14.0	10.5	**15.3**	16.2	15.5	**15.5**	17.3	16.7

[1] Including unappropriated profit.
[2] Recalibrated in line with the temporary removal of Pillar 2A buffer requirements by the Prudential Authority.
[3] Excluding confidential bank specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.

CAPITAL ADEQUACY RATIOS (FULLY LOADED)[1]

	Internal target ratios[2,3] %	SARB minimum regulatory requirement[4] %	Excluding unappropriated profit			Including unappropriated profit		
			1H20 %	1H19 %	FY19 %	**1H20 %**	1H19 %	FY19 %
Common equity tier 1 capital adequacy ratio	10.0 – 11.5	7.0	**12.3**	12.6	12.5	**12.5**	13.7	13.8
Tier 1 capital adequacy ratio	>11.0	8.5	**12.9**	13.4	13.2	**13.1**	14.5	14.5
Total capital adequacy ratio	>14.0	10.5	**15.2**	16.1	15.4	**15.4**	17.2	16.6

[1] Capital ratios based on the inclusion of the full IFRS 9 transitional impact.
[2] Including unappropriated profit.
[3] Recalibrated in line with the temporary removal of Pillar 2A buffer requirements by the Prudential Authority.
[4] Excluding confidential bank specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.

CAPITAL ADEQUACY RATIOS PER LEGAL ENTITY[1]

	Tier 1 host regulatory requirement %	Total host regulatory requirement %	**1H20**		1H19		FY19	
			Tier 1 capital %	**Total capital %**	Tier 1 capital %	Total capital %	Tier 1 capital %	Total capital %
Standard Bank Group	8.5	10.5	**13.2**	**15.5**	14.8	17.3	14.7	16.7
The Standard Bank of South Africa Group (SBSA group)	8.5	10.5	**12.1**	**15.4**	14.0	17.6	14.0	16.8
Africa Regions								
Stanbic Bank Botswana	7.5	12.5	**10.0**	**16.8**	10.6	18.0	10.2	17.7
Stanbic Bank Ghana	9.5	11.5	**17.3**	**19.3**	14.7	16.7	12.4	14.4
Stanbic Bank Kenya	10.5	14.5	**15.4**	**17.9**	14.4	17.7	15.2	18.3
Stanbic Bank S.A. (Côte d'Ivoire)[2]	7.9	10.4	**>100**	**>100**	95.5	95.5	>100	>100
Stanbic Bank Tanzania	12.5	14.5	**20.4**	**21.9**	15.0	17.0	17.3	18.8
Stanbic Bank Uganda	10.0	12.0	**18.5**	**20.9**	16.8	19.5	16.9	19.4
Stanbic Bank Zambia	5.0	10.0	**20.0**	**22.9**	16.6	19.2	19.7	22.5
Stanbic Bank Zimbabwe	8.0	12.0	**12.9**	**24.1**	13.8	16.7	16.7	26.5
Stanbic IBTC Bank Nigeria		10.0	**17.2**	**20.6**	17.7	21.7	16.5	19.4
Standard Bank de Angola		10.0	**29.8**	**34.5**	29.8	34.5	28.3	34.1
Standard Bank Malawi	10.0	15.0	**21.7**	**23.6**	20.1	22.2	20.0	22.0
Standard Bank Mauritius	9.9	11.9	**28.5**	**29.4**	34.0	35.0	26.2	26.4
Standard Bank Mozambique		13.0	**20.7**	**22.1**	17.1	18.5	27.7	29.3
Standard Bank Namibia	7.5	10.0	**12.8**	**14.2**	10.6	13.1	12.8	14.1
Standard Bank RDC (DRC – Congo)	7.5	10.0	**54.3**	**56.8**	29.2	31.7	62.5	65.0
Standard Bank Eswatini	5.5	8.0	**9.9**	**13.1**	8.9	14.0	10.4	14.0
Standard Lesotho Bank	6.0	8.0	**26.9**	**22.9**	22.9	17.9	21.7	17.3
International								
Standard Bank Isle of Man	8.5	10.0	**20.1**	**20.2**	21.6	21.6	22.4	22.5
Standard Bank Jersey	8.5	11.0	**18.3**	**18.4**	21.2	21.3	20.6	20.7
Capital adequacy ratio – times covered								
Standard Insurance Limited (SIL)[3]								
Solvency capital requirement coverage ratio				**2.50**		2.56		2.71
Liberty Group Limited[3]								
Solvency capital requirement coverage ratio				**1.83**		1.85		1.99

[1] IFRS 9 transitional impact phased-in according to local regulatory requirements or elections for SBG, SBSA, Kenya, Zambia, Botswana and Tanzania.
[2] Stanbic Bank S.A. (Côte d'Ivoire) commenced operations in July 2017.
[3] Calculated in terms of the Insurance Act, 2017, which came into effect on 1 July 2018.

OTHER CAPITAL INSTRUMENTS

SUBORDINATED DEBT

	Redeemable/ repayable date	Callable date	Notional value[1] LCm	1H20 Carrying value[1] Rm	1H20 Notional value[1] Rm	1H19 Carrying value[1] Rm	1H19 Notional value[1] Rm	FY19 Carrying value[1] Rm	FY19 Notional value[1] Rm
Standard Bank Group Limited				**19 121**	**18 437**	11 780	11 644	11 843	11 601
SBT 201[2,3]	13 Feb 2028	13 Feb 2023	ZAR3 000	**3 031**	**3 000**	3 041	3 000	3 040	3 000
SBT 202[2,3]	3 Dec 2028	3 Dec 2023	ZAR1 516	**1 523**	**1 516**	1 528	1 516	1 527	1 516
SBT 203[2,3]	3 Dec 2028	3 Dec 2023	ZAR484	**543**	**484**	488	484	506	484
SBT 204[2,3]	16 Apr 2029	16 Apr 2024	ZAR1 000	**1 015**	**1 000**	1 020	1 000	1 019	1 000
SBT 205[2,3]	31 May 2029	31 May 2024	USD400	**7 481**	**6 937**	5 703	5 644	5 751	5 601
SBT 206[2,3]	31 Jan 2030	31 Jan 2025	ZAR2 000	**2 023**	**2 000**				
SBT 207[2,3]	25 Jun 2030	25 Jun 2025	ZAR3 500	**3 505**	**3 500**				
SBSA group				**7 222**	**7 080**	13 829	13 580	8 975	8 830
SBK 17	30 Jul 2024	30 Jul 2019	ZAR2 000			2 032	2 000		
SBK 19	24 Oct 2024	24 Oct 2019	ZAR500			509	500		
SBK 20[2]	2 Dec 2024	2 Dec 2019	ZAR2 250			2 268	2 250		
SBK 21[2]	28 Jan 2025	28 Jan 2020	ZAR750			764	750	763	750
SBK 22[2]	28 May 2025	28 May 2020	ZAR1 000			1 010	1 000	1 010	1 000
SBK 24[2]	19 Oct 2025	19 Oct 2020	ZAR880	**882**	**880**	898	880	886	880
SBK 18	24 Oct 2025	24 Oct 2020	ZAR3 500	**3 520**	**3 500**	3 562	3 500	3 560	3 500
SBK 25[2]	25 Apr 2026	25 Apr 2021	ZAR1 200	**1 211**	**1 200**	1 225	1 200	1 218	1 200
SBK 26[2]	25 Apr 2026	25 Apr 2021	ZAR500	**522**	**500**	523	500	521	500
SBK 23[2]	28 May 2027	28 May 2022	ZAR1 000	**1 087**	**1 000**	1 038	1 000	1 017	1 000
Standard Bank Eswatini	29 Jun 2028	30 Jun 2023	E100	**100**	**100**	105	100	105	100
Stanbic Botswana	2027-2029	2022-2024	BWP500	**740**	**735**	267	266	664	662
Standard Bank Mozambique	2025	2020	MZN1 001	**264**	**249**	242	228	237	225
Stanbic Bank Kenya	2021-2029	2020-2024	KES4 000/ USD20	**355**	**347**	842	835	839	833
Stanbic IBTC Bank Nigeria	30 Sept 2024	30 Sept 2024	NGN15 440	**764**	**744**	622	606	618	601
Standard Bank Namibia	23 Oct 2024	24 Oct 2019	NAD100			101	100		
Stanbic Bank Zambia	31 Oct 2024	30 Apr 2020	ZMK37			42	40	38	37
Subordinated debt issued to group companies				**(34)**	**(34)**	(121)	(118)	(86)	(86)
Total subordinated debt – banking activities				**28 532**	**27 658**	27 709	27 281	23 233	22 803
Liberty (qualifying as regulatory insurance capital)			ZAR5 500	**5 600**	**5 500**	5 671	5 500	5 668	5 500
Total subordinated debt				**34 132**	**33 158**	33 380	32 781	28 901	28 303

[1] The difference between the carrying and notional value represents accrued interest together with, where applicable, the unamortised fair value adjustments relating to bonds hedged for interest rate risk.
[2] Basel III compliant tier 2 instruments which contain a contractual non-viability write-off feature.
[3] SBSA on a reciprocal basis entered into subordinated tier 2 capital lending agreements with SBG under identical terms.

OTHER EQUITY HOLDERS

	First callable date	Notional value LCm	1H20 Carrying value Rm	1H20 Notional value Rm	1H19 Carrying value Rm	1H19 Notional value Rm	FY19 Carrying value Rm	FY19 Notional value Rm
Cumulative preference share capital (SBKP)		ZAR8	**8**	**8**	8	8	8	8
Non-cumulative preference share capital (SBPP)		ZAR1	**5 495**	**1**	5 495	1	5 495	1
Total preference share capital			**5 503**	**9**	5 503	9	5 503	9
SBT 101[3]	31 Mar 2022	ZAR1 744	**1 744**	**1 744**	1 744	1 744	1 744	1 744
SBT 102[3]	30 Sep 2022	ZAR1 800	**1 800**	**1 800**	1 800	1 800	1 800	1 800
SBT 103[3]	31 Mar 2024	ZAR1 942	**1 942**	**1 942**	1 942	1 942	1 942	1 942
Total AT1 capital bonds			**5 486**	**5 486**	5 486	5 486	5 486	5 486
Total other equity instruments			**10 989**	**5 495**	10 989	5 495	10 989	5 495

[3] SBSA on a reciprocal basis entered into subordinated AT1 capital lending agreements with SBG under identical terms.

KEY BANKING LEGAL ENTITY INFORMATION

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THE STANDARD BANK OF SOUTH AFRICA

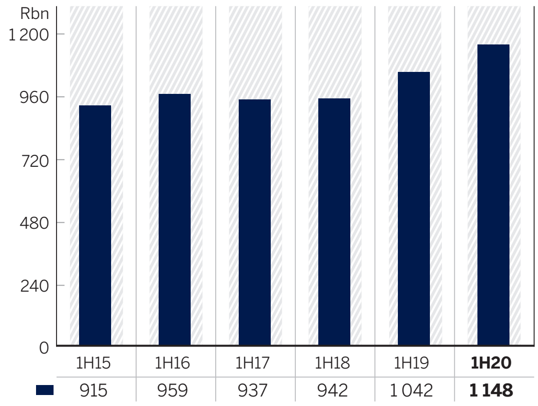
Key financial results, ratios and statistics

		Change %	1H20	1H19	FY19
SBSA group[1]					
Income statement					
Headline earnings	Rm	(72)	**2 023**	7 354	16 646
Headline earnings as consolidated into SBG[2]	Rm	(74)	**1 938**	7 523	16 706
Profit attributable to ordinary shareholders	Rm	(98)	**134**	7 257	16 398
Statement of financial position					
Ordinary shareholders' equity	Rm	(2)	**96 550**	98 023	101 177
Total assets	Rm	17	**1 679 307**	1 437 007	1 480 746
Net loans and advances	Rm	10	**1 148 302**	1 042 297	1 026 242
Financial performance					
ROE	%		**4.1**	15.2	16.9
Non-interest revenue to total income	%		**41.3**	41.5	41.8
Loan-to-deposit ratio	%		**86.4**	90.5	86.6
CLR	bps		**172**	73	57
CLR on loans to customers	bps		**197**	82	64
Cost-to-income ratio	%		**60.9**	61.7	60.2
Jaws	bps		**93**	(100)	3
Number of employees		(4)	**29 447**	30 713	29 578
Capital adequacy					
Total risk-weighted assets	Rm	15	**746 991**	648 364	669 571
Common equity tier 1 capital adequacy ratio[3]	%		**11.4**	13.1	13.2
Tier 1 capital adequacy ratio[3]	%		**12.1**	14.0	14.0
Total capital adequacy ratio[3]	%		**15.4**	17.6	16.8
SBSA company[1]					
Headline earnings	Rm	(76)	**1 611**	6 817	15 469
Headline earnings as consolidated into SBG[2]	Rm	(80)	**1 377**	6 986	15 529
Total assets	Rm	17	**1 681 245**	1 435 026	1 479 177
ROE	%		**3.4**	14.7	16.4

[1] SBSA group is a consolidation of entities including subsidiaries as well as structured entities, whereas SBSA company is a legal entity.
[2] At an SBSA level, certain share-based payment schemes are accounted for on a cash-settled basis, but at a consolidated SBG level they are accounted for on an equity-settled basis. In addition, the hedges of those share schemes are recognised in the income statement at an SBSA level and in equity at an SBG level. Given the fluctuation in the SBG share price, it is considered appropriate to also reflect SBSA's headline earnings as consolidated into SBG.
[3] Represents the ratio after applying the SARB phase-in provision for IFRS 9. Refer to page 85 for details regarding the fully loaded ratios.

HEADLINE EARNINGS
CAGR (1H15 – 1H20): (18%)

NET LOANS AND ADVANCES
CAGR (1H15 – 1H20: 5%



Key highlights

- Net interest income declined compared to the prior period driven by decreasing interest rates and resulted in negative endowment.
- Fee and commission declined as a result of reduced transactional volumes during the Covid-19 lockdown period.
- Higher trading revenue driven by increased market volatility as corporates executed hedging solutions in an uncertain trading environment.
- Other revenues (the net of other income and other gains and losses) were down on the prior period driven by lower equity valuations.
- Credit impairment charges increased reflective of the distressed financial status of individuals and corporates in SA. With a low growth and recessionary outlook, the impairment charges reflect both incurred losses and forward-looking adjustments required under IFRS 9.
- Balance sheet growth was underpinned by strong loan and deposit growth during 2H19.

THE STANDARD BANK OF SOUTH AFRICA

Income statement

	Group				Company			
	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Net interest income	(4)	**19 768**	20 519	41 581	(2)	**19 144**	19 608	39 764
Non-interest revenue	(4)	**13 926**	14 575	29 922	(6)	**13 416**	14 340	29 306
Net fee and commission revenue	(12)	**9 048**	10 235	20 991	(12)	**8 574**	9 699	19 909
Trading revenue	26	**3 251**	2 587	5 331	26	**3 183**	2 535	5 192
Other revenue	(14)	**1 280**	1 487	3 151	(27)	**1 352**	1 840	3 756
Other gains and losses on financial instruments	30	**347**	266	449	15	**307**	266	449
Total income	(4)	**33 694**	35 094	71 503	(4)	**32 560**	33 948	69 070
Credit impairment charges	>100	**(9 840)**	(3 467)	(5 724)	>100	**(9 821)**	(3 466)	(5 713)
Loans and advances	>100	**(9 710)**	(3 718)	(5 962)	>100	**(9 689)**	(3 719)	(5 951)
Financial investments	>100	**(15)**	(7)	(4)	>100	**(16)**	(5)	(4)
Letters of credit and guarantees	(>100)	**(115)**	258	242	(>100)	**(116)**	258	242
Income before revenue sharing agreements	(25)	**23 854**	31 627	65 779	(25)	**22 739**	30 482	63 357
Revenue sharing agreements with group companies	(38)	**(207)**	(334)	(614)	(38)	**(207)**	(334)	(614)
Income before operating expenses	(24)	**23 647**	31 293	65 165	(25)	**22 532**	30 148	62 743
Operating expenses	(5)	**(20 377)**	(21 431)	(42 644)	(5)	**(19 902)**	(20 994)	(41 735)
Staff costs	(7)	**(11 179)**	(12 008)	(23 344)	(7)	**(10 912)**	(11 758)	(22 817)
Other operating expenses	(2)	**(9 198)**	(9 423)	(19 300)	(3)	**(8 990)**	(9 236)	(18 918)
Net income before non-trading and capital items, and equity accounted earnings	(67)	**3 270**	9 862	22 521	(71)	**2 630**	9 154	21 008
Non-trading and capital related items	>100	**(2 624)**	(129)	(341)	>100	**(2 624)**	(129)	(341)
Share of post-tax profit from associates and joint ventures	(>100)	**(62)**	11	40	(>100)	**(62)**	11	40
Profit/(loss) before indirect taxation	(94)	**584**	9 744	22 220	(>100)	**(56)**	9 036	20 707
Indirect taxation	6	**(712)**	(670)	(1 345)	6	**(709)**	(667)	(1 340)
(Loss)/profit before direct taxation	(>100)	**(128)**	9 074	20 875	(>100)	**(765)**	8 369	19 367
Direct taxation	(>100)	**635**	(1 600)	(4 015)	(>100)	**710**	(1 422)	(3 688)
Profit/(loss) for the period	(93)	**507**	7 474	16 860	(>100)	**(55)**	6 947	15 679
Attributable to AT1 capital shareholders	3	**(223)**	(216)	(458)	3	**(223)**	(216)	(458)
Attributable to non-controlling interests with Standard Bank Group	(100)	**(149)**						
Attributable to non-controlling interests	0	**(1)**	(1)	(4)				
Attributable to ordinary shareholders	(98)	**134**	7 257	16 398	(>100)	**(278)**	6 731	15 221
Headline adjustable items	>100	**1 889**	97	248	>100	**1 889**	86	248
Headline earnings	(72)	**2 023**	7 354	16 646	(76)	**1 611**	6 817	15 469
Profit attributable to non-controlling interests within Standard Bank Group	100	**149**						
IFRS 2 adjustment – staff costs net of taxation	(>100)	**(234)**	169	60	(>100)	**(234)**	169	60
Headlines earnings as consolidated into SBG[1]	(74)	**1 938**	7 523	16 706	(80)	**1 377**	6 986	15 529

[1] At an SBSA level, the share-based payment schemes are accounted for on a cash-settled basis, but at a consolidated SBG level they are accounted for on an equity-settled basis. Given the fluctuation in the SBG share price, it is considered appropriate to also reflect SBSA's headline earnings as consolidated into SBG.

THE STANDARD BANK OF SOUTH AFRICA

Statement of financial position

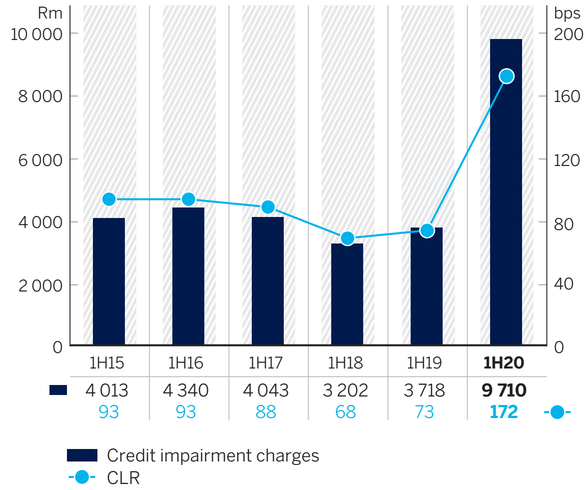
	Group				Company			
	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Assets								
Cash and balances with central banks	(6)	**31 380**	33 352	33 060	(6)	**31 381**	33 352	33 060
Derivative assets	>100	**116 685**	48 142	66 392	>100	**116 669**	48 142	66 366
Trading assets	38	**209 633**	151 644	186 090	39	**207 068**	148 704	183 591
Pledged assets	(54)	**1 180**	2 544	7 481	(54)	**1 180**	2 544	7 481
Financial investments	16	**124 112**	107 333	115 127	15	**125 017**	108 264	116 048
Non-current assets held for sale	100	**346**		346	100	**346**		346
Loans and advances	10	**1 148 302**	1 042 297	1 026 242	11	**1 148 356**	1 039 192	1 023 391
Loans and advances to banks	37	**188 756**	138 193	90 593	38	**189 483**	137 397	90 353
Loans and advances to customers	6	**959 546**	904 104	935 649	6	**958 873**	901 795	933 038
Other assets	8	**21 323**	19 735	15 562	10	**21 934**	19 894	15 482
Interest in associates and joint ventures	7	**1 211**	1 129	1 227	2	**4 356**	4 254	4 371
Property, equipment and right of use assets	(16)	**11 802**	14 015	12 983	(16)	**11 728**	13 994	12 929
Goodwill and other intangible assets	(21)	**13 333**	16 816	16 236	(21)	**13 210**	16 686	16 112
Total assets	17	**1 679 307**	1 437 007	1 480 746	17	**1 681 245**	1 435 026	1 479 177
Equity and liabilities								
Equity	(1)	**102 191**	103 581	106 717	1	**100 931**	99 572	101 818
Equity attributable to ordinary shareholders	(2)	**96 550**	98 023	101 177	1	**95 445**	94 086	96 332
Equity attributable to other equity holders	2	**5 587**	5 486	5 486	0	**5 486**	5 486	5 486
Equity attributable to AT1 capital shareholders	0	**5 486**	5 486	5 486	0	**5 486**	5 486	5 486
Equity attributable to non-controlling interests within Standard Bank Group	100	**101**						
Equity attributable to non-controlling interests	(25)	**54**	72	54				
Liabilities	18	**1 577 116**	1 333 426	1 374 029	18	**1 580 314**	1 335 454	1 377 359
Derivative liabilities	>100	**123 535**	50 737	65 710	>100	**123 535**	50 737	65 710
Trading liabilities	(8)	**66 335**	72 215	77 647	(8)	**66 335**	72 215	77 647
Deposits and debt funding	15	**1 329 733**	1 152 025	1 184 748	15	**1 333 609**	1 154 865	1 188 208
Deposits from banks	12	**179 699**	160 525	170 088	12	**181 936**	161 876	172 306
Deposits from customers	16	**1 150 034**	991 500	1 014 660	16	**1 151 673**	992 989	1 015 902
Subordinated debt	3	**26 343**	25 609	20 818	3	**26 343**	25 609	20 818
Provisions and other liabilities	(5)	**31 170**	32 840	25 106	(5)	**30 492**	32 028	24 976
Total equity and liabilities	17	**1 679 307**	1 437 007	1 480 746	17	**1 681 245**	1 435 026	1 479 177

THE STANDARD BANK OF SOUTH AFRICA GROUP

Credit impairment charges

CREDIT IMPAIRMENT CHARGES ON LOANS AND ADVANCES

CAGR (1H15 – 1H20): 19%



INCOME STATEMENT CREDIT IMPAIRMENT CHARGES

	1H20						
	Change %	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps
Personal & Business Banking	>100	170	2 294	2 464	5 228	7 692	260
Mortgage loans	>100	79	700	779	1 330	2 109	119
Instalment sale and finance leases	>100	113	290	403	893	1 296	308
Card debtors	92	(74)	310	236	762	998	593
Other loans and advances	>100	52	994	1 046	2 243	3 289	551
Personal unsecured lending	>100	(33)	714	681	1 580	2 261	997
Business lending and other	>100	85	280	365	663	1 028	278
Corporate & Investment Banking	>100	390	66	456	1 062	1 518	57
Corporate and sovereign lending	>100	395	66	461	1 062	1 523	77
Bank lending	0	(5)		(5)		(5)	(1)
Central and other	100	185	315	500		500	
Total loans and advances credit impairment charges	>100	745	2 675	3 420	6 290	9 710	172
Credit impairment charge – financial investments						15	
Credit impairment charge – letters of credit and guarantees						115	
Total credit impairment charges						9 840	

[1] Includes post write-off recoveries and modification gains and losses.

	1H19						FY19					
	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps	Stage 1 Rm	Stage 2[1] Rm	Total stage 1 and 2 Rm	Stage 3[1] Rm	Credit impairment charges Rm	Credit loss ratio bps
	86	302	388	2 594	2 982	106	(840)	801	(39)	5 078	5 039	88
	(41)	(124)	(165)	739	574	34	(352)	19	(333)	1 044	711	20
	38	36	74	342	416	105	(122)	105	(17)	832	815	99
	(9)	70	61	458	519	323	(48)	62	14	962	976	296
	98	320	418	1 055	1 473	265	(318)	615	297	2 240	2 537	225
	104	250	354	759	1 113	526	(235)	544	309	1 616	1 925	436
	(6)	70	64	296	360	104	(83)	71	(12)	624	612	89
	156	187	343	393	736	33	106	239	345	578	923	20
	155	193	348	393	741	43	99	239	338	578	916	25
	1	(6)	(5)		(5)		7		7		7	1
	242	489	731	2 987	3 718	73	(734)	1 040	306	5 656	5 962	57
					7						4	
					(258)						(242)	
					3 467						5 724	

THE STANDARD BANK OF SOUTH AFRICA GROUP

Reconciliation of expected credit loss for loans and advances measured at amortised cost

	1 January 2020 opening balance Rm	Total transfers between stages Rm	Net provisions raised and released Rm
Personal & Business Banking	25 417		7 897
Stage 1	3 154	145	25
Stage 2	5 227	(1 099)	3 283
Stage 3	17 036	954	4 589
Mortgage loans	10 150		2 049
Stage 1	613	138	(59)
Stage 2	1 729	(235)	883
Stage 3	7 808	97	1 225
Instalment sale and finance leases	3 107		1 325
Stage 1	586	23	90
Stage 2	790	(223)	513
Stage 3	1 731	200	722
Card debtors	2 582		1 265
Stage 1	572	(2)	(72)
Stage 2	945	(290)	566
Stage 3	1 065	292	771
Other loans and advances	9 578		3 258
Stage 1	1 383	(14)	66
Stage 2	1 763	(351)	1 321
Stage 3	6 432	365	1 871
Personal unsecured lending	6 078		2 227
Stage 1	885	(39)	6
Stage 2	1 306	(204)	889
Stage 3	3 887	243	1 332
Business lending and other	3 500		1 031
Stage 1	498	25	60
Stage 2	457	(147)	432
Stage 3	2 545	122	539
Corporate & Investment Banking	2 389		1 518
Stage 1	792	13	377
Stage 2	666	(145)	211
Stage 3	931	132	930
Corporate and sovereign lending	2 342		1 523
Stage 1	745	13	382
Stage 2	666	(145)	211
Stage 3	931	132	930
Bank lending	47		(5)
Stage 1	47		(5)
Central and other			500
Stage 1			185
Stage 2			315
Total	27 806		9 915
Stage 1	3 946	158	587
Stage 2	5 893	(1 244)	3 809
Stage 3	17 967	1 086	5 519

The income statement credit impairment charge on loans and advances of R9 710 million is made up of total transfers of Rnil, net provision raised and released of R9 915 million less modification losses and post write off recoveries of R205 million.

Impaired accounts written off Rm	Currency translation and other movements Rm	Time value of money and interest in suspense Rm	June 2020 closing balance Rm	Modification losses and recoveries of amounts written off Rm
(2 671)		1 282	31 925	205
			3 324	
			7 411	(110)
(2 671)		1 282	21 190	315
(405)		633	12 427	(60)
			692	
			2 377	(52)
(405)		633	9 358	(8)
(422)		115	4 125	29
			699	
			1 080	
(422)		115	2 346	29
(657)		64	3 254	267
			498	
			1 221	(34)
(657)		64	1 535	301
(1 187)		470	12 119	(31)
			1 435	
			2 733	(24)
(1 187)		470	7 951	(7)
(930)		361	7 736	(34)
			852	
			1 991	(29)
(930)		361	4 893	(5)
(257)		109	4 383	3
			583	
			742	5
(257)		109	3 058	(2)
(151)	160	97	4 013	
	40		1 222	
	53		785	
(151)	67	97	2 006	
(151)	144	97	3 955	
	24		1 164	
	53		785	
(151)	67	97	2 006	
	16		58	
	16		58	
			500	
			185	
			315	
(2 822)	160	1 379	36 438	205
	40		4 731	
	53		8 511	(110)
(2 822)	67	1 379	23 196	315

THE STANDARD BANK OF SOUTH AFRICA GROUP

Reconciliation of expected credit loss for loans and advances measured at amortised cost

	1 January 2019 opening balance Rm	Total transfers between stages Rm	Net provisions raised and released Rm
Personal & Business Banking	23 749		5 947
Stage 1	3 994	871	(1 711)
Stage 2	4 689	(836)	1 374
Stage 3	15 066	(35)	6 284
Mortgage loans	9 365		690
Stage 1	965	461	(813)
Stage 2	1 784	(291)	236
Stage 3	6 616	(170)	1 267
Instalment sale and finance leases	2 724		1 064
Stage 1	708	61	(183)
Stage 2	685	(163)	268
Stage 3	1 331	102	979
Card debtors	2 985		1 643
Stage 1	620	213	(261)
Stage 2	947	(239)	237
Stage 3	1 418	26	1 667
Other loans and advances	8 675		2 550
Stage 1	1 701	136	(454)
Stage 2	1 273	(143)	633
Stage 3	5 701	7	2 371
Personal unsecured lending	5 333		1 879
Stage 1	1 120	64	(299)
Stage 2	886	8	412
Stage 3	3 327	(72)	1 766
Business lending and other	3 342		671
Stage 1	581	72	(155)
Stage 2	387	(151)	221
Stage 3	2 374	79	605
Corporate & Investment Banking	5 519		951
Stage 1	677	4	102
Stage 2	444	142	97
Stage 3	4 398	(146)	752
Corporate and sovereign lending	5 476		944
Stage 1	648	4	95
Stage 2	430	142	97
Stage 3	4 398	(146)	752
Bank lending	43		7
Stage 1	29		7
Stage 2	14		
Total	29 268		6 898
Stage 1	4 671	875	(1 609)
Stage 2	5 133	(694)	1 471
Stage 3	19 464	(181)	7 036

The income statement credit impairment charge on loans and advances of R5 962 million is made up of total transfers of Rnil, net provision raised and released of R6 898 million less modification losses and post write off recoveries of R936 million.

	Impaired accounts written off Rm	Currency translation and other movements Rm	Time value of money and interest in suspense Rm	December 2019 closing balance Rm	Modification losses and recoveries of amounts written off Rm
	(6 575)		2 296	25 417	908
				3 154	
				5 227	(263)
	(6 575)		2 296	17 036	1 171
	(982)		1 077	10 150	(21)
				613	
				1 729	(74)
	(982)		1 077	7 808	53
	(849)		168	3 107	249
				586	
				790	
	(849)		168	1 731	249
	(2 176)		130	2 582	667
				572	
				945	(64)
	(2 176)		130	1 065	731
	(2 568)		921	9 578	13
				1 383	
				1 763	(125)
	(2 568)		921	6 432	138
	(1 864)		730	6 078	(46)
				885	
				1 306	(124)
	(1 864)		730	3 887	78
	(704)		191	3 500	59
				498	
				457	(1)
	(704)		191	2 545	60
	(4 442)	44	317	2 389	28
		9		792	
		(17)		666	
	(4 442)	52	317	931	28
	(4 442)	47	317	2 342	28
		(2)		745	
		(3)		666	
	(4 442)	52	317	931	28
		(3)		47	
		11		47	
		(14)			
	(11 017)	44	2 613	27 806	936
		9		3 946	
		(17)		5 893	(263)
	(11 017)	52	2 613	17 967	1 199

THE STANDARD BANK OF SOUTH AFRICA GROUP

Loans and advances performance

	Gross carrying loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm	SB 21 – 25 Stage 1 Rm	SB 21 – 25 Stage 2 Rm
1H20							
Personal & Business Banking	**600 260**	**167 445**	**2 903**	**291 064**	**26 107**	**21 584**	**47 307**
Mortgage loans	**359 076**	**148 383**	**2 618**	**134 355**	**15 218**	**8 630**	**25 237**
Instalment sale and finance leases	**85 371**	**6 012**	**249**	**58 652**	**3 915**	**4 955**	**6 101**
Card debtors	**33 616**	**154**	**26**	**24 327**	**2 184**	**714**	**3 671**
Other loans and advances	**122 197**	**12 896**	**10**	**73 730**	**4 790**	**7 285**	**12 298**
Personal unsecured lending	**45 703**	**586**		**26 472**	**1 659**	**4 378**	**6 419**
Business lending and other	**76 494**	**12 310**	**10**	**47 258**	**3 131**	**2 907**	**5 879**
Corporate & Investment Banking	**582 189**	**389 484**	**4 720**	**154 689**	**24 079**	**474**	**281**
Corporate and sovereign lending	**396 388**	**211 723**	**4 720**	**147 121**	**23 700**	**381**	**281**
Bank lending	**185 801**	**177 761**		**7 568**	**379**	**93**	
Gross loans and advances	**1 182 449**	**556 929**	**7 623**	**445 753**	**50 186**	**22 058**	**47 588**
Percentage of total book (%)	**100.0**	**47.1**	**0.7**	**37.7**	**4.2**	**1.9**	**4.0**
Gross loans and advances at amortised cost	**1 182 449**						
Gross loans and advances at fair value	**2 292**						
Total gross loans and advances	**1 184 741**						

	Gross carrying loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm	SB 21 – 25 Stage 1 Rm	SB 21 – 25 Stage 2 Rm
FY19							
Personal & Business Banking	595 041	195 094	222	296 248	16 636	15 975	37 252
Mortgage loans	357 182	167 590	17	131 731	10 182	7 046	21 139
Instalment sale and finance leases	84 948	9 962	162	61 533	2 234	2 305	4 990
Card debtors	34 010	1 205	4	27 047	646	858	2 774
Other loans and advances	118 901	16 337	39	75 937	3 574	5 766	8 349
Personal unsecured lending	44 780	1 073		28 696	715	4 784	4 779
Business lending and other	74 121	15 264	39	47 241	2 859	982	3 570
Corporate & Investment Banking	458 846	281 035	2 585	148 161	19 262	2 081	1 229
Corporate and sovereign lending	372 103	211 313	2 585	131 612	19 060	1 829	1 211
Bank lending	86 743	69 722		16 549	202	252	18
Gross loans and advances	1 053 887	476 129	2 807	444 409	35 898	18 056	38 481
Percentage of total book (%)	100	45.2	0.3	42.1	3.4	1.7	3.7
Gross loans and advances at amortised cost	1 053 887						
Gross loans and advances at fair value	161						
Total gross loans and advances	1 054 048						

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio.

Total stage 1 and 2 loans Rm	Total stage 3 loans Rm	Securities and expected recoveries on stage 3 exposures loan Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross stage 3 loans coverage ratio %	Stage 3 exposures ratio %
556 410	**43 850**	**22 660**	**21 190**	**48**	**7.3**
334 441	**24 635**	**15 277**	**9 358**	**38**	**6.9**
79 884	**5 487**	**3 141**	**2 346**	**43**	**6.4**
31 076	**2 540**	**1 005**	**1 535**	**60**	**7.6**
111 009	**11 188**	**3 237**	**7 951**	**71**	**9.2**
39 514	**6 189**	**1 296**	**4 893**	**79**	**13.5**
71 495	**4 999**	**1 941**	**3 058**	**61**	**6.5**
573 727	**8 462**	**6 456**	**2 006**	**24**	**1.5**
387 926	**8 462**	**6 456**	**2 006**	**24**	**2.1**
185 801					
1 130 137	**52 312**	**29 116**	**23 196**	**44**	**4.4**
95.6	**4.4**	**2.5**	**2.0**		**4.4**

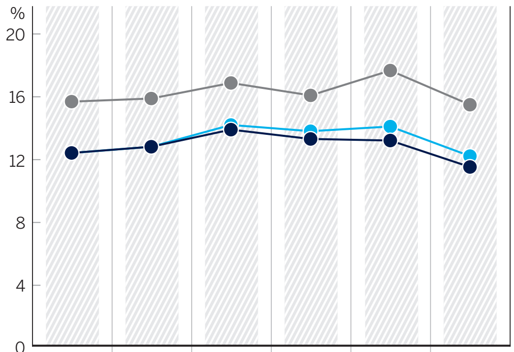
Total stage 1 and 2 loans Rm	Total stage 3 loans Rm	Securities and expected recoveries on stage 3 exposures loans Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross stage 3 loans coverage ratio %	Stage 3 exposures ratio %
561 427	33 614	16 578	17 036	51	5.6
337 705	19 477	11 669	7 808	40	5.5
81 186	3 762	2 031	1 731	46	4.4
32 534	1 476	411	1 065	72	4.3
110 002	8 899	2 467	6 432	72	7.5
40 047	4 733	846	3 887	82	10.6
69 955	4 166	1 621	2 545	61	5.6
454 353	4 493	3 562	931	21	1.0
367 610	4 493	3 562	931	21	1.2
86 743					
1 015 780	38 107	20 140	17 967	47	3.6
96.4	3.6	1.9	1.7		3.6

THE STANDARD BANK OF SOUTH AFRICA GROUP

Capital adequacy and risk-weighted assets

CAPITAL ADEQUACY – SBSA GROUP[1]

(including unappropriated profit)



	1H15	1H16	1H17	1H18	1H19	**1H20**
Common equity tier 1 capital	12.3	12.7	13.8	13.2	13.1	**11.4**
Tier 1 capital	12.3	12.7	14.1	13.7	14.0	**12.1**
Total regulatory capital	15.6	15.8	16.8	16.0	17.6	**15.4**

- Common equity tier 1 capital
- Tier 1 capital
- Total regulatory capital

[1] Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.

RISK-WEIGHTED ASSETS

	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm
Credit risk	19	**536 670**	451 213	471 745
Counterparty credit risk	54	**38 464**	24 980	25 430
Market risk	(2)	**46 999**	47 761	46 770
Operational risk	1	**99 517**	98 069	99 434
Equity risk in the banking book	(3)	**12 241**	12 601	13 582
RWA for investments in financial entities[1]	(5)	**13 100**	13 740	12 610
Total risk-weighted assets	15	**746 991**	648 364	669 571

[1] Including phase-in of the IFRS 9 transitional adjustment.

QUALIFYING REGULATORY CAPITAL EXCLUDING UNAPPROPRIATED PROFIT

	Change %	1H20 Rm	1H19 Rm	FY19 Rm
Share capital and premium	9	**49 313**	45 247	45 248
Retained earnings	(12)	**45 864**	51 833	55 086
Other reserves	46	**1 373**	943	841
Regulatory adjustments	(9)	**(11 740)**	(12 836)	(12 588)
Goodwill	0	**(42)**	(42)	(42)
Other intangible assets	(19)	**(11 346)**	(13 981)	(13 561)
Deferred tax assets	>100	**(1 171)**	(7)	(1)
Other adjustments including IFRS 9 phase-in	(31)	**819**	1 194	1 016
Total (including unappropriated profit)	0	**84 810**	85 187	88 587
Unappropriated profit	(93)	**(634)**	(8 772)	(9 912)
Common equity tier 1 capital	10	**84 176**	76 415	78 675
Qualifying other equity instruments	0	**5 458**	5 440	5 475
Tier 1 capital	10	**89 634**	81 855	84 150
Tier 2 capital	6	**25 014**	23 507	18 726
Qualifying tier 2 subordinated debt	1	**25 517**	25 224	20 431
General allowance for credit impairments	79	**2 475**	1 385	852
Regulatory adjustments – investment in tier 2 instruments in other banks	(4)	**(2 978)**	(3 102)	(2 557)
Total qualifying regulatory capital	9	**114 648**	105 362	102 876

CAPITAL ADEQUACY RATIOS (PHASED-IN)

	Internal target ratios[1,2] %	SARB minimum regulatory requirement[3] %	Excluding unappropriated profit 1H20 %	1H19 %	FY19 %	Including unappropriated profit 1H20 %	1H19 %	FY19 %
Common equity tier 1 capital adequacy ratio	10.0 – 11.5	7.0	**11.3**	11.8	11.7	**11.4**	13.1	13.2
Tier 1 capital adequacy ratio	>11.0	8.5	**12.0**	12.6	12.6	**12.1**	14.0	14.0
Total capital adequacy ratio	>14.0	10.5	**15.3**	16.3	15.4	**15.4**	17.6	16.8

[1] Including unappropriated profit.
[2] Recalibrated in line with the temporary removal of Pillar 2A buffer requirements by the Prudential Authority.
[3] Excluding confidential bank specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.

CAPITAL ADEQUACY RATIOS (FULLY LOADED)[1]

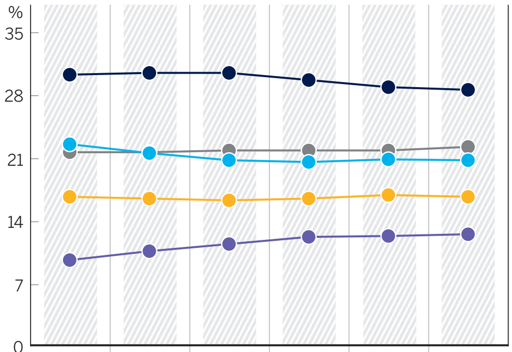
	Internal target ratios[2,3] %	SARB minimum regulatory requirement[4] %	Excluding unappropriated profit 1H20 %	1H19 %	FY19 %	Including unappropriated profit 1H20 %	1H19 %	FY19 %
Common equity tier 1 capital adequacy ratio	10.0 – 11.5	7.0	**11.2**	11.6	11.5	**11.3**	12.9	13.0
Tier 1 capital adequacy ratio	>11.0	8.5	**11.9**	12.4	12.4	**12.0**	13.8	13.8
Total capital adequacy ratio	>14.0	10.5	**15.3**	16.2	15.4	**15.4**	17.6	16.8

[1] Capital ratios based on the inclusion of the full IFRS 9 transitional impact.
[2] Including unappropriated profit.
[3] Recalibrated in line with the temporary removal of Pillar 2A buffer requirements by the Prudential Authority.
[4] Excluding confidential bank specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.

THE STANDARD BANK OF SOUTH AFRICA

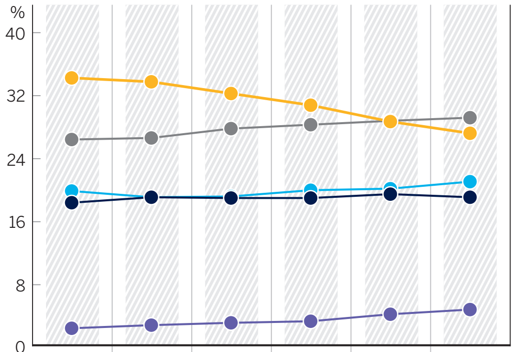
Market share analysis[1]

MORTGAGE LOANS[2]



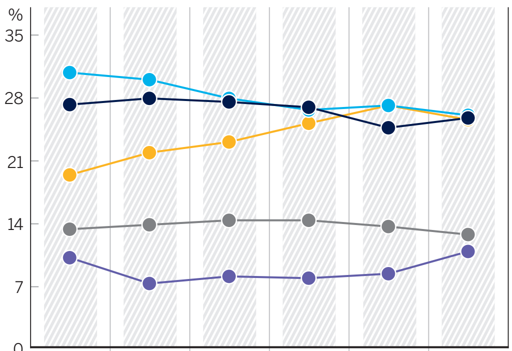
	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	30.2	30.4	30.4	29.6	28.8	**28.5**
ABSA	22.4	21.4	20.6	20.4	20.7	**20.6**
Nedbank	21.5	21.5	21.7	21.7	21.7	**22.1**
FirstRand	16.5	16.3	16.1	16.3	16.7	**16.5**
Other	9.4	10.4	11.2	12.0	12.1	**12.3**

VEHICLE AND ASSET FINANCE



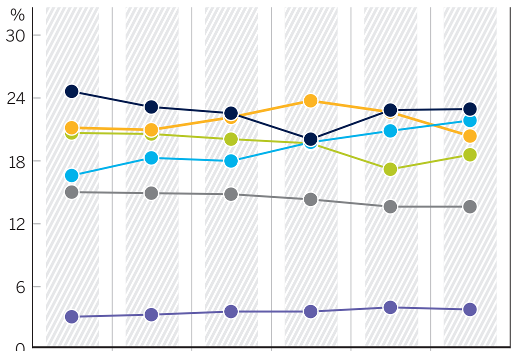
	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	18.1	18.8	18.7	18.7	19.2	**18.8**
ABSA	19.6	18.8	18.9	19.7	19.9	**20.8**
Nedbank	26.2	26.4	27.6	28.1	28.6	**29.0**
FirstRand	34.1	33.6	32.1	30.6	28.5	**27.0**
Other	2.0	2.4	2.7	2.9	3.8	**4.4**

CARD



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	27.1	27.8	27.4	26.8	24.5	**25.6**
ABSA	30.7	29.9	27.8	26.5	27.0	**25.9**
Nedbank	13.1	13.6	14.1	14.1	13.4	**12.5**
FirstRand	19.2	21.7	22.9	25.0	27.0	**25.4**
Other	9.9	7.0	7.8	7.6	8.1	**10.6**

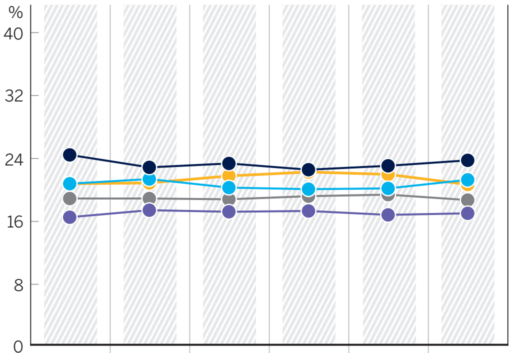
OTHER LOANS AND ADVANCES



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	24.5	23.0	22.4	19.9	22.7	**22.8**
ABSA	16.4	18.1	17.8	19.6	20.7	**21.7**
Nedbank	14.8	14.7	14.6	14.1	13.4	**13.4**
FirstRand	21.0	20.8	22.0	23.6	22.5	**20.2**
Capitec	2.8	3.0	3.3	3.3	3.7	**3.5**
Other	20.5	20.4	19.9	19.5	17.0	**18.4**

[1] Source: SARB BA 900.
[2] Mortgage lending includes residential, corporate and commercial property finance loans.

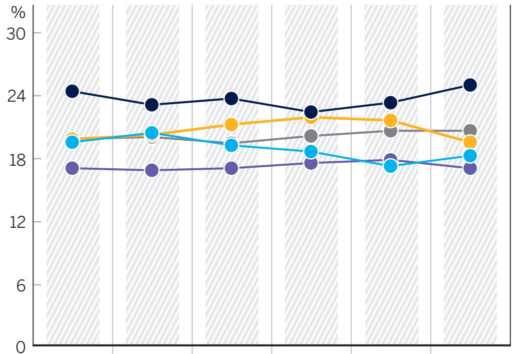
DEPOSITS



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	24.2	22.6	23.1	22.3	22.8	**23.5**
ABSA	20.5	21.1	20.0	19.8	19.9	**21.0**
Nedbank	18.6	18.6	18.5	18.9	19.1	**18.4**
FirstRand	20.5	20.6	21.5	22.0	21.7	**20.4**
Other	16.2	17.1	16.9	17.0	16.5	**16.7**

- SBSA
- ABSA
- Nedbank
- FirstRand
- Other

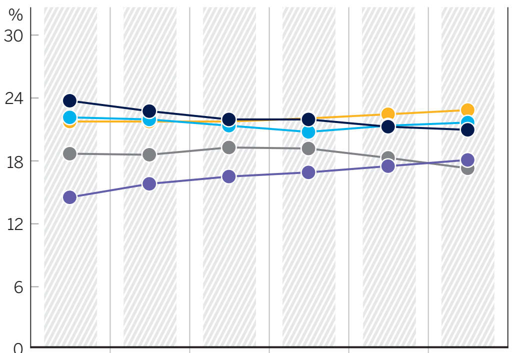
CORPORATE PRICED DEPOSITS



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	24.3	23.0	23.6	22.3	23.2	**24.9**
ABSA	19.4	20.3	19.1	18.5	17.1	**18.1**
Nedbank	19.7	19.9	19.3	20.0	20.5	**20.7**
FirstRand	19.7	20.1	21.1	21.8	21.5	**19.4**
Other	16.9	16.7	16.9	17.4	17.7	**16.9**

- SBSA
- ABSA
- Nedbank
- FirstRand
- Other

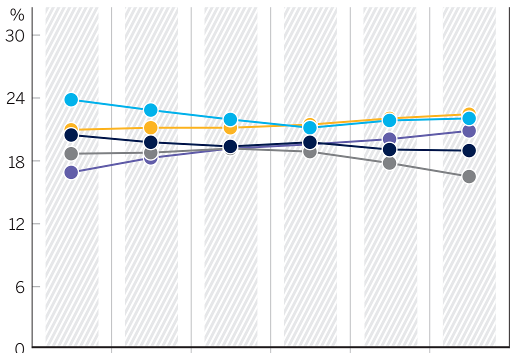
RETAIL PRICED DEPOSITS[3]



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	23.6	22.6	21.8	21.8	21.1	**20.8**
ABSA	22.0	21.8	21.2	20.6	21.2	**21.5**
Nedbank	18.5	18.4	19.1	19.0	18.1	**17.1**
FirstRand	21.6	21.6	21.6	21.9	22.3	**22.7**
Other	14.3	15.6	16.3	16.7	17.3	**17.9**

- SBSA
- ABSA
- Nedbank
- FirstRand
- Other

HOUSEHOLD DEPOSITS



	1H15	1H16	1H17	1H18	1H19	**1H20**
SBSA	20.3	19.6	19.2	19.6	18.9	**18.8**
ABSA	23.7	22.7	21.8	21.0	21.7	**21.9**
Nedbank	18.5	18.6	19.0	18.7	17.6	**16.3**
FirstRand	20.8	21.0	21.0	21.3	21.9	**22.3**
Other	16.7	18.1	19.0	19.4	19.9	**20.7**

- SBSA
- ABSA
- Nedbank
- FirstRand
- Other

[3] Retail priced deposits include households, non-profit organisations serving households and unincorporated business enterprise.

AFRICA REGIONS LEGAL ENTITIES

Regional income statement

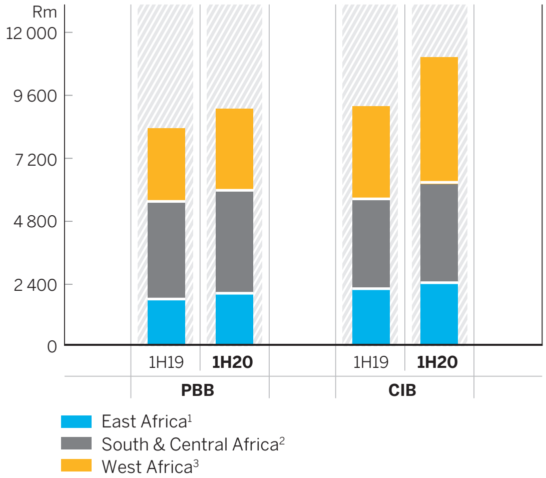
	East Africa[1]					South & Central Africa[2]				
	CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19[4] Rm	FY19 Rm
Net interest income[4]	4	20	**2 627**	2 189	4 553	5	3	**4 140**	4 018	8 011
Non-interest revenue[4]	(8)	5	**1 656**	1 580	3 027	30	19	**3 407**	2 856	6 309
Net fee and commission revenue	(21)	(9)	**731**	803	1 497	7	(2)	**1 608**	1 638	3 326
Trading revenue	3	18	**901**	765	1 381	61	45	**1 458**	1 008	2 441
Other revenue	67	79	**25**	14	47	56	68	**234**	139	392
Other gains and losses on financial instruments[4]	(50)	(50)	**(1)**	(2)	102	51	51	**107**	71	150
Total income	(1)	14	**4 283**	3 769	7 580	15	10	**7 547**	6 874	14 320
Credit impairment charges	59	83	**(425)**	(232)	(652)	63	53	**(699)**	(458)	(1 287)
Loans and advances	60	85	**(411)**	(222)	(632)	66	72	**(817)**	(475)	(1 215)
Financial investments	(100)	(100)	**(1)**		2	90	>100	**131**	25	(77)
Letters of credit and guarantees	8	30	**(13)**	(10)	(22)	86	63	**(13)**	(8)	5
Income before operating expenses	(5)	9	**3 858**	3 537	6 928	12	7	**6 848**	6 416	13 033
Operating expenses	(2)	13	**(2 100)**	(1 857)	(4 096)	16	9	**(3 971)**	(3 651)	(7 444)
Staff costs	0	15	**(1 036)**	(897)	(1 913)	6	0	**(1 935)**	(1 927)	(3 777)
Other operating expenses	(4)	11	**(1 064)**	(960)	(2 183)	28	18	**(2 036)**	(1 724)	(3 667)
Net income before non-trading and capital related items, and equity accounted earnings	(9)	5	**1 758**	1 680	2 832	6	4	**2 877**	2 765	5 589
Non-trading and capital related items	(>100)	(>100)	**(7)**	1	3	(>100)	(>100)	**202**	(1)	186
Share of profit from joint ventures						(100)	(100)		2	4
Profit before indirect taxation	(9)	4	**1 751**	1 681	2 835	14	11	**3 079**	2 766	5 779
Indirect taxation	(2)	14	**(111)**	(97)	(187)	11	8	**(162)**	(150)	(295)
Profit before direct taxation	(9)	4	**1 640**	1 584	2 648	14	12	**2 917**	2 616	5 484
Direct taxation	7	22	**(531)**	(434)	(604)	35	27	**(827)**	(651)	(1 545)
Profit for the period	(16)	(4)	**1 109**	1 150	2 044	7	6	**2 090**	1 965	3 939
Attributable to non-controlling interests	(29)	(19)	**(228)**	(281)	(482)	32	44	**(190)**	(132)	(282)
Attributable to ordinary shareholders	(12)	1	**881**	869	1 562	5	4	**1 900**	1 833	3 657
Headline adjustable items	(>100)	(>100)	**5**	(1)	(1)	(>100)	(>100)	**(136)**	1	(78)
Headline earnings	(11)	2	**886**	868	1 561	(3)	(4)	**1 764**	1 834	3 579
ROE – invested equity (%)			**15.4**	20.2	17.0			**19.0**	21.7	20.7
ROE – equity calculated on SARB rules (%)			**16.2**	19.8	17.0			**18.5**	19.2	18.9
CLR (bps)			**135**	103	136			**135**	91	115
CLR on loans to customers (bps)			**171**	126	163			**204**	152	167
Cost-to-income ratio (%)			**49.0**	49.3	54.0			**52.6**	53.1	52.0
Effective direct taxation rate (%)			**32.4**	27.4	22.8			**28.4**	24.9	28.2
Effective total taxation rate (%)			**36.7**	31.6	27.9			**32.1**	29.0	31.8

[1] Kenya, South Sudan, Tanzania, Uganda.
[2] Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia, Zimbabwe.
[3] Angola, Democratic Republic of the Congo, Ghana, Côte d'Ivoire, Nigeria.
[4] Restated. Refer to page 96.
The entity information included within the African Regions legal entities disclosure in this report aligns to the group's Africa Regions geographic information in terms of IFRS 8 Operating Segments.

West Africa[3]					Africa Regions legal entities				
CCY %	Change %	**1H20 Rm**	1H19 Rm	FY19 Rm	CCY %	Change %	**1H20 Rm**	1H19[4] Rm	FY19 Rm
10	13	**3 792**	3 347	6 713	7	11	**10 559**	9 554	19 277
22	34	**4 277**	3 193	6 456	18	22	**9 340**	7 629	15 792
(1)	10	**2 272**	2 059	4 070	(2)	2	**4 611**	4 500	8 893
76	83	**1 987**	1 084	2 319	50	52	**4 346**	2 857	6 141
(29)	(23)	**10**	13	17	50	62	**269**	166	456
(82)	(78)	**8**	37	50	0	8	**114**	106	302
16	23	**8 069**	6 540	13 169	12	16	**19 899**	17 183	35 069
>100	>100	**(318)**	(47)	(248)	91	96	**(1 442)**	(737)	(2 187)
>100	>100	**(305)**	(35)	(221)	93	>100	**(1 533)**	(732)	(2 068)
(100)	>100	**(13)**	(1)	(1)	70	>100	**117**	24	(76)
(100)	(100)		(11)	(26)	(19)	(10)	**(26)**	(29)	(43)
13	19	**7 751**	6 493	12 921	8	12	**18 457**	16 446	32 882
5	14	**(3 842)**	(3 367)	(6 639)	8	12	**(9 913)**	(8 875)	(18 179)
8	14	**(1 760)**	(1 540)	(3 134)	5	8	**(4 731)**	(4 364)	(8 824)
3	14	**(2 082)**	(1 827)	(3 505)	10	15	**(5 182)**	(4 511)	(9 355)
21	25	**3 909**	3 126	6 282	9	13	**8 544**	7 571	14 703
0	0	**1**	1	1	>100	>100	**196**	1	190
					(100)	(100)		2	4
21	25	**3 910**	3 127	6 283	11	15	**8 740**	7 574	14 897
49	58	**(79)**	(50)	(125)	13	19	**(352)**	(297)	(607)
21	25	**3 831**	3 077	6 158	11	15	**8 388**	7 277	14 290
(10)	(3)	**(573)**	(588)	(1 118)	11	15	**(1 931)**	(1 673)	(3 267)
28	31	**3 258**	2 489	5 040	11	15	**6 457**	5 604	11 023
28	26	**(1 098)**	(869)	(1 760)	15	18	**(1 516)**	(1 282)	(2 524)
28	33	**2 160**	1 620	3 280	10	14	**4 941**	4 322	8 499
					(100)	(100)	**(131)**		(79)
28	33	**2 160**	1 620	3 280	7	11	**4 810**	4 322	8 420
		23.7	24.5	23.1			**19.9**	22.3	20.7
		25.4	27.0	26.3			**20.5**	21.7	20.8
		92	15	45			**123**	76	103
		140	24	70			**177**	117	143
		47.6	51.5	50.4			**49.8**	51.6	51.8
		15.0	19.1	18.2			**23.0**	23.0	22.9
		16.7	20.4	19.8			**26.1**	26.0	26.0

AFRICA REGIONS LEGAL ENTITIES

CONTRIBUTION BY BUSINESS UNIT TO THE AFRICA REGIONS LEGAL ENTITIES TOTAL INCOME



[1] Kenya, South Sudan, Tanzania, Uganda.
[2] Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia, Zimbabwe.
[3] Angola, Democratic Republic of the Congo, Ghana, Côte d'Ivoire, Nigeria.

Balance sheet (in CCY)

- Strong assets liabilities growth was achieved despite the challenging operating environment.
- Loans and advances growth was driven by increased medium-term lending disbursements and overdraft usage.
- Growth in trading securities and financial investment were attributable to the placement of excess liquidity with central banks across the markets and increased investment in treasury bills, particularly in Nigeria.

East Africa

- Strong asset growth, mainly driven by Kenya and Uganda. The increase in financial investments was mainly due to placement of excess liquidity in treasury bills to mitigate the negative endowment caused by interest rate cuts.
- Declined non-interest revenue due to lower activities following lockdown restrictions as well as reduced fees from digital channels as a results of regulatory directives on fees.
- Additional stage 3 impairments were raised across the region driven by deteriorating risk profiles on certain exposures, coupled with stage 1 and 2 provisioning in line with balance sheet growth.
- Operating expenses declined (CCY) as increases in IT costs, legal fee provisions were offset by savings across various other expenses lines due to prudent cost management.

South & Central Africa

- Zimbabwe's result was impacted by the transition from USD to Zimbabwe Dollar (ZWL) and the negative impact of hyperinflation accounting. Asset growth was driven by increased demand for local funding and increased financial investments through the purchase of additional savings bonds.
- Mozambique increased market share of loans and deposits supported NII growth, offset by margin contraction due to declining interest rates. While non-interest revenue benefitted from improved customer forex inflows, higher demand and positive revaluation linked to the depreciation of the Metical.
- Botswana's earnings benefited from credit impairment recoveries from a corporate client. Revenue growth was driven by customer loan growth and improved transactional volumes.
- In Namibia, SBN Holdings Limited successfully listed on the Namibia stock exchange on 15 November 2019, reducing Standard Bank Group's effective shareholding from 100% to 74.9%. The group's portion of Namibia's headline earnings reduced as a result.
- Increased credit impairments due to the increased credit risk impact on business operations and individuals as a result of the difficult economic environment.
- The increase in costs was driven by cost of living adjustments and the impact of currency devaluation on foreign denominated costs in Zimbabwe and increased IT spend and depreciation charges in Mozambique and Malawi.

West Africa

- Significant increase in loans and advances across the region, especially in Nigeria and Ghana.
- Increased revenue in Nigeria was driven by lower fixed deposit balances as well as lower interest rates offered on liabilities driven by regulatory minimum loan to deposit ratio requirements, mark-to-market gains from declining yield on treasury bill positions as well as deal arrangement fees in Investment Banking.
- Good growth in assets under management and pension business in the Nigeria contributed to revenue growth.
- Increased credit impairment charges as a result of the worsening risk profile of some exposures coupled with the non-recurrence of prior year recoveries in Nigeria.
- Increased operating costs in Ghana was due to the introduction of regulatory deposit insurance during the last quarter of 2019, IT spend and the impact of currency depreciation on foreign currency denominated costs.
- Trading revenue in Angola increased driven by the Kwanza devaluation and regulatory changes allowing banks to purchase forex from oil and gas companies.

AFRICA REGIONS LEGAL ENTITIES

Statement of financial position

	CCY %	Change %	1H20 Rm	1H19[1] Rm	FY19 Rm
Assets					
Cash and balances with central banks	83	>100	**76 025**	37 627	42 228
Derivative assets	>100	>100	**5 655**	1 898	2 180
Trading assets	78	>100	**44 791**	21 577	23 882
Pledged assets	(4)	17	**11 014**	9 418	10 319
Financial investments[1]	18	26	**68 445**	54 417	46 470
Net loans and advances	27	38	**257 644**	186 422	197 484
Gross loans and advances[1]	27	38	**267 374**	193 161	204 943
Gross loans and advances to banks	54	63	**95 555**	58 646	64 907
Gross loans and advances to customers	16	28	**171 819**	134 515	140 036
Loans and advances to PBB customers	10	20	**88 788**	73 988	78 005
Loans and advances to CIB customers	22	37	**83 031**	60 527	62 031
Credit provisions on loans and advances	29	44	**(9 730)**	(6 739)	(7 459)
Other assets	39	>100	**20 601**	8 123	14 007
Investment property	>100	>100	**637**		373
Property and equipment	13	18	**8 269**	7 036	7 057
Goodwill and other intangible assets	13	24	**6 636**	5 340	5 473
Goodwill	9	22	**2 552**	2 100	2 121
Other intangible assets	16	26	**4 084**	3 240	3 352
Total assets	35	51	**499 717**	331 858	349 473
Equity and liabilities					
Equity	9	34	**63 967**	47 818	51 649
Equity attributable to ordinary shareholders	4	30	**51 282**	39 312	41 864
Equity attributable to non-controlling interest	32	49	**12 685**	8 506	9 785
Liabilities	40	53	**435 750**	284 040	297 824
Derivative liabilities	>100	>100	**4 452**	1 070	1 275
Trading liabilities	>100	>100	**23 593**	9 383	13 124
Deposits and debt funding	26	37	**346 393**	252 573	256 700
Deposits from banks	85	>100	**52 336**	25 188	31 314
Deposits from PBB customers	19	31	**120 144**	91 488	92 293
Deposits from CIB customers	20	28	**173 913**	135 897	133 093
Subordinated debt	(10)	0	**5 166**	5 185	4 884
Provisions and other liabilities	>100	>100	**56 146**	15 829	21 841
Total equity and liabilities	35	51	**499 717**	331 858	349 473

[1] Restated. Refer to pages 96.

STANDARD BANK GROUP

Headline earnings and net asset value reconciliation by key legal entity

HEADLINE EARNINGS

	Change %	1H20 Rm	1H19 Rm	FY19 Rm
SBSA group as consolidated into SBG	(74)	**1 938**	7 523	16 706
Africa Regions legal entities	11	**4 810**	4 322	8 420
Standard Bank Wealth International	(34)	**436**	661	1 254
Other group entities	85	**556**	300	836
Standard Insurance Limited	40	**275**	196	467
SBG Securities	>100	**215**	61	199
Standard Advisory London	(10)	**37**	41	48
Other[1]	>100	**29**	2	122
Banking activities	(40)	**7 740**	12 806	27 216
Other banking interests	(>100)	**508**	(320)	(864)
ICBC Standard Bank Plc (40% shareholding)	(>100)	**508**	(752)	(1 447)
ICBC Argentina (20% shareholding)[2]	(100)	**0**	432	583
Liberty	(>100)	**(707)**	875	1 855
Standard Bank Group	(44)	**7 541**	13 361	28 207

[1] Included are the elimination of gains and losses on deemed IFRS treasury shares relating to client trading activities in SBG securities of R7 million (1H19: R79 million; FY19: R18 million).

[2] The disposal of ICBC Argentina was completed during June 2020.

NET ASSET VALUE

	Change %	1H20 Rm	1H19 Rm	FY19 Rm
SBSA group	(2)	**96 550**	98 023	101 177
Africa Regions legal entities	30	**51 282**	39 312	41 864
Standard Bank Wealth International	37	**8 434**	6 158	6 924
Other group entities	38	**8 634**	6 270	5 699
Standard Insurance Limited	19	**2 161**	1 815	1 885
SBG Securities	20	**1 798**	1 493	1 631
Standard Advisory London	8	**659**	611	621
Other	71	**4 016**	2 351	1 562
Banking activities	10	**164 900**	149 763	155 664
Other banking interests	(49)	**3 671**	7 169	3 841
ICBC Standard Bank Plc (40% shareholding)	(34)	**3 671**	5 590	2 645
ICBC Argentina (20% shareholding)[2]	(100)	**0**	1 579	1 196
Liberty	(4)	**10 673**	11 102	11 724
Standard Bank Group	7	**179 244**	168 034	171 229

OTHER INFORMATION

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BASIS OF PREPARATION AND PRESENTATION

The Standard Bank Group Limited's (the group) financial results, including the condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows, for the six months ended 30 June 2020 (results) are prepared, as a minimum, in accordance with the requirements of the JSE Listings Requirements, the requirements of IFRS, where applicable, and its interpretations as adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of International Accounting Standards 34 *Interim Financial Reporting* (IAS 34) and the requirements of the South African Companies Act, 71 of 2008 applicable to condensed financial statements.

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African Rand (Rand), which is the presentation currency of the group, unless otherwise indicated. All amounts are stated in millions of Rand (Rm), unless otherwise indicated. 1H20 refers to the first half year results for 2020. 1H19 refers to the first half year results for 2019. FY19 refers to the full year results for 2019. Change percentage reflects 1H20 change on 1H19, unless otherwise indicated. All amounts relate to the group's consolidated results, unless otherwise indicated.

The accounting policies applied in the preparation of this report are in terms of IFRS. These accounting policies are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements with the exception of changes referred to within these results.

This report contains *pro forma* constant currency financial information. Refer to the *pro forma* constant currency section of the other reportable items section of the results for further detail.

The *pro forma* constant currency financial information and 1H20 results, including comparatives for 1H19 where applicable, have not been audited or independently reviewed by the group's external auditors. The group's FY19 financial information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 December 2019, where applicable.

The board of directors (the board) of the group take full responsibility for the preparation of this report. The preparation of the group's results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP. The results were made publicly available on 20 August 2020.

In terms of the JSE's Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Shareholders are reminded that should they wish to make use of the group's electronic communication notification system to receive all shareholder entitled communication electronically as opposed to delivery through physical mail and have not already done so, this option can still be elected by advising the group's transfer secretaries at the following email address **ecomms@computershare.co.za** or fax to +27 11 688 5248 or contact the call centre on +27 861 100 933. Other related queries can be sent to **electroniccommunication@standardbank.co.za.**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

	1H20 Rm	1H19 Rm	FY19 Rm
Net cash flows from operating activities	**40 757**	2 089	23 346
Direct taxation paid	**(4 274)**	(4 761)	(9 907)
Operating activities	**45 031**	6 850	33 253
Net cash flows used in investing activities	**(4 984)**	(6 858)	(5 105)
Capital expenditure	**(2 430)**	(11 007)	(5 535)
Proceeds from sale of associate[1]	**3 094**		
Other investing activities	**(5 648)**	4 149	430
Net cash flows used in financing activities	**(7 475)**	(1 908)	(15 639)
Dividends paid[2]	**(10 461)**	(10 072)	(18 649)
Equity transactions with non-controlling interests	**(625)**	(818)	391
Issuance of other equity instruments[2]		1 942	1 942
Issuance of subordinated debt	**5 500**	6 926	7 269
Redemption of subordinated debt	**(2 438)**		(4 850)
Other financing activities	**549**	114	(1 742)
Effect of exchange rate changes on cash and cash equivalents	**3 819**	(7 490)	(12 459)
Net increase/(decrease) in cash and cash equivalents	**32 117**	(14 167)	(9 857)
Cash and cash equivalents at the beginning of the period	**75 288**	85 145	85 145
Cash and cash equivalents at the end of the period	**107 405**	70 978	75 288
Cash and balances with central banks	**107 405**	70 978	75 288

[1] Refer to the other reportable items section of this report for detail on the completion of the disposal of the group's residual 20% shareholdings in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates (ICBCA).
[2] Refer to the other reportable items section of this report for detail on the issued AT1 equity as well as the dividends paid to AT1 equity holders.

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

Adoption of new and amended standards effective for the current financial year

The accounting policies are consistent with those reported in the previous year except for of the adoption of the following standards and amendments effective for the current year:

- IFRS 3 *Business Combinations* (amendment) (IFRS 3), the amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment will be applied prospectively.
- IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 9 *Financial Instruments* (amendments) (IFRS 9) and IAS 39 *Financial Instruments*: *Recognition and Measurement* (IAS 39). Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment will be applied retrospectively.
- Conceptual Framework for Financial Reporting (revised) (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting FRS standards. The revision did not result in any changes to IFRS standards.

Early adoption of revised standards:

- IFRS 3 *Business Combinations* (amendments). This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.
- IAS 16 *Property, Plant and Equipment* (amendments) (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (amendments) (IAS 37). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening retained earnings with the cumulative effect of the amendments on transition date.

The adoption of the above new and amended standards on 1 January 2020 did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

Restatement

During 2019, it was identified that upon transition to IFRS 9 certain investments in unit trusts and portfolio managed funds were incorrectly classified as loans and advances, instead of financial investments per the group IFRS 9 presentation guidance. As a result, these assets were incorrectly classified as amortised cost instruments, rather than fair value through profit or loss due to the IFRS 9 contractual cash flow test not being met. However, the carrying amount of these assets approximate their fair values and accordingly did not impact the group's total assets, profit for the year, credit impairment charges and earnings per share as reported.

The correction of this error amounted to a reclassification between the statement of financial position, income statement and statement of cash flows line items as indicated below (no impact on FY19, as reported):

	1H19		
	As previously reported debit/(credit) Rm	Restatement Rm	Restated debit/(credit) Rm
Condensed consolidated statement of financial position			
Financial investments	559 088	865	559 953
Loans and advances	1 187 130	(865)	1 186 265
Condensed consolidated income statement			
Net interest income	(31 265)	71	(31 194)
Non-interest revenue	(23 012)	(71)	(23 083)

In preparing the group's results, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. While models have been enhanced, no material changes to assumptions have occurred since year-end. The following represents the most material key management assumptions applied in preparing these financial results.

Expected credit loss (ECL) on financial assets – drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post-write-off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. These LGD parameters are aligned to market practice.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12 months (or the remaining tenor of the financial asset for CIB, including certain PBB business banking exposures, if the remaining lifetime is less than 12 months).

- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetime includes consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.
- The measurement period for unutilised loan commitments utilise the same approach as on-balance sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PBB

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD.

The group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 days accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, the rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

From a South Africa perspective, in accordance with SARB D3, where a restructure is considered due to Covid-19 related factors, the group determines whether the loan is expected to remain in an up-to-date status subsequent to the relief period. These restructured loans are classified as Covid-19 related restructures and the determination of temporary or permanent distress is assessed monthly. Temporary distressed accounts are classified as Stage 1 or Stage 2 based on their risk profile and permanently distressed accounts are classified as Stage 3.

CIB (including certain PBB business banking exposures)

The group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the group's master rating scale as investment grade (within credit risk grade 1 – 12 of the group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk. To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

Group Master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Incorporation of forward-looking information (FLI) in ECL measurement

The group determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the group's global outlook and its global view of commodities.

For PBB these forward-looking economic expectations are included in the ECL where adjustments are made based on the group's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macroeconomic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risks and industry data, have been taken into account in ECL estimates when required, through the application of out-of-model

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adjustments. These out-of-model adjustments are subject to group credit governance committee oversight.

The group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities, in excess of the current limit).

The group has not rebutted the 90 days past due rebuttable presumption.

Write-off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the group is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the group's CIB or PBB credit governance committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime ECL model) back to stage 1 (12-month ECL model) prospectively.

The group's forward-looking economic expectations were applied in the determination of the ECL at the reporting date

A range of Base, Bull and Bear forward-looking economic expectations were determined, as at 30 June 2020, for inclusion in the group's forward-looking process and ECL calculation:

South African economic expectation

Our base case for South Africa assumes a severe hit to the South African economy in 2Q20 followed by a reasonably quick recovery in the growth rate but, owing to strong base effects, a protracted recovery in the real GDP level. The economy is expected to experience the deepest recession in many decades from the direct and indirect impacts of the Covid-19 pandemic. This scenario assumes that the crisis triggers an acceleration of select fiscal and growth reforms.

In our bear case scenario, we assume a deeper recession as well as a more gradual economic recovery than the base case, partly owing to larger permanent destruction of businesses and jobs. The persistence of ideological differences prevent traction with economic reforms. The deeper and more protracted economic contraction as well as the lack of reforms significantly worsen the fiscal prognoses.

The bull case scenario is built under the assumption that the prevailing crisis triggers accelerated economic reforms. This supports the post-pandemic growth rebound. Including fixed investment and employment growth, as well as capital inflows. In this scenario, ratings upgrade may ultimately be in view in the medium-term, particularly from S&P which currently has SA's Foreign Currency (FC) rating at BB- and Local Currency (LC) rating at BB with stable outlook.

Africa Regions economic expectation

The Africa Regions base case comprises the following outlook and conditions:

Covid-19 undoubtedly dislocated Africa's growth trajectory this year. The Covid-19 pandemic is likely to impact economies in our coverage via two channels. First, there is an indirect impact that an economy would feel even if it were spared by the Covid-19 pandemic, an impact that would be transmitted via disruptions to trade and international financial flows. This spill-over effect from the disruption to the global economy is comparatively easier to estimate. The second channel is direct, arising from the disruption to economic activity as governments put measures in place to contain the pandemic. This is far harder to estimate with a fair degree of confidence, especially for poor countries with large populations.

Of course, this disruption is likely to expose long-standing structural deficiencies in many economies in our coverage, perhaps with the commodity-exporting ones being the most impacted. For Zambia, the combination of the Covid-19 pandemic and existing fiscal and balance of payments challenges, is likely to have led Zambia's government to seek a restructure of its external debt. Of course, the sharp drop in oil prices during 1Q20 has undoubtedly created fiscal pressures for oil producing countries in our coverage. There is a growing concern about some oil sovereigns, especially Angola, potentially defaulting on their external debt.

To recall, prior to the Covid-19 pandemic, there was a growing concern that the Nigerian Naira (NGN) would face pressure from a rise in portfolio outflows. This has now arguably been exacerbated by the precipitous decline in international oil prices. More importantly, even if oil prices were to rise in the second half of the year, on the back of a gradual re-opening of economies, the authorities would perhaps be emboldened to keep the NGN stable.

This is something that could dissuade portfolio investors from returning to the market. Thus, reducing overall FX liquidity on the IEFX market and subsequently, weighing down economic activity.

As the Covid-19 pandemic progresses on the continent, it is not inconceivable that elections due to be held later in the year will be postponed. To be sure, elections in Cote d'Ivoire, Malawi and Ghana are scheduled for the second half of the year. Elections in Ethiopia, which were scheduled for August, were postponed indefinitely.

East African economies are likely to benefit from subdued international oil prices. Current account deficits will narrow and imported inflation will reduce. However, owing to the Covid-19 pandemic, tourism arrivals have sharply declined, and we suspect, could remain depressed for much longer. Tourism accounts for close to 10.0% of GDP in most of these economies. Moreover, the confluence of risks such as the invasion of desert locusts and recent flooding, could also thwart agriculture productivity.

Global economic expectation

The global base case comprises the following outlook and conditions:

The global economy weakened dramatically in 2020 under the weight of Covid-19. Recovery in 2021 and beyond is sluggish and the output lost in 2020 is unlikely to be made up through the forecast period.

Monetary and fiscal policy easing has been very aggressive and we do not expect central banks to start to lift policy rates for three years, or more.

Deflation is the primary concern in developed countries for this year and probably next. But in the longer-term we should remember that the Covid-19 pandemic contains an inflationary threat because it weakens the capacity of the global economy to supply goods and services.

The Dollar has strengthened through the Covid-19 crisis, albeit predominantly against Emerging Market currencies. Over the long haul the Dollar is expected to give back much of this strength, just as we saw in the years after the global financial crisis of 2008.

Bond yields are set to remain low for some time despite the big increase in government bond supply resulting from fiscal efforts to stimulate growth.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision on financial assets. For each scenario the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

Macroeconomic factors – 1H20	Base scenario			Bear scenario			Bull scenario		
	FY20[1]	Next 12 months (2H20 to 1H21)	Remaining forecast period[2]	FY20[1]	Next 12 months (2H20 to 1H21)	Remaining forecast period[2]	FY20[1]	Next 12 months (2H20 to 1H21)	Remaining forecast period[2]
South Africa[3]									
Inflation (%)	3.40	3.84	4.5	3.62	4.19	5.41	3.81	4.17	4.52
Real GDP (%)	(8.5)	(0.85)	3.3	(13.22)	(7.34)	1.73	(4.64)	(0.6)	3.33
Employment rate growth (%)	(2.58)	(3.9)	0.7	(4.92)	(7.94)	0.59	(1.32)	(1.5)	1.48
Household credit (%)	(14.23)	(12.14)	5.07	(18.97)	(21.37)	1.92	(1.71)	(6.59)	5.42
Exchange rate USD/ZAR	17.39	16.43	15.86	18.46	18.23	16.88	16.65	15.53	15.35
Prime (%)	7.25	7.25	9.3	7.75	7.56	9.75	7.50	6.94	9.39
Africa Regions[4] (excluding Zimbabwe)									
Inflation (%)	8.24	9.69	7.47	7.49	8.96	7.47	7.64	8.05	6.31
Policy rate (%)	8.71	8.58	8.67	9.01	9.51	8.67	8.55	8.25	8.06
3m Tbill rate (%)	8.31	8.21	8.42	8.66	8.59	8.42	7.92	7.55	7.47
6m Tbill rate (%)	8.79	8.95	9.08	9.42	9.83	9.08	8.57	8.55	8.24
Real GDP (%)	(0.63)	1.36	6.21	(2.68)	(1.03)	6.21	0.49	2.42	7.00
Africa Regions[4]									
Inflation (%)	34.66	34.71	11.03	43.94	74.02	87.27	29.00	18.29	6.35
Policy rate (%)	9.85	9.74	9.50	9.78	10.28	10.82	9.69	9.03	8.27
3m Tbill rate (%)	8.31	8.21	8.42	8.66	8.59	8.97	7.92	7.55	7.47
6m Tbill rate (%)	8.79	8.95	9.08	9.42	9.83	10.10	8.57	8.55	8.24
Real GDP (%)	(0.81)	1.23	6.09	(2.95)	(1.31)	4.19	0.65	2.52	7.00
Global[5]									
Inflation (%)	0.85	0.80	1.80	0.10	(0.50)	1.00	0.98	1.00	1.60
Policy rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20
Exchange rate GBP/USD	1.28	1.35	1.50	1.14	1.1	1.25	1.3	1.4	1.60
Real GDP (%)	(5.15)	(9.00)	2.50	(7.90)	(12)	2.00	(4.40)	(6.00)	3.00
Unemployment rate (%)	6.58	7.00	5.50	8.08	9.00	7.00	6.45	6.50	4.50

[1] Revised as at 30 June 2020.
[2] The remaining forecast period is 2021 to 2024.
[3] The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35%.
[4] Where multiple jurisdictions are considered weighted averages are used. The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%.
[5] Based on UK outlook. The scenario weighting is: Base at 50%, Bull at 20% and Bear at 30%.

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Macroeconomic factors – FY19	Base scenario		Bear scenario		Bull scenario	
	FY20[1]	Remaining forecast period[2]	FY20[1]	Remaining forecast period[2]	FY20[1]	Remaining forecast period[2]
South Africa[3]						
Inflation (%)	4.60	4.86	6.03	5.58	4.38	4.24
Real GDP (%)	1.33	2.17	0.18	0.38	1.96	3.19
Employment rate growth (%)	0.51	0.94	(0.13)	0.17	0.89	1.78
Household credit (%)	6.53	6.82	5.52	6.50	6.96	7.50
Exchange rate USD/ZAR	14.83	14.43	16.44	15.32	13.70	13.58
Prime (%)	9.75	10.03	10.69	10.63	9.50	9.66
Africa Regions[4]						
Inflation (%)	7.60	7.10	9.20	8.40	6.50	6.30
Policy rate (%)	9.40	8.80	10.10	10.10	9.00	8.10
3m Tbill rate (%)	8.70	8.30	9.90	9.30	8.10	7.70
6m Tbill rate (%)	9.40	8.90	10.30	9.50	9.10	8.40
Real GDP (%)	3.70	4.60	2.60	3.60	4.50	5.40
Global[5]						
Inflation (%)	1.70	2.30	2.80	1.70	1.70	1.90
Policy rate (%)	0.30	1.00	0.10	0.80	1.30	1.90
Exchange rate GBP/USD	1.28	1.50	1.18	1.40	1.41	1.40
Real GDP (%)	0.90	1.90	(0.5)	1.40	2.00	1.90
Unemployment rate (%)	4.50	4.50	5.50	5.00	3.80	4.40

[1] As reported for the year ended 31 December 2019.
[2] The remaining forecast period is 2021 to 2024.
[3] The scenario weighing is: Base at 55%, Bull at 25% and Bear at 20%.
[4] Where multiple jurisdictions are considered weighted averages are used. The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%.
[5] Based on UK outlook. The scenario weighting is: Base at 60%, Bull at 20% and Bear at 20%.

Sensitivity analysis of CIB forward-looking impact on the total ECL provision on all financial instruments

Management assessed and considered the sensitivity of the provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore the impact of forward-looking economic conditions is embedded into the total provision for each CIB client and cannot be stressed or separated out of the overall CIB provision. Thus, a sensitivity analysis of the total CIB provision of R8 881 million as at 30 June 2020 was performed. This analysis entailed recalculating the total provision, using a 100% weighting of each scenario. The impact of each scenario is R8 833 million (0.5% decrease in the total provision) for the Base scenario, R9 059 million (2% increase in total provision) for the Bear scenario and R8 780 million (1% decrease in total provision) for the Bull scenario. The income statement impact of R2 225 million for 1H20 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is R2 177 million (decrease of R48 million) for the Base scenario, R2 403 million (increase of R178 million) for the Bear scenario and R2 124 million (decrease of R101 million) for the Bull scenario.

Sensitivity analysis of PBB forward-looking impact on ECL provision

The following table shows a comparison of the forward-looking impact on the provision as at 30 June 2020, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	1H20		FY19	
	Rm	**Change of total PBB provision %**	Rm	Change of total PBB provision %
Forward-looking impact on the total ECL provision	**2 564**		1 681	
Scenarios				
Base	**2 549**	**—**	1 466	(1)
Bear	**3 409**	**2**	2 970	4
Bull	**1 791**	**(2)**	983	(2)

The income statement impact of R817 million for 1H20 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is R803 million (decrease of R14 million) for the Base scenario, R1 662 million (increase of R845 million) for the Bear scenario and R45 million (decrease of R772 million) for the Bull scenario.

Refer to the financial performance section, for the carrying amounts of loans and advances and to the credit risk section of the risk and capital management section for the group's assessment of the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Post-model adjustments

Covid-19 has had a profound impact globally and there remains much uncertainty as to the future economic path and recovery. As mentioned in the sections above in determining the forward-looking impact, from an IFRS 9 perspective, the group has forecasted three possible future macroeconomic scenarios, being the Base, Bear and Bull scenarios and attributed weightings to these three scenarios. The outcome of the Covid-19 pandemic is unpredictable and this makes determining these scenarios and the assumptions underlying them complex. Given this uncertainty, and the fact that the pandemic has impacted clients across all geographies and client segments, the group has deemed it appropriate to recognise an additional R500 million judgemental credit adjustment on the total loans and advances to customers portfolio. The credit adjustment is based on reasonable and supportable information available at the reporting date and is held within central and other.

Fair value

Financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants

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would price the net risk exposure at the measurement date. The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for 1H20 was a net loss of R5 113 million (FY19: R677 million net gain). Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

Investment property

The group invests in various properties which are predominantly owned for investment return. Certain properties house various of the group's insurance and asset management operations and these are classified as "owner-occupied" properties under IAS 16. The balance of the properties are let to various tenants under lease agreements as defined under IFRS 16 *Leases*. These properties are classified as "investment properties" under IAS 40 *Investment Property*. Investment and owner-occupied properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the property at measurement date. The key assumptions in determination of the fair value are the rent reversion factors, exit capitalisation rates and discount rates. Other inputs considered relate to expense growth, rental growth, existing tenant terms, location, vacancy rates and restrictions, if any, on the sale or use of the asset. The group applies judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived discount rates are risk adjusted to factor in liquidity and asset class risk.

The fair values of the investment properties in South Africa at 30 June 2020 have been revised in consultation with external valuators, considering the current economic environment and lock down regulations and the estimated impact to all the valuation inputs. There have been no changes applied to the unit of account and derived use.

Valuations have been negatively impacted by *inter alia*, the negative effect of Covid-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space. The valuers have also applied more conservative valuation metrics, including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space.

Given the number of management judgements applied in the valuation, these assets are considered to be at level 3 in the fair value hierarchy. Jones Lang LaSalle (JLL), who values the majority of the group's South Africa portfolio, have emphasised the valuations disclosed are reported on "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuations. Refer to the section on Fair value measurement of this report for specific details of the valuation techniques and assumptions applied as well as a sensitivity analysis on the fair value of these properties to a change in the exit capitalisation and discount rate assumptions.

There have been no disposals of properties during the six months to 30 June 2020. During July 2020, the sale of an office complex located in Century City, Cape Town was completed. The valuation of this property at 30 June 2020 reflected the sale price.

The fair value of the owner-occupied properties was considered not to have changed from the values measured at 31 December 2019 as the valuation is supported by a Liberty occupation commitment.

In respect of investment properties, the combined impact of the various assumption changes applied has led to a reduction in the overall fair value of the properties of R4.7 billion at 30 June 2020, compared to the fair value reported at 31 December 2019.

Computer software intangible assets

The group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount.

Through the performance of the impairment test, the following computer software intangible assets have been identified as impaired:

- New BOL platform (impairment of R2 108 million)
- Payment Execution System (PES) (impairment of R211 million)
- Online Business Banking (OBB) digital channel (impairment of R286 million)
  - Other intangible assets (impairments totalling to R179 million).

The recoverable amount is determined as the higher of an asset's fair value less cost of disposal and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

During 1H20, the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of R2 784 million (FY 2019: R234 million). These impairments are excluded from the group's headline earnings, details of the impairments are listed below.

New Business Online Platform

During 1H20 the further migration of South African clients onto the new BOL platform was discontinued. This decision was informed by, inter alia, the complex nature of the South African product set, feature gaps to existing capabilities, increasing client demands, significant technology developments in banking platforms in recent years and the opportunity to accelerate the deployment of the new, more modern, replacement platform. As a result, the new BOL platform has been assessed as impaired for the South Africa client franchise. The platform remains in full use for the Africa Regions franchises. The carrying amount of the new BOL platform in South Africa is based on its value in use, thus an impairment of R2 108 million has been recognised for the period.

The principal assumptions considered in determining the SA new BOL platform's value in use include:

- Future cash flows – a forecast period of three years has been adopted by management to reflect revenue which, based on management's judgement and expected market conditions, could be sustainably generated in South Africa from the clients that have already been migrated onto the platform. No more clients will be migrated onto the platform, therefore no additional revenue or over a longer period was considered. The cash flows over the cash flow period are increased at an inflationary rate to reflect volumes and revenue growth of the asset.

- Discount rate – the future cash flows are discounted using the group's weighted average cost of capital (WACC). The WACC discount rate utilised in the calculation of new BOL's value in use is deemed appropriate based on the asset under review.

The key assumptions impacting the total impairment recognised as at 30 June 2020 are the future cash flow period and the discount rate. Thus, a sensitivity analysis of the total impairment R2 108 million as at 30 June 2020 was performed. This analysis entailed recalculating the total impairment, by changing the future cash flow from three years to five years and changing the discount rate by 3% in line with the current rate of inflation. The impact of each scenario is R2 087 million (1% decrease in the total impairment) for the change in future cash flow period scenario and R2 129 million (1% increase in the total impairment) for the change in discount rate scenario.

Payment Execution System

PES was initially planned as the payments integration layer for new BOL in Namibia and South Africa. The asset is currently only deployed in Namibia and experiences through the implementation of PES in Namibia has highlighted that the asset was not fit for purpose as intended by management, requiring a complete replacement of the system with a solution with greater stability, agility and ability to adapt. As a result, no future cash flows are expected from the use of the system, therefore the entire asset of R211 million was impaired.

Online Business Banking

The OBB digital channel was an asset under construction related to small enterprise internet banking. Subsequent to its launch, the full internet capability for small enterprise businesses will be replaced under SA Digital on the Backbase platform rendering the full OBB digital channel as obsolete before the asset could become available for use in as intended by management. Due to no future cash flows expected from the use of the platform as none of the services developed can be reused or repurposed, the entire asset of R286 million was impaired.

Other intangible assets

Impairments relating to other intangible assets comprise of capitalised internally developed computer software, primarily within Liberty. These intangible assets have been reviewed for impairment, particularly in the light of the current ongoing poor economic environment as well as the unknown consequences of the pandemic on the recovery of future economic activity, and were impaired by R179 million as at 30 June 2020.

Goodwill impairment

In terms of IFRS, the group is required to, on an annual basis and when indicators of impairment are present, test its recognised goodwill for impairment. As a consequence of Covid-19 and the impact which it has had on economies, businesses and asset valuations, the group has tested its recognised goodwill for impairment at 30 June 2020. The impairment tests are performed by comparing the cash-generating units' (CGU) recoverable amounts to the carrying amounts in the functional currency of the CGU being assessed for impairment. The recoverable amount is defined as the higher of the entity's fair value less costs of disposal and its value in use.

The review and testing of goodwill for impairment inherently requires significant management judgement as management needs to estimate the identified CGU's future cash flows. The principal assumptions considered in determining an entity's value in use have been reassessed at 30 June 2020 and include:

- Future cash flows – the forecast periods adopted reflect a set of cash flows which, based on management's judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of greater than five years has been used in order to take into account the level of development in these markets and anticipated growth rates relative to those markets. The cash flows from the final discrete cash flow period are extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value on the perpetuity value.
- Discount rates – the cost of equity (COE) discount rates utilised in the equity pricing models are deemed appropriate based on the entities under review. The risk-free rate used to determine the COE has been derived from appropriate long dated government bonds adjusted for inflation differential and country risk yield. The future cash flows are discounted using the COE assigned to the appropriate CGUs and by nature can have a significant impact on their valuations.

Having considered recent available historic financial information, management forecasts, market and economic data, the group concluded that there was no goodwill impairment in respect of relevant entities at 30 June 2020.

The following table summarises the impairment test methodology applied and the key inputs used in testing the group's goodwill relating to Stanbic IBTC Holdings PLC and Stanbic Holdings Plc (previously CFC Stanbic Holdings).

	Stanbic IBTC Holdings PLC		Stanbic Holdings PLC (Kenya)	
	1H20	FY19	**1H20**	FY19
Discounted cash flow				
Discount rate (nominal) (%)	**20.1**	17.6	**18.3**	16.9
Terminal growth rate (nominal) (%)	**6.9**	7.0	**9.2**	9.1
Forecast period (years)[1]	**10**	10	**8**	8

[1] In the instance where the group values subsidiaries where the long-term strategy is to hold and grow the investment, the preferred approach is to value future cash flows over a longer period in order to take account of periods of non-linear and linear growth and avoid a situation where too great a proportion of the value is derived from the terminal cash flow period.

KEY MANAGEMENT ASSUMPTIONS

Long-term insurance contracts

Policyholder insurance contracts and investment contracts with discretionary participation features

Liberty is predominately a long-term insurer providing risk cover (including death and disability) and investment solutions to a broad range of individuals either directly or indirectly through retirement funds. Consequently, Liberty's financial results are materially impacted by estimates of policyholder behaviour relating to the ability to continue paying premiums (lapse risk), retrenchment risk events, and exposure to claims mainly through the occurrence of mortality and morbidity.

Policyholder assets and liabilities under long-term insurance contracts and related reinsurance assets and liabilities

Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. Reinsurance assets and liabilities under insurance contracts include provisions for the net present value of expected future reinsurance premiums and expected future reinsurance recoveries.

The key long-term assumptions applied, accounting policies and analysis of their sensitivity have been detailed in the Liberty Holdings Limited 31 December 2019 annual financial statements. The long-term demographic assumptions used in contract measurement at 30 June 2020, are unchanged from those applied at 31 December 2019 as recent experience pre-pandemic remains supportive of these long-term assumptions and trends in future experience post the short-term pandemic event, are still unclear. There are certain risks posed by the pandemic to some of the long-term insurance risks. These risks are discussed in more detail under insurance risk in the risk management section. Economic assumptions have been updated to reflect the current applicable investment market experience.

The reference scenario has resulted in the establishment of a pandemic reserve (increase in insurance contract liabilities) on the various reported financial metrics in respect of insurance contracts in-force. This reflects the estimated net adverse impact in the short-term to the best estimate cash flows and related margins, of these insurance contracts in excess of the supportable long-term assumptions. These impacts are a combination of the likely impact to the health of customers (mortality and morbidity) as well as the indirect impacts that the pandemic and the measures taken by governments and individuals to control the spread of the pandemic have had on economic activity. These indirect impacts are likely to manifest in higher unemployment and reduced average individual income levels. In respect of insurance contracts, this increases the likelihood of retrenchment activity and higher policyholder terminations. The impacts have been assessed in accordance with the respective requirements of the various reporting metrics.

The material impacts to the reserve have been derived from the following assumptions:

- The age-based reported Covid-19 mortality experience of Wuhan will apply to 12% of Liberty's customers, including life assureds and annuitants.
- The lump sum disability experience outgo will increase by 35% over a one-year period.
- Liberty Corporate's customer revenue base reduces by 15% due to a 10% risk and retirement fund membership reduction due to retrenchments and a 5% reduction in the remaining net employee benefit contributions.
- 5% of Retail Risk and voluntary investment policies will terminate.
- An allowance for future once off costs to provide financial support to commission earners and further technology costs related to remote working; plus an allowance for unprovided cost overruns in the short-term as a result of lower than budgeted new business volumes and higher than expected terminations.

The short-term impacts on dread disease and income disability benefits are expected to be within the typical variability of the long-term experience and are thus considered supportable by the long-term assumptions.

These assumptions have been consistently applied in the determination of the value of in-force contracts in the South African covered business embedded value, as well as for solvency capital requirement calculations.

Acquisition cost per policy overruns have been excluded from the value of new business as they are not expected to recur and have been treated as extraordinary non-recurring expenses. Given various management actions taken over the first half of 2020, the application of the reference scenario to the value of new business was not considered appropriate. There are hence no assumed impacts on the value of new business.

The estimates have been calculated on a net of reinsurance basis, allowing for expense modelling considerations and reinsurance recoveries where applicable. The impacts of applying these assumptions on the various bases are summarised in the table below:

Reference scenario – 1H20 impact	IFRS/GEV insurance liability adjustment
Policyholder insurance contracts	R3 041 million increase in liability
Taxation relief and non-controlling interests applied	(R866 million)
Impact to Liberty profit or loss/net worth	R2 175 million reduction to profit
Net impact to value of in-force and cost of required capital	R828 million reduction in net value of in-force
Liberty group equity value (GEV) impact	R3 003 million reduction in embedded value

	Liberty Insurance Act capital requirement coverage
Net reduction in Liberty solvency capital requirement cover	0.07 decrease in coverage ratio

The IFRS insurance liability adjustment includes an overall assessment of the liability adequacy requirement as prescribed under IFRS 4 *Insurance Contracts*.

Sensitivities to the LGL insurance contract pandemic reserve are tabled below. Mortality sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The impacts presented below are net of taxation consequences. Any taxation relief is assumed to be recoverable.

Sensitivity variable	IFRS contract boundary[1]	Adjustment to the reference scenario[2]	Impact on profit for the period Rm	Equity impact Rm	Impact to the Liberty solvency capital requirement ratio at 30 June 2020 (times covered)
Mortality risk experience – assured lives	Long	+40% of the assumed mortality impact of the pandemic[3] (equates approximately to a +14% proportional increase on average for 1 year)	**(385)**	**(358)**	**(0.023)**
	Short		**(108)**	**(104)**	**(0.006)**
Mortality risk experience – annuitants			**37**	**40**	**0.003**
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	**(37)**	**(29)**	**(0.002)**
	Short		**(8)**	**(8)**	**(0.000)**
Retail retrenchment risk experience[4]	Long	+5% absolute increase for 1 year (equates to a greater than +400% proportional increase for 1 year)	**(47)**	**(43)**	**(0.003)**
	Short			**(55)**	
Retrenchment impact on Corporate terminations		+5% absolute increase for 1 year		**(90)**	
Risk and investment terminations		+5% absolute increase on Corporate and on Retail Risk and voluntary Investment business (equates approximately to a +50% proportional increase on average for 1 year)	**(497)**	**(924)**	**0.023**

[1] In some instances, the sensitivities have been split dependent on whether the IFRS contract boundary is considered short or long. Short boundary business encompasses Corporate risk fund business, and Retail embedded credit business. The balance of the group's business is categorised as long boundary. This is to facilitate a comparison with the usual IFRS sensitivities provided in the Liberty annual financial statements, since the impact on the usual sensitivities is zero for contracts with a short boundary definition, but given the extent of the stress in the short-term it does give rise to a sensitivity in the table above.
[2] In some instances, approximate proportional sensitivities have been provided to aid comparison with the usual sensitivities provided in the Liberty annual financial statements. The stresses have been calibrated such that the actual impact is reasonably likely to fall within this adverse range.
[3] The 40% stress is considered a reasonable stress to appropriately reflect the range of likely impact for Liberty given its relatively small weighted exposure to HIV and TB. With the high prevalence of HIV and TB in the South African population, the stress to reflect the likely range for the population would be more appropriate at around 100%.
[4] Retrenchment stresses were not provided previously in the Liberty annual financial statements. The typical net impact on the group for variations in retrenchment is immaterial. However, the unprecedented levels of retrenchment that are assumed in the reference scenario, resulting in a relative stress in excess of 400%, are significantly in excess of anything the group would have envisaged as a reasonable range. However, even at these extreme levels, the net impact on the group is not significant in relation to the aggregate impact of the reference scenario.

Using the usual IFRS sensitivities analysis previously provided in the Liberty annual financial statements, together with a suitable assumed discounted mean term and scaling factor for the difference in the relative size of the stresses, estimation of the above sensitivities of the pandemic reserve can largely be replicated.

Policyholder liabilities – investment contracts with discretionary participation features

The full liability represents the total fair value of the matching asset portfolio and an estimate of the cost of any guarantees provided. Current policyholder obligations are estimated by calculating a net present value of expected future cash flows allowing for assumed future bonus rates. The difference between the fair value of the matching asset portfolio and the estimate of the current policyholder obligations is the bonus stabilisation reserve. The reference scenario has not directly impacted the measurement of investment contracts with discretionary participation features at 30 June 2020. This is because the associated changes in expected future cash flows do not impact the measurement of the referenced asset portfolios at the financial reporting date. Furthermore, the impact on financial metrics on other bases is negligible, given the nature of these contracts. Funding levels on all material funds remain above 100%, and in aggregate the two funds below the 100% funding level had bonus stabilisation reserves of less than negative R50 million.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial results.

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Consolidated reconciliation of profit for the period to group headline earnings

	1H20 Rm	1H19 Rm	FY19 Rm
Profit for the period attributable to ordinary shareholders	**3 767**	13 195	25 443
Headline earnings adjustable items	**4 134**	254	2 890
IAS 16 – Loss on sale of properties and equipment	**27**		94
IAS 21 – FCTR release on disposal of associate	**3 367**		
IAS 28 – Gain on disposal of associate	**(1 835)**		
IAS 28/IAS 36 – Impairment of associate			2 418
IAS 36 – Impairment of intangible assets	**2 784**	118	234
IAS 36 – Goodwill impairment		11	11
IAS 40 – Realised gains on investment property	**(209)**		(188)
IFRS 5 – Impairment of disposal group assets held for sale		125	321
Taxation on headline earnings adjustable items	**(301)**	(33)	15
Non-controlling interests' share of headline earnings adjustable items	**(59)**	(55)	(141)
Standard Bank Group headline earnings	**7 541**	13 361	28 207
Headline earnings per ordinary share (cents)			
Headline earnings per ordinary share	**473.8**	837.4	1 766.7
Diluted headline earnings per ordinary share	**471.8**	828.8	1 756.9

Derivative instruments

All derivatives are classified either as held-for-trading or held-for-hedging. A summary of the total derivative assets and liabilities is shown in the table below.

	Fair value of assets		Fair value of (liabilities)	
	1H20 Rm	FY19 Rm	1H20 Rm	FY19 Rm
Total derivative assets/(liabilities) held-for-trading	**112 876**	67 777	**(116 019)**	(65 677)
Total derivative assets/(liabilities) held-for-hedging	**5 803**	3 630	**(7 483)**	(3 821)
Total	**118 679**	71 407	**(123 502)**	(69 498)

Use and measurement of derivative instruments

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations. All derivatives are classified either as held-for-trading or held-for-hedging.

In the normal course of business, the group enters into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions in accordance with the group's risk management policies and practices. Derivative instruments used by the group are held for both trading and hedging purposes and include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

A summary of the total derivative assets and liabilities are shown in the table below.

Derivatives held-for-trading

The group transacts into derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The group also takes proprietary positions for its own account. Trading derivative products include the following:

	Fair value of assets		Fair value of (liabilities)		Contract/notional amount[1]	
	1H20 Rm	FY19 Rm	**1H20 Rm**	FY19 Rm	**1H20 Rm**	FY19[2] Rm
Foreign exchange derivatives	**34 790**	31 397	**(33 805)**	(25 759)	**1 589 377**	1 588 705
Interest rate derivatives	**65 008**	29 496	**(65 906)**	(31 678)	**4 888 018**	5 445 789
Commodity derivatives	**630**	170	**(475)**	(119)	**8 938**	7 507
Credit derivatives	**1 551**	1 277	**(5 320)**	(4 356)	**112 493**	91 603
Equity derivatives	**10 897**	5 437	**(10 513)**	(3 765)	**985 574**	2 766 430
Total	**112 876**	67 777	**(116 019)**	(65 677)	**7 584 400**	9 900 034

[1] The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.
[2] Restated. It was noted that the notional amounts for foreign exchange derivatives and interest rate derivatives for FY19 were understated with R32 455 million and R86 475 million respectively. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position.

Day one profit or loss

The table below sets out the aggregate net day one profit or loss yet to be recognised in profit or loss at the beginning and end of the period with a reconciliation of changes in the balances during the period.

	Derivative instruments Rm	Trading assets Rm	Total Rm
Unrecognised net profit at 1 January 2019	176	845	1 021
Additional net profit on new transactions during the year	387	233	620
Recognised in trading revenue during the year	(315)	(178)	(493)
Exchange differences	(7)		(7)
Unrecognised net profit at 31 December 2019	241	900	1 141
Unrecognised net profit at 1 January 2020	**241**	**900**	**1 141**
Additional net profit on new transactions during the period	**350**	**227**	**577**
Recognised in trading revenue during the period	**(346)**	**(37)**	**(383)**
Exchange differences	**58**		**58**
Unrecognised net profit at 30 June 2020	**303**	**1 090**	**1 393**

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Pledged assets

The following table presents details of financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety, and their associated liabilities including any contingent liabilities where applicable. This table does not disclose the total risk exposure in terms of these transactions, instead it provides disclosures as required by IFRS.

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[1] Rm	Net fair value[1] Rm
1H20					
Bonds	**19 680**	**(12 192)**	**19 675**	**(12 192)**	**7 483**
Listed equities	**5 676**		**5 676**		**5 676**
Pledged assets (as recognised in the statement of financial position)	**25 356**	**(12 192)**	**25 351**	**(12 192)**	**13 159**
Financial investments[2]	**3 869**	**(3 843)**	**3 869**	**(2 347)**	**1 522**
Total	**29 225**	**(16 035)**	**29 220**	**(14 539)**	**14 681**
FY19					
Bonds	23 624	(17 796)	23 625	(17 796)	5 829
Listed equities	5 753		5 753		5 753
Pledged assets (as recognised in the statement of financial position)	29 377	(17 796)	29 378	(17 796)	11 582
Financial investments[2]	12 805	(12 738)	12 805	(12 735)	70
Total	42 182	(30 534)	42 183	(30 531)	11 652

[1] Where the counterparty has recourse to the transferred asset.
[2] For these financial investments the counterparty is not permitted to sell or re-pledge the assets in the absence of default, hence they are not classified as pledged assets.

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets.

The majority of other financial investments that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements, listed equities held as collateral under scrip lending transactions and financial assets leased out to third parties. Risks to which the group remain exposed include credit and interest rate risk.

During the first six months of the current year, there were no instances of financial assets that were sold or otherwise transferred, but which were partially derecognised. Further, there were no instances of financial assets transferred and derecognised for which the group had continuing involvement.

Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded in the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R172 489 million (FY19: R94 429 million).

The fair value of financial assets accepted as collateral and commodities received through commodity leases that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R10 499 million (FY19: R14 215 million).

These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing activities.

Financial investments

	Total		Banking activities		Investment management and life insurance activities	
	1H20 Rm	FY19 Rm	**1H20 Rm**	FY19 Rm	**1H20 Rm**	FY19 Rm
Corporate	**75 299**	73 381	**35 439**	27 494	**39 860**	45 887
Sovereign	**250 534**	205 927	**207 404**	167 341	**43 130**	38 586
Banking	**62 362**	53 364	**1 621**	1 766	**60 741**	51 598
Mutual funds and unit-linked investments	**98 946**	99 499	**1 558**	1 315	**97 388**	98 184
Listed equities	**94 053**	100 367	**100**	145	**93 953**	100 222
Unlisted equities	**7 108**	8 179	**3 577**	4 195	**3 531**	3 984
Interest in associates and joint ventures held at fair value	**18 552**	16 168			**18 552**	16 168
Other instruments	**5 609**	10 434	**2 888**	2 447	**2 721**	7 987
Total	**612 463**	567 319	**252 587**	204 703	**359 876**	362 616

Accounting classification

	1H20 Rm	FY19 Rm
Net financial investments measured at amortised cost	**195 188**	153 760
Gross financial investments measured at amortised cost	**195 323**	153 828
ECL for financial investments measured at amortised cost	**(135)**	(68)
Financial investments measured at fair value	**417 275**	413 559
Financial investments measured at FVTPL	**353 638**	368 512
Debt financial investments measured at FVOCI	**62 565**	43 763
Equity financial investments measured at FVOCI	**1 072**	1 284
Total	**612 463**	567 319

Other assets

	1H20 Rm	FY19 Rm
Financial assets[1]	**31 068**	19 198
Trading settlement assets	**20 581**	12 339
Retirement funds	**987**	1 090
Other financial assets[2]	**9 500**	5 769
Non-financial assets	**12 590**	10 703
Prepayments	**3 802**	2 985
Insurance prepayments	**6 492**	4 506
Other non-financial assets	**2 296**	3 212
Total	**43 658**	29 901

[1] Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default, therefore ECL is considered to be insignificant on these debtors.
[2] Included in other financial assets are assets of a short-term nature such as accrued interest and dividends.

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Private equity associates and joint ventures

The following table provides disclosure of those private equity associates and joint ventures that are equity accounted in terms of IAS 28 *Investments in Associates and Joint Ventures* and have been ringfenced in terms of the requirements of the circular titled *Headline Earnings* issued by the South African Institute of Chartered Accountant, and amended from time to time. On the disposal of these associates and joint ventures held by the group's private equity division, the gain or loss on the disposal will be included in headline earnings.

	1H20 Rm	FY19 Rm
Cost[1]	56	56
Carrying value	478	551
Fair value	478	551
Attributable (loss)/income before impairment	(82)	2

[1] Restated. It was noted that the FY19 cost amount was understated with R8 million. This restatement did not impact the carrying value, fair value or attributable income for the private equity associates and joint ventures or the group's statement of financial position.

Provisions and other liabilities

	1H20 Rm	FY19 Rm
Financial liabilities	110 840	94 477
Collateral and other insurance risk management liabilities	16 003	12 474
Third-party liabilities arising on consolidation of mutual funds	58 268	56 758
Trading settlement liabilities	17 976	8 220
Other financial liabilities	18 593	17 025
Non-financial liabilities	60 145	29 624
Items in the course of transmission	28 772	4 784
Post-employment benefits	1 060	1 113
Staff-related accruals	8 787	11 963
Other non-financial liabilities[1]	21 526	11 764
Total	170 985	124 101

[1] Included in other non-financial liabilities are liabilities of a short-term nature such as accrued expenses and sundry provisions.

Contingent liabilities and commitments

	1H20 Rm	FY19 Rm
Contingent liabilities		
Letters of credit and bankers' acceptances	16 788	15 104
Guarantees	94 747	79 202
Total	111 535	94 306
Commitments		
Investment property	374	601
Property and equipment	1 033	284
Other intangible assets	275	191
Total	1 682	1 076

Loan commitments of R79 909 million (FY19: R73 940 million) are either irrevocable over the life of the facility or revocable only in response to material adverse changes.

Related party balances and transactions

Balances and transactions with ICBCS

The following significant balances and transactions were entered into between the group and ICBCS, an associate of the group.

Amounts included in the group's statement of financial position	1H20 Rm	FY19 Rm
Derivative assets	**5 298**	4 227
Trading assets		10
Loans and advances	**13 445**	11 394
Other assets	**268**	392
Derivative liabilities	**(6 218)**	(2 573)
Deposits and debt funding	**(4 325)**	(2 184)
Other liabilities	**(282)**	(1 595)

Services

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of Standard Bank Plc (SB Plc). In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party. As at 30 June 2020 the expense recognised in respect of these arrangements amounted to R334 million (FY19: R496 million).

Balances and transactions with the ICBC

The group, in the ordinary course of business, receives term funding from, and provides loans and advances to, ICBC for strategic purposes. These monies are renegotiated and settled on an ongoing basis on market-related terms. The following balances and transactions were entered into between the group and ICBC, a 20.1% shareholder of the group, excluding those with ICBCS.

Amounts included in the group's statement of financial position	1H20 Rm	FY19 Rm
Loans and advances	**15 964**	14 569
Other assets[1]		433
Deposits and debt funding[2]	**(12 670)**	(8 569)

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 30 June 2020, a balance of USD37.6 million (R652 million) is receivable from ICBC in respect of this arrangement (FY19: USD26.7 million; R374 million).

[2] Restated. It was noted that the related party deposits and debt funding amount with ICBC for FY19 was understated with R7 780 million. This restatement did not impact the group's statement of financial position.

The group has off-balance sheet letters of credit exposure issued to ICBC as at 30 June 2020 of R2 717 million (FY19: R3 573 million). The group received R6 million in fee and commission revenue relating to these transactions (1H19: R10 million).

Mutual funds

The group invests in various mutual funds that are managed by Liberty. Where the group has assessed that it has control (as defined by IFRS) over these mutual funds, it accounts for these mutual funds as subsidiaries. Where the group has assessed that it does not have control over these mutual funds, but has significant influence, it accounts for them as associates.

The following significant balances and transactions were entered into between the group and the mutual funds which the group does not control:

Amounts included in the group's statement of financial position and income statement	1H20 Rm	FY19 Rm
Trading liabilities	**(160)**	(86)
Deposits and debt funding	**(24 188)**	(22 519)
Trading losses	**(16)**	(17)
Interest expense	**(992)**	(1 270)

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Post-employment benefit plans

The group manages R9 392 million (FY19: R7 774 million) of the group's post-employment benefit plans' assets. Other significant balances between the group and the group's post-employment benefit plans are listed below:

	1H20 Rm	FY19 Rm
Investments held in bonds and money market instruments	**904**	833
Value of ordinary group shares held	**2 326**	2 708

Pensions and other post-employment benefits

	1H20 Rm	FY19 Rm
Amount recognised as assets in the statement of financial position		
Banking activities		
Retirement funds	**866**	945
Other retirement funds	**32**	28
Liberty		
Retirement funds	**89**	117
Total	**987**	1 090
Amounts recognised as liabilities in the statement of financial position		
Banking activities		
Post-employment healthcare benefits – other funds	**705**	745
Liberty		
Post-employment healthcare benefits	**430**	459
Total	**1 135**	1 204

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R371 million (FY19: R597 million).

	1H20 Rm	FY19 Rm
The amounts recognised in the statement of financial position in respect of the retirement funds are determined as follows:		
Present value of funded obligations	**(35 015)**	(36 716)
Fair value of plan assets	**36 177**	37 944
Surplus	**1 162**	1 228
Asset ceiling	**(175)**	(138)
Included in the statement of financial position	**987**	1 090
SBGRF	**866**	945
Liberty retirement funds	**89**	117
Other retirement funds	**32**	28
Included in:		
Other assets	**987**	1 090

Plan assets do not include property occupied by the group.

The group expects to pay R1 247 million in contributions to the Standard Bank retirement funds in 2020 (FY19: R1 250 million).

	1H20 Rm	FY19 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost[1]	**643**	1 287
Net interest income[2]	**(50)**	(100)
Included in staff costs	**593**	1 187
The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments were made to reflect the effect of expenses.		
Components of statement of other OCI		
Actuarial (loss) under asset management	**(3 236)**	(7)
Actuarial gain	**3 144**	124
Gain from changes in demographic assumptions		6
Gain/(loss) from changes in financial assumptions	**60**	(55)
Gain from changes in experience adjustments	**3 084**	173
Asset ceiling	**(37)**	(107)
Remeasurements recognised in OCI	**(129)**	10
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	**1 090**	998
Net expense recognised[1]	**(593)**	(1 187)
Amounts recognised in OCI	**(129)**	10
Company contributions	**615**	1 276
Foreign exchange movements[1]	**4**	(7)
Net defined benefit asset at the end of the period	**987**	1 090

[1] Restated. It was noted that the current service cost for FY19 was understated with R11 million and net expenses recognised and exchange movements for FY19 were overstated by R1 million each. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position

[2] Restated. It was noted that the net interest income for FY19 was understated with R100 million. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position

Post-employment healthcare benefits

	1H20 Rm	FY19 Rm
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:		
Present value of unfunded defined benefit obligations	**1 135**	1 204
Included in the statement of financial position	**1 135**	1 204
Standard Bank	**705**	745
Liberty	**430**	459
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	**1 204**	1 237
Net expense recognised	**65**	118
Benefits paid	**(48)**	(89)
Gain recognised in OCI	**(87)**	(61)
Foreign exchange movements	**1**	(1)
Balance at end of the period	**1 135**	1 204

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

	1H20 Rm	FY19 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**6**	10
Net interest cost	**59**	108
Included in staff costs	**65**	118
Components of statement of other comprehensive income		
Actuarial gains arising from changes in financial assumptions	**(47)**	(30)
Actuarial gains arising from experience adjustments	**(40)**	(31)
Remeasurements recognised in OCI	**(87)**	(61)

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. The aggregate current service cost and interest cost is R65m (2019: R118m) and the defined benefit obligation is R1 135m (2019: R1 204m). A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised:

	1H20		FY19	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	**75**	**57**	123	109
Effect on the defined benefit obligation	**1 226**	**1 040**	1 321	1 095

Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no other instances apart from the cash management accounts, where the group has a current legally enforceable right to offset as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as the required disclosures for financial assets and financial liabilities that are subject to an enforceable master netting arrangements or similar agreements, irrespective of whether they have been offset in accordance with IFRS. It should be noted that the information below is not intended to represent the group's actual credit exposure, nor will it agree to that presented in the statement of financial position.

Assets	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amount of financial assets subject to netting agreements[3] Rm	Collateral received[4] Rm	Net amount Rm
1H20					
Derivative assets	**110 051**		**110 051**	**(85 656)**	**24 395**
Trading assets	**39 348**		**39 348**	**(36 712)**	**2 636**
Loans and advances[5]	**177 188**	**(30 608)**	**146 580**	**(139 275)**	**7 305**
Total	**326 587**	**(30 608)**	**295 979**	**(261 643)**	**34 336**
FY19					
Derivative assets	64 347		64 347	(57 027)	7 320
Trading assets	25 278		25 278	(18 327)	6 951
Loans and advances[5]	100 096	(35 348)	64 748	(62 426)	2 322
Total	189 721	(35 348)	154 373	(137 780)	16 593

Refer to footnotes under the liabilities table.

Liabilities	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amount of financial liabilities subject to netting agreements[3] Rm	Collateral pledged[6] Rm	Net amount Rm
1H20					
Derivative liabilities	**112 968**		**112 968**	**(89 911)**	**23 057**
Trading liabilities	**19 686**		**19 686**	**(19 686)**	
Deposits and debt funding[5]	**66 551**	**(30 608)**	**35 943**		**35 943**
Total	**199 205**	**(30 608)**	**168 597**	**(109 597)**	**59 000**
FY19					
Derivative liabilities	64 742		64 742	(56 717)	8 025
Trading liabilities	23 291		23 291	(23 291)	
Deposits and debt funding[5]	40 475	(35 348)	5 127		5 127
Total	128 508	(35 348)	93 160	(80 008)	13 152

[1] Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
[2] Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
[3] Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.
[4] This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.
[5] The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.
[6] In most instances, the counterparty may not sell or repledge collateral pledged by the group.

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Classification of assets and liabilities

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities between financial and non-financial.

	Fair value through profit or loss		
1H20	Held-for-trading Rm	Designated at fair value Rm	Fair value through profit or loss default Rm
Assets			
Cash and balances with central banks			99 258
Derivative assets	118 679		
Trading assets	267 197		
Pledged assets	1 905		13 162
Financial investments		19 622	334 016
Disposal of group assets held for sale			217
Loans and advances			2 292
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	387 781	19 622	448 945
Liabilities			
Derivative liabilities	123 502		
Trading liabilities	86 955		
Disposal of group liabilities held for sale			
Deposits and debt funding		6 366	
Policyholders' liabilities[4]		106 019	
Subordinated debt		5 600	
Other financial liabilities[3]		94 664	
Other non-financial liabilities			
Total liabilities	210 457	212 649	

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Fair value through OCI						
Debt instruments Rm	Equity instruments Rm	Total assets and liabilities measured at fair value Rm	Amortised cost[1] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		99 258	8 147		107 405	107 405
		118 679			118 679	118 679
		267 197			267 197	267 197
9 658		24 725	631		25 356	25 351
62 565	1 072	417 275	195 188		612 463	614 010
		217		819	1 036	217
		2 292	1 343 578		1 345 870	1 353 158
				5 746	5 746	
				6 505	6 505	
				30 243	30 243	30 243
			31 609		31 609	
				58 803	58 803	
72 223	1 072	929 643	1 579 153	102 116	2 610 912	
		123 502			123 502	123 502
		86 955			86 955	86 955
				172	172	
		6 366	1 647 872		1 654 238	1 656 611
		106 019		209 833	315 852	106 019
		5 600	28 532		34 132	37 156
		94 664	16 176		110 840	
				66 768	66 768	
		423 106	1 692 580	276 773	2 392 459	

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Classification of assets and liabilities

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities between financial and non-financial.

	Fair value through profit or loss		
FY19	Held-for-trading Rm	Designated at fair value Rm	Fair value through profit or loss default Rm
Assets			
Cash and balances with central banks			65 650
Derivative assets	71 407		
Trading assets	222 802		
Pledged assets	11 629		11 577
Financial investments		24 028	344 484
Disposal of group assets held for sale			261
Loans and advances			161
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	305 838	24 028	422 133
Liabilities			
Derivative liabilities	69 498		
Trading liabilities	83 847		
Disposal of group liabilities held for sale			
Deposits and debt funding		5 646	
Policyholders' liabilities[4]		107 891	
Subordinated debt		5 668	
Other financial liabilities[3]		74 985	
Other non-financial liabilities			
Total liabilities	153 345	194 190	

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

	Fair value through OCI						
	Debt instruments Rm	Equity instruments Rm	Total assets and liabilities measured at fair value Rm	Amortised cost[1] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
			65 650	9 638		75 288	75 289
			71 407			71 407	71 407
			222 802			222 802	222 802
	5 509		28 715	662		29 377	29 378
	43 763	1 284	413 559	153 760		567 319	567 355
			261		2 338	2 599	261
			161	1 180 906		1 181 067	1 182 663
					7 017	7 017	
					5 423	5 423	
					34 180	34 180	34 180
				19 198		19 198	
					59 912	59 912	
	49 272	1 284	802 555	1 364 164	108 870	2 275 589	
			69 498			69 498	69 498
			83 847			83 847	83 847
					246	246	
			5 646	1 420 547		1 426 193	1 426 651
			107 891		216 355	324 246	107 891
			5 668	23 233		28 901	29 263
			74 985	19 492		94 477	
					38 697	38 697	
			347 535	1 463 272	255 298	2 066 105	

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Fair value disclosures

Financial assets and liabilities measured at fair value

Fair value hierarchy

The table that follows analyses the group's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments.

The levels have been defined as follows:
Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability.
Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices.
Level 3 – fair value is determined through valuation techniques using significant unobservable inputs.

	1H20				FY19			
Measured on a recurring basis[1]	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash and balances with central banks	94 790	4 468		99 258	60 079	5 571		65 650
Derivative assets	298	116 252	2 129	118 679	143	68 653	2 611	71 407
Trading assets	156 158	107 727	3 312	267 197	134 506	85 674	2 622	222 802
Pledged assets	24 105	620		24 725	28 612	103		28 715
Financial investments	214 134	193 366	9 775	417 275	216 360	186 535	10 664	413 559
Disposal of group assets held for sale	217			217	261			261
Loans and advances		2 041	251	2 292			161	161
Total financial assets at fair value	**489 702**	**424 474**	**15 467**	**929 643**	439 961	346 536	16 058	802 555
Financial liabilities								
Derivative liabilities	49	113 975	9 478	123 502	42	63 854	5 602	69 498
Trading liabilities	46 430	36 132	4 393	86 955	45 016	35 632	3 199	83 847
Deposits and debt funding		6 366		6 366		5 646		5 646
Policyholders' liabilities		106 019		106 019		107 891		107 891
Subordinated debt		5 600		5 600		5 668		5 668
Other financial liabilities		83 376	11 288	94 664		67 692	7 293	74 985
Total financial liabilities at fair value	**46 479**	**351 468**	**25 159**	**423 106**	45 058	286 383	16 094	347 535

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

Level 2 and 3 – valuation techniques and inputs	
Item and valuation technique	**Main inputs and assumptions**
Derivative financial instruments Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	**For level 2 and 3 fair value hierarchy items:** • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
Trading assets and trading liabilities, pledged assets and financial investments Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial instrument being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances to banks and customers For certain loans, fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	**For level 2 and 3 fair value hierarchy items:** • discount rate*
Deposits and debt funding For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	
Policyholders' assets and liabilities Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	**For level 2 and 3 fair value hierarchy items** • discount rate* • spot price of underlying
Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) The fair value of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	**For level 2 and 3 fair value hierarchy items** • discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage or service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Reconciliation of level 3 financial assets

The following table provides a reconciliation of the opening to closing balance for all financial assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3):

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances Rm	Total Rm
Balance at 1 January 2019	3 409	2 367	10 906		16 682
Total gains/(losses) included in profit or loss	261	401	(643)	(19)	
Trading revenue	261	401			662
Other revenue			(97)	(19)	(116)
Investment losses			(546)		(546)
Total gains included in OCI			86		86
Issuances and purchases	1 921	969	2 182	330	5 402
Sales and settlements	(2 705)	(1 115)	(2 089)	(150)	(6 059)
Transfers into level 3[1]	56				56
Transfers out of level 3[2]	(304)				(304)
Exchange differences	(27)		222		195
Balance at 31 December 2019	2 611	2 622	10 664	161	16 058
Balance at 1 January 2020	**2 611**	**2 622**	**10 664**	**161**	**16 058**
Total gains/(losses) included in profit or loss	**48**	**(148)**	**(1 083)**	**(25)**	**(1 208)**
Trading revenue	**48**	**(148)**			**(100)**
Other revenue			**(754)**	**(25)**	**(779)**
Investment losses			**(329)**		**(329)**
Total gains included in OCI			**28**		**28**
Issuances and purchases	**573**	**828**	**164**	**259**	**1 824**
Sales and settlements	**(1 211)**	**(124)**	**(90)**	**(144)**	**(1 569)**
Transfers into level 3[1]	**45**	**134**			**179**
Transfers out of level 3[2]	**(176)**				**(176)**
Exchange differences	**239**		**92**		**331**
Balance at 30 June 2020	**2 129**	**3 312**	**9 775**	**251**	**15 467**

[1] Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred during the reporting period. During the period, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred to level 3.

[2] During the period, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.

Level 3 financial assets

The following table provides disclosure of the unrealised gains/(losses) included in profit or loss for level 3 financial assets that are held at the end of the respective reporting periods:

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances Rm	Total Rm
1H20					
Non-interest revenue	**65**	**(148)**	**45**	**(24)**	**(62)**
Income from investment management and life insurance activities			**(203)**		**(203)**
FY19					
Non-interest revenue	802	364	(15)	(19)	1 132
Income from investment management and life insurance activities			(504)		(504)

Reconciliation of level 3 financial liabilities

The following table provides a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3).

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
Balance at 1 January 2019	6 151	2 757	6 186	15 094
Total losses/(gains) included in profit or loss – non-interest revenue	256	(265)	(18)	(27)
Issuances and purchases	347	1 050	1 125	2 522
Sales and settlements	(959)	(458)		(1 417)
Transfers out of level 3[1]	(212)			(212)
Transfers into level 3[2]	19	115		134
Balance at 31 December 2019	5 602	3 199	7 293	16 094
Balance at 1 January 2020	**5 602**	**3 199**	**7 293**	**16 094**
Total losses included in profit or loss – non-interest revenue	**3 006**	**707**	**192**	**3 905**
Issuances and purchases	**1 068**	**782**	**3 803**	**5 653**
Sales and settlements	**(108)**	**(424)**		**(532)**
Transfers out of level 3[1]	**(90)**			**(90)**
Transfers into level 3[2]		**129**		**129**
Balance at 30 June 2020	**9 478**	**4 393**	**11 288**	**25 159**

[1] Transfers of financial liabilities between the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the period, the valuation inputs of certain level 3 financial liabilities became observable. The fair value of these financial liabilities was transferred into level 2.

[2] During the period, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.

ADDITIONAL NOTES TO THE PRIMARY STATEMENTS

Level 3 financial liabilities

The following table provides disclosure of the unrealised losses/(gains) included in profit or loss for level 3 financial liabilities that are held at the end of the respective reporting years.

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
1H20				
Non-interest revenue	**3 028**	**424**	**192**	**3 644**
FY19				
Non-interest revenue	253	(264)	(18)	(29)

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The interrelationship between these significant unobservable inputs (which mainly include discount rates, spot prices of the underlying, correlation factors, volatilities, dividend yields, earning yields and valuation multiples) and the fair value measurement could be favourable/(unfavourable), if these inputs were higher (lower).

The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
1H20			
Derivative instruments	**From (1%) to 1%**	**353**	**(353)**
Trading assets	**From (1%) to 1%**	**469**	**(484)**
Financial investments	**From (1%) to 1%**	**69**	**(69)**
Trading liabilities	**From (1%) to 1%**	**90**	**(90)**
Total		**981**	**(996)**
FY19			
Derivative instruments	From (1%) to 1%	295	(295)
Trading assets	From (1%) to 1%	445	(378)
Financial investments	From (1%) to 1%	65	(65)
Trading liabilities	From (1%) to 1%	29	(29)
Total		834	(767)

As at 30 June 2020, a 1% change of the significant unobservable inputs relating to the measurement of an equity investment resulted in a R118 million favourable and unfavourable effect recognised in OCI (FY19: R129 million favourable and R127 million unfavourable, respectively).

Additional tier 1 capital

The group did not issue Basel III compliant AT1 capital bonds that qualify as tier 1 capital during 1H20 (FY19: R1 942 million). During 1H20, coupons to the value of R310 million (FY19: R636 million) were paid to AT1 capital bond holders. Current tax of R87 million (FY19: R178 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R223 million (FY19: R458 million). The AT1 capital bonds have been recognised within other equity instruments in the statement of financial position.

Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2020 and up to 19 August 2020:

Appointments		
BP Mabelane	As non-executive director	1 January 2020
NMC Nyembezi	As non-executive director	1 January 2020
Dr X Guan	As non-executive director and joint deputy chairman	1 August 2020
Retirements		
PD Sullivan	As non-executive director	26 June 2020
Resignations		
Dr H Hu	As non-executive director and joint deputy chairman	24 February 2020
BP Mabelane	As non-executive director	31 July 2020

Equity securities

During the first six months of the year, the group allotted 219 769 shares (FY19: 1 195 330 shares) in terms of the group's share incentive schemes and did not repurchase any shares (FY19: no shares). The equity securities held as treasury shares at the end of 1H20 was a long position of 28 766 620 shares with no short positions (FY19: long position of 25 637 095 shares with no short positions). All shares in the Tutuwa entities were redeemed prior to the final redemption date of 4 October 2019, thus there were no shares in issue that is financed by the group during the six months ended 30 June 2020 (FY19: no shares in issue and weighted number of these shares equated to 2 049 551 shares).

Legal proceedings

In the ordinary course of business, the group is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or 'unlikely to succeed but material should they succeed'. The group is also the defendant in some legal cases for which the group is fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the group should not have a material adverse effect on the group's consolidated financial position and the directors are satisfied that the group has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions are in place to meet claims that may succeed.

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleged unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018. The complaint against SNYS was dismissed on the grounds that South Africa's competition regulators lack jurisdiction over it. In the case of SBSA the Competition Tribunal upheld SBSA's legal challenges and the Competition Commission was directed to file a new complaint affidavit containing sufficient facts to evidence the collusion alleged within 40 business days of the ruling or risk dismissal of the complaint. The Competition Commission took the lack of jurisdiction finding on appeal to the Competition Appeal Court which upheld the appeal but also directed that the Competition Commission include, if it can, sufficient factual allegations showing that it does have jurisdiction over the foreign entities such as SNYS in its new complaint affidavit. On 1 June 2020 the Competition Commission filed a wholly new complaint affidavit in purported compliance with the order of the Competition Tribunal as affirmed by the Competition Appeal Court's order. In this new affidavit the Competition Commission purported to add new respondents one of which is Standard Americas Inc (another former subsidiary of the group). Based upon their own internal investigations and external legal advice each of Standard Americas Inc, SNYS and SBSA will be applying to the Competition Tribunal for an order dismissing the complaint against them due to multiple procedural and substantive deficiencies in the Competition Commission's complaints that have not been cured by its new complaint affidavit.

OTHER REPORTABLE ITEMS

Indemnities granted following disposal of SB Plc

Under the terms of the disposal of Standard Bank Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any Standard Bank Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, *inter alia*, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. While there have been no material claims relating to these indemnification provisions during 1H20, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post-completion.

Other banking interests

Completion of the disposal of the group's residual 20% shareholdings in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates

In June 2020, after all governance and regulatory approvals were received, the group completed the disposal of its residual 20% shareholdings in ICBCA to ICBC. These residual investments were previously classified as investments in associates and accounted for using the equity accounting method in terms of IAS 28 *Investments in Associates and Joint Ventures*. In August 2019 these investments were classified, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as non-current assets held for sale since the put option granted by ICBC to the group was exercised.

The disposal proceeds of R3 094 million before tax amounts to *circa* R2 678 million (USD156 million) after taxes. The difference, between the net proceeds and the group's carrying value in ICBCA, of R1 835 million was recognised in profit or loss (within non-trading and capital related items) as a pre-tax gain outside of headline earnings (R1 419 million gain net of tax).

The FCTR debit balance of R3 367 million, associated with the investment, was released to profit or loss outside of headline earnings. The remaining impact of the disposal to headline earnings was negligible.

Pro forma constant currency information

The *pro forma* constant currency information disclosed in these results is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's financial position and results of operations. In determining the change in constant currency terms, the comparative financial reporting years have been adjusted for the difference between the current and prior year cumulative average exchange rates, determined as the average of the daily exchange rates. The measurement has been performed for each of the group's material currencies. The constant currency change percentage is calculated using this adjusted comparative amount.

Only the FY19 *pro forma* constant currency information contained in these results, where applicable, has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of International Standard on Assurance Engagements 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* (ISAE 3420) is available for inspection at the company's registered office on weekdays from 09:00 to 16:00.

The average exchange and closing rates used in the determination of the *pro forma* constant currency information can be found on page 3. The average exchange rates were calculated using the average of the average monthly exchange rates (determined on the last day of each of the months in the period).

Subordinated debt

During 1H20, the group issued R5.5 billion (FY19: R6.6 billion) Basel III compliant bonds that qualify as tier 2 capital. The capital notes constitute direct, unsecured and subordinated obligations. The notes may be redeemed prior to their respective maturity dates at the option of the issuer and subject to regulatory approval, after a minimum period of five years.

The terms of the Basel III compliant tier 2 capital bonds include a regulatory requirement which provides for the write-off, in whole or in part, on the earlier of a decision by the relevant regulator, the Prudential Authority, that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

The group redeemed R1.8 billion (FY19: R4.8 billion) Basel III and Basel II compliant tier 2 notes that were eligible for redemption during 1H20.

During 1H20, the group did not issue any subordinated debt instruments that qualify as regulatory insurance capital (FY19: no issuances) and there were no subordinated debt instruments that qualify as regulatory insurance capital redeemed (FY19: no redemptions).

Overview

Risk management

The group's activities give rise to various financial and insurance risks. Financial risks are categorised into credit, funding and liquidity and market risk.

The group's approach to managing risk and capital is set out in the group's risk, compliance and capital management (RCCM) governance framework approved by the group risk and capital management committee (GRCMC).

The risk management disclosure that follows separately discloses the group's banking operations and investment management and life insurance activities as the group's investment management and life insurance risk is primarily managed within the Liberty group of companies which houses the group's material long term insurance operations. The group has 57.1% interest in Liberty and therefore shares 57.1% of the risk exposure.

Banking activities

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk and represents the largest source of risk to which banking entities in the group are exposed.

Approach to managing and measuring credit risk

The group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk (CCR) arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework's requirements and standards, except in so far as approval authority rests with the group equity risk committee (ERC).

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A group credit limit and concentration guideline is embedded within the group's enterprise-wide risk management process. Within the group's overall risk appetite disciplines, the credit metrics and concentrations framework includes key credit ratios and counterparty, sector and country concentration guidelines. These in turn are cascaded to business unit and legal entity level where they are monitored against approved appetite thresholds.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within our approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD).

Pre-settlement CCR inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, we attempt to mitigate credit risk, including CCR, to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. CRM policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where we have an unassailable legal title, our policy requires collateral to meet certain criteria for recognition in LGD modelling, including:

- being readily marketable and liquid
- being legally perfected and enforceable
- having a low valuation volatility
- being readily realisable at minimum expense
- having no material correlation to the obligor credit quality
- having an active secondary market for resale.

The main types of collateral obtained for our banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, we typically use recognised and enforceable international swaps and derivatives association agreements (ISDA), with a credit support annexure.

Netting agreements, such as collateral under the credit support annexure of an ISDA agreement, are obtained only where we firstly have a legally enforceable right to offset credit risk by way of such an agreement, and secondly where we have the intention of utilising such agreement to settle on a net basis.

RISK MANAGEMENT – IFRS DISCLOSURES

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (the PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. We have no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (specific wrong-way risk). General wrong-way risk, which arises when the EAD and PD for the counterparty is correlated due to macro-factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, we implement hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring

Corporate, sovereign and banking portfolios

Corporate entities include large companies, and small medium entities (SMEs) that are managed on a relationship basis or have a combined exposure to the group of more than R12 million. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate (IPRE)) and public sector entities.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed.

Concentration risk management is performed to ensure that credit exposure concentrations in respect of obligors, countries, sectors and other risk areas are effectively managed. This includes concentrations arising from credit exposure to different entities within an obligor economic group, such as exposure to public sector and other government entities that are related to the same sovereign.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within stage 1 and 2 are rated between 1 and 25 in terms of the group's master rating scale. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PBB portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group's credit risk portfolio is well-diversified. The group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	1H20 Rm	FY19 Rm
Agriculture	41 813	37 496
Construction	21 443	16 986
Electricity	26 668	25 794
Finance, real estate and other business services	445 681	329 628
Individuals	537 296	528 993
Manufacturing	86 634	74 503
Mining	44 668	40 319
Transport	50 811	44 439
Wholesale	80 718	71 000
Other services	56 399	47 188
Gross loans and advances	**1 392 131**	**1 216 346**

GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	1H20		FY19	
	%	Rm	%	Rm
South Africa	65	914 433	72	879 654
Africa Regions	19	258 766	19	228 183
International	16	218 932	9	108 509
Gross loans and advances	**100**	**1 392 131**	**100**	**1 216 346**

INDUSTRY SEGMENTAL ANALYSIS OF STAGE 3 CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	1H20 Rm	FY19 Rm
Agriculture	1 890	1 840
Construction	1 337	1 076
Electricity	581	72
Finance, real estate and other business services	2 624	1 473
Individuals	17 473	14 302
Manufacturing	1 321	1 402
Mining	322	234
Transport	954	351
Wholesale	1 933	670
Other services	1 120	1 194
Credit impairment of NPLs	**29 555**	**22 614**

GEOGRAPHIC SEGMENTAL ANALYSIS OF STAGE 3 CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	1H20		FY19	
	%	Rm	%	Rm
South Africa	82	24 097	77	17 346
Africa Regions	18	5 408	22	5 053
International		50	1	215
Credit impairment of NPLs	**100**	**29 555**	**100**	**22 614**

RISK MANAGEMENT – IFRS DISCLOSURES

Collateral

The table below shows the financial effect that collateral has on the group's maximum exposure to credit risk. The table is presented according to Basel asset categories and includes collateral that may not be eligible for recognition under Basel but that management takes into consideration in the management of the group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including NPL, have been included.

Collateral includes:
- financial securities that have a tradable market, such as shares and other securities
- physical items, such as property, plant and equipment
- financial guarantees, suretyships and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 54% (FY19: 55%) is fully collateralised. The R5.6 billion (FY19: R5.3 billion) of retail accounts that lie within the 1% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal. 42% (FY19: 43%) of total exposure is secured after netting agreements.

Of the group's total exposure, 52% (FY19: 52%) is unsecured and mainly reflects exposures to bank counterparties and sovereign entities and well-rated corporate counterparties.

The group does not currently trade commodities that could give rise to physical commodity inventory or collateral exposure with the exception of precious metals. In the normal course of its precious metal trading operations the group does not hold allocated physical metal; however, this may occur from time-to-time. Where this does occur, appropriate risk and business approval is required to ensure that the minimum requirements are satisfied, including but not limited to approval of risk limits and insurance cover.

COLLATERAL

						Collateral coverage – Total collateral		
1H20	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
Corporate	759 860	536 893	222 967	21 094	201 873	20 871	144 719	36 283
Sovereign	366 649	348 209	18 440	4 312	14 128	2	13 793	333
Bank	365 265	107 407	257 858	89 219	168 639	116 207	45 375	7 057
Retail	659 544	133 086	526 458	422	526 036	5 622	164 334	356 080
Retail mortgage	399 355	24	399 331		399 331	1 349	53 513	344 469
Other retail	260 189	133 062	127 127	422	126 705	4 273	110 821	11 611
Total	2 151 318	1 125 595	1 025 723	115 047	910 676	142 702	368 221	399 753
Add: Financial assets not exposed to credit risk	207 020							
Less: Impairments for loans and advances	(46 261)							
Less: Unrecognised off-balance sheet items	(191 444)							
Total exposure	2 120 633							
Cash and balances with central banks	107 405							
Derivative assets	108 904							
Trading assets	263 195							
Pledged assets	12 194							
Financial investments	252 587							
Loans and advances	1 345 870							
Other financial assets	30 478							
Total	2 120 633							

FY19	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral 1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
Corporate	614 201	422 098	192 103	11 106	180 997	19 995	123 086	37 917
Sovereign	316 427	301 410	15 017	3 351	11 666	1	11 619	46
Bank	217 370	80 482	136 888	61 306	75 582	49 852	21 411	4 319
Retail	638 865	129 574	509 291	439	508 852	5 254	151 509	352 088
Retail mortgage	390 991	33	390 958		390 958	2 430	47 627	340 901
Other retail	247 874	129 541	118 333	439	117 894	2 824	103 882	11 187
Total	1 786 863	933 564	853 299	76 202	777 097	75 102	307 625	394 370
Add: Financial assets not exposed to credit risk	197 252							
Less: Impairments for loans and advances	(35 279)							
Less: Unrecognised off-balance sheet items	(168 246)							
Total exposure	1 780 590							
Cash and balances with central banks	75 288							
Derivative assets	66 825							
Trading assets	220 409							
Pledged assets	17 800							
Financial investments	204 703							
Loans and advances	1 181 067							
Other financial assets	14 498							
Total	1 780 590							

Funding and Liquidity risk

Definition

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of our banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties withdraw short-term funding or do not roll over funding, or in a case where liquid assets become illiquid as a result of a generalised disruption in the market

Our framework supports the measurement and management of liquidity risk in all geographies and across both corporate and retail sectors. This ensures that the bank has the appropriate amount, diversification and tenor of funding and liquidity to support our client assets and to ensure all payment obligations can be met by all group entities under both normal and stressed market conditions whilst at all times complying with regulatory minimum requirements. This is achieved through a combination of maintaining adequate liquidity buffers to meet cash flow requirements, and ensuring a structurally sound balance sheet that is also supportive of the bank’s strategy. Liquidity risk is managed on a consistent basis across all banking subsidiaries, allowing for local requirements.

Within this framework, the implications of Covid-19 on the liquidity position of entities across the group have been continuously assessed and, where deemed necessary, proactive management actions taken. This has been achieved through frequent engagements between treasury and capital management, risk and business units in which the liquidity risk with respect to on and off-balance sheet positions was carefully monitored through analysing and anticipating client liquidity requirements and behaviour with specific focus on drawdowns of committed facilities, pipeline transactions and delayed repayments in addition to withdrawals of deposit balances. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. Throughout the period, strong liquidity ratios have been maintained, well above regulatory minimum requirements. With significant uncertainty in economic outlook and the potential for a ‘second wave’ effect that could result in a further risk-off environment combined with increased client liquidity demands, further liquidity pressures could be experienced necessitating the continued close monitoring of liquidity risk across the group.

RISK MANAGEMENT – IFRS DISCLOSURES

Maturity analysis of financial liabilities by contractual maturity for banking activities

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will, therefore, not agree directly to the balances disclosed in the condensed consolidated SOFP.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within one month Rm	Maturing between one to six months Rm	Maturing between six and 12 months Rm	Maturing after 12 months Rm	Total Rm
1H20						
Financial liabilities						
Derivative financial instruments	**114 445**	**238**	**17 107**	**11**	**12 090**	**143 891**
Instruments settled on a net basis	**83 046**		**48**		**94**	**83 188**
Instruments settled on a gross basis	**31 399**	**238**	**17 059**	**11**	**11 996**	**60 703**
Trading liabilities	**86 751**					**86 751**
Deposits and debt funding	**1 105 935**	**90 806**	**200 974**	**110 497**	**237 145**	**1 745 357**
Subordinated debt		**44**	**5 526**	**2 836**	**27 141**	**35 547**
Other		**16 176**		**5 746**	**16 438**	**38 360**
Total	**1 307 131**	**107 264**	**223 607**	**119 090**	**292 814**	**2 049 906**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**16 788**					**16 788**
Guarantees	**94 747**					**94 747**
Irrevocable unutilised facilities	**79 909**					**79 909**
Total	**191 444**					**191 444**
FY19						
Financial liabilities						
Derivative financial instruments	64 724	6	612	254	2 500	68 096
Instruments settled on a net basis	40 298	6	500	197	2 454	43 455
Instruments settled on a gross basis	24 426		112	57	46	24 641
Trading liabilities	83 718					83 718
Deposits and debt funding	856 174	315 553	34 564	23 398	236 545	1 466 234
Subordinated debt		795	2 958	5 538	18 528	27 819
Other		19 492		6 146	16 878	42 516
Total	1 004 616	335 846	38 134	35 336	274 451	1 688 383
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	15 104					15 104
Guarantees	79 202					79 202
Irrevocable unutilised facilities	73 940					73 940
Total	168 246					168 246

Market risk

Definition

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The group's key market risks are:
- trading book market risk
- interest rate in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk functions are independent of the group's trading operations and are accountable to the relevant legal entity Asset-Liability Committees (ALCOs). ALCOs have a reporting line into group ALCO, a subcommittee of group risk oversight commitee.

All value at risk (VaR) and stressed value at risk (SVaR) limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:
- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss.

The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:
- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book portfolio characteristics

VaR for the period under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the first six months of 2020 for all asset classes when compared to the 2019 aggregate normal VaR, and aggregate SVaR.

RISK MANAGEMENT – IFRS DISCLOSURES

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
1H20				
Commodities risk	**1**		**1**	
Foreign exchange risk	**27**	**12**	**18**	**19**
Equity position risk	**13**	**7**	**10**	**9**
Debt securities	**39**	**20**	**28**	**31**
Diversification benefits[2]			**(18)**	**(22)**
Aggregate	**56**	**27**	**39**	**38**
FY19				
Commodities risk	3		1	1
Foreign exchange risk	26	9	14	15
Equity position risk	18	4	8	11
Debt securities	28	15	21	23
Diversification benefits[2]			(10)	(21)
Aggregate	53	22	34	29

[1] The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.
[2] Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

TRADING BOOK SVAR ANALYSIS BY MARKET VARIABLE

	SVaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
1H20				
Commodities risk	**48**	**3**	**14**	**6**
Foreign exchange risk	**327**	**199**	**258**	**305**
Equity position risk	**321**	**34**	**117**	**62**
Debt securities	**575**	**288**	**407**	**413**
Diversification benefits[2]			**(331)**	**(362)**
Aggregate	**855**	**328**	**465**	**424**
FY19				
Commodities risk	70	17	39	21
Foreign exchange risk	371	134	210	308
Equity position risk	272	48	135	254
Debt securities	367	202	280	303
Diversification benefits[2]			(262)	(488)
Aggregate	741	221	403	398

[1] The maximum and minimum SVaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate SVaR will not equal the sum of the individual market SVaR values, and it is inappropriate to ascribe a diversification effect to SVaR when these values may occur on different days.
[2] Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual SVaRs and the SVaR of the whole trading portfolio.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
1H20							
Increase in basis points	Basis points	**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**2 265**	**583**	**257**	**57**	**829**	**3 991**
Decrease in basis points[2]	Basis points	**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(2 381)**	**(153)**	**(29)**		**(856)**	**(3 419)**
FY19							
Increase in basis points	Basis points	200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 471	444	246	39	674	3 874
Decrease in basis points[2]	Basis points	200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 541)	(563)	(224)		(672)	(4 000)

[1] Before tax.
[2] A floor of 0% is applied to all interest rates under the decreasing interest rate scenario resulting in asymmetric rate shocks in low-rate environments.

Equity risk in the banking book

Definition

Equity risk is defined as the risk of loss arising from a decline in the value of an equity or equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value (NAV), enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Approach to managing equity risk in the banking book

Equity risk relates to all transactions and investments subject to approval by the group ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, equity risk in the banking book excludes strategic investments in the group's subsidiaries, associates and joint ventures deployed in delivering the group's business and service offerings unless the group financial director and group chief risk officer deem such investments to be subject to the consideration and approval by the group ERC.

RISK MANAGEMENT – IFRS DISCLOSURES

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
1H20			
Equity securities listed and unlisted	**3 310**	**3 678**	**4 046**
Listed		**100**	
Unlisted		**3 578**	
Impact on profit or loss	**(364)**		**364**
Impact on OCI	**(4)**		**4**
FY19			
Equity securities listed and unlisted	3 906	4 340	4 774
Listed		145	
Unlisted		4 195	
Impact on profit or loss	(429)		429
Impact on OCI	(5)		5

Foreign currency risk

Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect of the group's net assets in foreign operations and foreign-denominated financial assets and liabilities.

Approach to managing foreign currency risk

The group foreign currency management committee, a subcommittee of the group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operating activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the group's NAV by currency, which is managed at a group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies, other than foreign operations.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships in terms of IFRS are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in Rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the group's foreign denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	Naira	Other	Total
1H20							
Total net long/(short) position	Rm	**(772)**	**82**	**130**	**1**	**79**	**(480)**
Sensitivity (ZAR depreciation)[1]	%	**10**	**10**	**10**	**10**	**10**	
Impact on profit or loss	Rm	**(77)**	**8**	**13**		**8**	**(48)**
FY19							
Total net long/(short) position	Rm	298	90	25	1	49	463
Sensitivity (ZAR depreciation)[1]	%	10	10	10	10	10	
Impact on profit or loss	Rm	30	9	3		4	46

[1] A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Investment management and life insurance – as disclosed by Liberty Holdings Limited

Full disclosures related to Liberty's risk and capital management are available in the risk and capital management section presented in the annual financial statements for the year ended 31 December 2019. Liberty continues to manage and report under the governance framework as described in those financial statements. While the top risks, which are highlighted in the annual financial statements, remain largely unchanged, the Covid-19 pandemic has in many instances exacerbated the risks faced by Liberty. Each company in Liberty holds sufficient assets to meet its liabilities to customers and other creditors. In addition, Liberty holds further assets which form its capital and give additional assurance to customers that Liberty will meet its obligations, even under the stressed circumstances that arise when risks crystallise.

The impact of the pandemic has already been substantial, with significant market volatility and a large number of cases reported, but the effects so far have not been outside the levels envisaged by Liberty's risk management system. As set out in the key judgements section of the disclosure, Liberty has assumed that in the medium term both insurance and economic risks and experience will return to their pre-pandemic levels.

The future outlook remains very uncertain, both in relation to the extent of claims costs and of economic dislocation, but Liberty is confident that it has the systems and resources to meet the challenges it brings. The sections which follow, set out according to Liberty's risk taxonomy, provide additional information related to the impact of the pandemic on Liberty's risk profile and on risks which are heightened due to the pandemic.

Enterprise risk management

Risk appetite and risk target

Liberty's risk appetite is set based on three dimensions, normalised IFRS headline earnings at risk, regulatory capital coverage and economic value at risk. After the establishment of the pandemic reserve, Liberty remains within risk appetite as well as risk target on all dimensions. In addition, an out of cycle Own Risk and Solvency Assessment has been performed, assessing risks against the risk appetite under several plausible scenarios. Liberty has remained within risk appetite at all times during the first six months of 2020 and remains so under all these scenarios, highlighting Liberty's financial strength.

Capital management

Capital management strategy

The capital management strategy is designed to ensure that Liberty remains within risk appetite with sufficient capital to meet strategic initiatives, as well as regulatory and working capital requirements. The allocation and use of capital are designed to generate a return that appropriately compensates investors for the risks incurred. Capital is deployed to each legal entity within Liberty such that the available capital exceeds its applicable regulatory capital requirement. Appropriate buffers allow Liberty to be managed within its risk appetite.

The Prudential Authority's solvency capital methodology has been applied for Liberty Group since 1 July 2018. The prescribed requirements for insurance Liberty will be reported on for Liberty for reporting dates following the finalisation of the insurance Liberty licensing process.

Available capital is the amount by which the value of the assets exceeds the value of liabilities, both measured on the prescribed basis. Liberty ensures that available capital is of suitable quality and is accessible when required, when required by Liberty.

The capital buffer is the amount by which available capital exceeds the solvency capital requirement, measured at an individual legal entity level. As a whole, Liberty holds a further capital buffer which is managed to support risk target levels, strategic initiative requirements and the dividend policy of Liberty. Similarly, individual entities, most notably insurance subsidiaries, maintain buffers in order to ensure their individual compliance to local regulatory requirements. Liberty's dividend policy takes cognisance of capital requirements at a Liberty level. Similarly, all dividends sourced from regulated entities are only approved where they do not compromise capital adequacy at each legal entity level.

Despite the significant financial impacts resulting from the pandemic, all regulated entities, both in South Africa and the rest of Africa, maintained positive buffers, while Liberty maintained a positive buffer within its target range.

Liberty's capital position is reported quarterly to the board. The board considers reports from the head of the actuarial function before dividends are declared by Liberty.

Available capital

Liberty is largely funded through ordinary share equity which is the highest quality of capital available to protect policyholders. In addition, Liberty has seven subordinated debt instruments, totalling R5.5 billion nominal value at 30 June 2020 issued by Liberty to increase its available capital, in order to fund its working capital requirements and to lower the weighted average cost of capital for Liberty.

On 29 April 2020, S&P Global Ratings downgraded South Africa's foreign currency sovereign rating from BB to BB- and its local currency sovereign rating from BB+ to BB. Consequently, S&P Global Ratings reviewed the credit ratings of the insurers exposed to the South African market on 4 May 2020 and downgraded a number of insurers. However, Liberty's South African national scale issuer credit rating of 'zaAAA', the long-term South African national scale issue rating of 'zaAA' assigned to its non-deferrable subordinated notes and the rating of 'zaA+' assigned its deferrable subordinated notes, were affirmed.

Solvency capital requirement coverage

The following table summarises the available capital (or own funds) and the solvency capital requirements (SCR) for Liberty.

Liberty	1H20	FY19
Available capital (or own funds) (Rm)	**28 415**	33 255
SCR (Rm)	**15 568**	16 746
SCR coverage ratio (times)	**1.83**	1.99
Target SCR coverage ratio (times)	**1.5 – 2.0**	1.5 – 2.0

The change in Liberty SCR coverage ratio is largely due to the establishment of the pandemic reserve and the payment of the annual dividend.

RISK MANAGEMENT – IFRS DISCLOSURES

Strategic and business risks

Strategic risk is the possibility of adverse outcomes, including reputational damage, resulting from adopting a particular strategy and/or having a weak competitive position. This may arise from errors in business structures, capital allocation, government action and misunderstandings of economic growth and inflation. Business risk is the risk that future experience will differ from expectations, due to unanticipated concentrations of risk, or new business levels being different from expected (as measured by volume or mix).

As outlined in the 2019 Integrated Report in the “Strategy and risk appetite” section, Liberty has been on a path of refreshing and executing a strategy to deliver its purpose of “Improving people’s lives by making their financial freedom possible”. It is clear that, as this crisis unfolds, Liberty will be called upon by its clients for support as they experience those most profound moments of human vulnerability, and so providing will allow Liberty to fulfil its purpose. Liberty has demonstrated its preparedness for this through the creation of the R3 billion pandemic reserve.

The execution of Liberty strategy is underpinned by focused initiatives that seek to simplify the organisation, make it more competitive and commence the process of transforming it for the modern digital era. These initiatives are anchored in the 5 value driver model: client and adviser experience, employee experience, risk and conduct, financial outcomes and social, economic and environmental impact.

While the first half of 2020 has seen disruption caused by the crisis, especially with critical resources re-directed to enabling work from home practices, client and adviser relief measures and a general response to the situation, progress continues to be made on the delivery of strategic goals, although at a slower pace than would have been preferred.

In terms of business performance, as covered elsewhere in this report, the crisis has understandably contributed to weak levels of new business being generated, especially relative to the costs of acquiring these businesses. This has extended the trend of recent years of poor levels of value of new business being generated.

In particular, due to Liberty's traditional reliance on face-to-face sales, risk assessment relying on an engagement with Liberty's nurses and with certain processes remaining paper based and manual, the need for effective social distancing has had a detrimental impact on Liberty's ability to acquire new business during the crisis.

The crisis has further elevated the risk of poor investment performance, as the crisis is expected to have vastly different impacts on different segments of the economy.

In several instances the crisis has provided an opportunity to accelerate the execution of various strategic initiatives, especially in the adoption of digital tools by clients, advisers and staff, and in the implementation of new ways of work.

Insurance risk

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products. These could have adverse impacts on Liberty’s earnings and capital, if different from those assumed.

Risk identification, assessment, measurement and management

Risk management takes place prior to the acceptance of risks through the product development and pricing processes and at the point of sale. Risks continue to be managed through the measurement, monitoring and treatment of risks once the risks are contracted.

The Covid-19 pandemic is expected to give rise directly and indirectly to significant insurance risks in the short-term and has already given rise to significant economic volatility. The expected cost of the short-term (12 to 18 months) impacts is covered by a pandemic reserve that has been established. The assumptions used in the establishment of this reserve together with sensitivities to the key assumptions are provided in the 'Key judgements in applying assumptions on application of accounting policies' section of this report. As the pandemic is at an early stage, there is limited understanding of matters such as the extent of natural immunity, the availability of vaccines, the development of improved treatment protocols and crucially the extent to which it is appropriate to close sections of the economy. These assumptions are hence subject to large variances, and longer-term impacts will have to be assessed as data becomes available.

There is a strong link between economic performance and insurance risk experience. The impact on insurance risk experience of the expected economic damage caused by the crisis is outlined in the sections below and has been allowed for within the pandemic reserve. The true longer-term economic implications of the crisis, however, remain very uncertain and hence the knock-on effect of these implications into the expected insurance risk experience will need to be revised as greater clarity emerges.

Insurance risks continue to be assessed and reviewed against Liberty’s risk appetite and risk target. Mitigating actions are developed for any risks that fall outside of management’s assessment of risk appetite in order to reduce the level of risk to within the approved tolerance limits.

The expected short-term direct and indirect consequences of the pandemic have resulted in management adopting some changes in approach at the point of sale and taking certain actions to mitigate losses. These management actions are discussed in further detail under each insurance risk type below.

Consideration is also given below to the long-term risks of the pandemic and the risk mitigants in place to manage these long-term risks.

Policyholder behaviour risk

This is the risk of policyholders’ behaviour within the insurance entities deviating from that expected. The primary policyholder behaviour risk is termination risk. This generally arises when policyholders discontinue or reduce contributions, or surrender or lapse their policies at a rate that is not in line with expectations. Increases in such terminations typically give rise to a loss.

As a result of the deteriorating economic conditions in the first half of 2020, caused largely by measures implemented by governments and individuals locally and internationally to control the spread of Covid-19, it was recognised by Liberty that terminations would be likely to increase significantly. The link between higher terminations and poor economic conditions has been observed historically as a result of the general decrease in the ability of customers to afford recurring contributions on both risk and investment policies.

Furthermore, on investment policies, there would be an increased need to draw down on unrestricted savings. In the corporate environment, it is recognised that in a Covid-19 environment some schemes would be likely to terminate as a result of insolvency and member contributions are likely to reduce as a result of redundancies and salary reductions.

To reduce the extent of the losses from expected additional terminations, management actions were taken in March to allow customers options to reduce or stop paying recurring contributions on their policies over the short-term. These options have primarily been of two forms. Firstly, customers on pure risk contracts are allowed to reduce their contributions and hence risk cover for a specified period, after which full cover and contributions will automatically be reinstated. Secondly, on recurring contribution investment contracts, customers have been given the option to waive contributions for a limited period without incurring any exit charges. No exit charges will be incurred if customers reinstate contributions after the waived period and there is no requirement to catch up the waived contributions.

The costs to Liberty of granting customers the above premium relief options are considered to be lower than the costs associated with the likely higher levels of policy terminations in the absence of these measures.

Early emerging experience from these options indicate that they are having the desired effect.

- On pure risk contracts with the option, similar levels of complete lapses have been observed as historically, but many customers have taken up the reduced contributions for reduced cover option. If a significant portion of these customers reinstate contributions and cover within the limited period, significant losses will be averted. Reinstatement experience is yet to emerge. The financial reporting basis prudently assumes that there will be no reinstatements from customers who have already reduced their contributions.
- On investment contracts, significant reductions in paid-up rates have been observed since the option to waive contributions was introduced. There is a risk that a significant number of contracts will become paid-up once the contribution waiver option period is over. Even with the option in place, surrender rates on recurring contribution contracts have increased in the reporting period as expected given the economic circumstances. Similarly, surrender rates have increased on single contribution contracts.

Terminations on investment contracts also typically increase in volatile markets. Financial advisers have been encouraged to provide customers with financial advice to avoid value erosion from disinvesting at the bottom of the market; and to revise financial needs analyses with the changing circumstances of many customers.

As the economic situation continues to evolve, the options provided may need to be extended or amended. Amendments to the options will be considered if they are expected to reduce the extent of any losses expected to be incurred and deemed to be in the best interest of Liberty and its customers.

In December 2018, Liberty entered into a reinsurance contract expected to cover in part the losses incurred under certain catastrophic termination events (i.e. a severe termination event that occurs over a period of 12 months). This catastrophe cover has been renewed and is in place for 24 months from the financial reporting date. Liberty has entered into this arrangement to reduce the exposures to catastrophic termination events and for capital management purposes. Although, the current economic crisis is expected to result in a spike in terminations over a 12-month period, this spike in terminations is not expected to breach the trigger levels for this reinsurance cover to kick in. However, should terminations unexpectedly spike further this catastrophe cover may prove beneficial.

Expense risks

As a result of the pandemic, Liberty has incurred additional once-off costs. Some of these costs relate to technology and connectivity to enable remote working and other costs to ensure a safe working environment for staff. Financial support has also been provided to variable pay employees, such as financial advisers and nurses.

Given the lower than expected new business volumes over the lockdown period and the higher than expected terminations, the actual acquisition and maintenance costs per policy are increasing at a rate higher than expected. This is resulting in acquisition and maintenance cost overruns.

The additional once-off costs expected to be incurred and acquisition and maintenance cost per policy increases expected over the short term have been allowed for in the pandemic reserve, as outlined in the key judgements.

Apart from the pandemic reserve, it is assumed that acquisition and maintenance costs per policy will continue to be managed in line with current assumptions. The business is committed to restoring new business and in force case counts back to levels that, together with expense savings, will manage the business within these assumptions.

Underwriting risks

The primary purpose of underwriting is to ensure that an appropriate contribution is charged for each risk and that cover is not offered to uninsurable risks. Underwriting risks are the risks that future demographic or claims incidence experience will exceed the allowance for expected demographic or claims incidence experience, as determined through provisions, pricing, risk measures and value measures. Underwriting risks include, amongst others, mortality and morbidity risks, retrenchment risk, longevity risks and non-life (short-term insurance) risks.

Liberty views these underwriting risks as risks that are core to the business. Although Covid-19 is expected to directly and indirectly result in significant risk benefits payable to customers, resulting in losses being incurred in the short term, the occurrence of such pandemic events is part of the reason for the existence of insurance. This is also reflected in the fact that capital is held for such events, with pandemic stresses included in capital calculations. Long-term returns are expected to cover the costs of these infrequent events adequately.

Liberty uses its specialist skills (with assistance from reinsurers where considered necessary) to enhance risk selection for the assessment, pricing and management of risks to generate favourable shareholder returns. These risks are diversified by exposure across many different lives, geographies, and product types and will generally be retained if they are within risk appetite.

Liberty is exposed to the risk that its risk selection capabilities fall behind those of its competitors. Liberty continues to acquire and retain specialist skills and to actively drive specific risk selection initiatives to counteract this risk.

RISK MANAGEMENT – IFRS DISCLOSURES

Refinements to underwriting procedures have been made in the context of Covid-19 and continue to evolve as the Covid-19 situation is unfolding. These refinements include more restrictive limitations on the level of cover provided, revised loadings and increased decline or deferment decisions for lives identified in the underwriting process as having comorbidities that appear to impact Covid-19 outcomes, as well as the placement of more business with reinsurers where the risk is currently not within Liberty's risk appetite.

In the context of corporate benefits, careful consideration is being given to the proportionately different impact Covid-19 may have across various industries in establishing the terms and conditions.

Social distancing practices being exercised by customers and staff, either as a result of implementation of formal lockdown measures or as a result of taking social responsibility, have necessitated some changes in typical sales and underwriting processes to facilitate the continued sales of new business. From a sales perspective, financial advisers have been increasingly furnished with the tools and training to perform sales online, rather than in person. From an underwriting perspective, there has been an increase in tele-underwriting, deferment in the requirement to submit blood results and a shift to targeting products with auto-underwriting to a wider range of customers.

Many of the changes made to the sales and underwriting processes have accelerated longer-term trends for more automation and online engagement. The pandemic is presenting an opportunity to implement these changes, as the necessity for change has been recognised by all parties. In addition, given the extreme pressures faced by the insurance industry at this time, the pandemic presents a unique opportunity to improve risk selection. Material risk selection changes can be quite disruptive internally, but the opportunity cost of these disruptions is less when the environment is in a state of flux already. The pandemic is also giving rise to opportunities to increase awareness of the importance of risk protection, which should provide opportunities for growth in new business in future.

Mortality

Mortality risk is the risk of mortality (death) claims being higher than anticipated.

Covid-19 is expected to give rise to significant mortality claim payments in the short term. The expected cost of these excess mortality claim payments has been allowed for in the pandemic reserve.

While the intention is that the pandemic reserve provides for all excess mortality, whether directly or indirectly from Covid-19, there is a risk that the assumptions made in setting up this reserve do not materialise.

Particular areas of uncertainty are:

- The high prevalence of HIV and TB in South Africa pose a particular risk, with recent experience indicating that these are relevant comorbidities for Covid-19 outcomes.
- It has been assumed that Covid-19 has no long-term impact on mortality rates and that immunity to Covid-19 (or any subsequent mutations) will be achieved by being infected, or through vaccinations. There is a risk that immunity is only temporary and that deadly reinfection or deadly infection to new strains could occur.
- It has been assumed that the economic impact of the actions taken to control Covid-19 will not have any adverse long-term mortality impact on Liberty's risk customers as a result of deteriorating medical access and other lifestyle factors.
- The long-term health consequences of surviving a Covid-19 infection, or of a Covid-19 vaccination, are not known. Either could impact the long-term mortality prognosis.

To mitigate such long-term risks, terms are built into the policy contracts that permit risk contributions to be reviewed on expiry of a guarantee period. In particular:

- for individual risk business, most in-force risk contributions are reviewable (after 10 to 15 years on Lifestyle Protector business and annually on Credit Life and Emerging Consumer Market business); and
- for institutional risk business, the risk contributions are reviewable annually.

Delays in implementing contribution increases and market or regulatory restraints over the extent of the increases may reduce their mitigating effects.

Liberty's client base is particularly skewed towards the affluent market. Individuals within this client segment are less reliant on public transport, are more likely to be able to work remotely and have living conditions which more easily lend themselves to effective social distancing. In addition, the prevalence of HIV and TB is lower on products servicing this segment of the market compared to the overall population, as a result of extensive underwriting in this market segment. Treatment protocols have already improved sharply around the world since the virus first appeared and South Africa may be able to benefit from both established improvements and future learnings. These factors may reduce the level of infection and severity of the disease experienced by Liberty's clients, relative to that experienced at a population level.

Morbidity risk

Morbidity risk is the risk of policyholder health related (disablement and dread disease) claims being higher than expected.

Covid-19 is expected to give rise directly to short-term income disability payments payable as a result of being unable to work, due to falling ill with Covid-19. The exposure to income disability benefits with waiting periods of less than one month is however immaterial.

Historically, a link between deteriorating economic conditions and higher lump sum disability claims has been observed. As a result of the deteriorating economic environment, higher than normal lump sum disability payments are expected in the short-term. The expected cost of these short-term excess morbidity claim payments has been allowed for in the pandemic reserve.

At this stage, surviving a Covid-19 infection or being vaccinated for Covid-19 is not expected to have a material impact on long-term morbidity for lump sum disability, income disability and dread disease benefits. There is a risk that this is not the case. However, policy terms allow Liberty to review contributions at certain points in time which can be used to mitigate potential long-term loss. In particular, Liberty insurance contracts and credit life policies covering this risk can be repriced annually.

Retrenchment risk

Retrenchment risk is the risk of retrenchment related claims exceeding expectation.

Liberty provides income benefits that are payable in the event of formal retrenchment and for more general loss of income on some product ranges. The benefit is payable for a limited fixed period or until re-employment, if earlier.

Liberty has exposure to specific retrenchment cover that is available as a rider benefit on Lifestyle Protector policies providing disability income benefits. In addition, Lifestyle Protector allows clients to buy a benefit whereby the contributions due on their Liberty policies are paid by Liberty for a fixed period following retrenchment. Retrenchment cover that forms part of income protection cover is available on bancassurance credit life business.

Liberty's exposure to retrenchment business in aggregate is relatively small. However, given the unprecedented levels in retrenchment that may occur as a result of the indirect impacts of Covid-19 (with expectations of 10% retrenchments, which falls between 400%-1000% of typical levels), the loss to Liberty is not expected to be negligible. Despite these unprecedented expected levels, the most material impacts expected to be incurred on the Embedded bancassurance business are still expected to be small enough to be absorbed through a reduction in the dividend payable to SBG over 2020 and 2021, in line with the profit share arrangement underlying the bancassurance agreement between SBG and Liberty. Although the resultant impact on Liberty is not negligible, in the context of the other risks faced due to Covid-19, the impact is not material. Any losses in excess of the amount which can be recovered through reducing the dividend to SBG would need to be covered by Liberty in that year, but can be recovered from bancassurance dividends in the following year.

Given the significant level of uncertainty on retrenchments arising from Covid-19, the specific retrenchment cover and retrenchment waiver benefits on Lifestyle Protector have been closed to new business since March. Retrenchment cover is still open to new business on the Embedded bancassurance business, but with more stringent creditworthiness checks on much of this business, claims expected during the pandemic are expected to be sufficiently covered by the contributions, albeit at a reduced profit margin.

Given the concentration risks in respect of retrenchment that the pandemic has highlighted, Liberty will re-evaluate its appetite for retrenchment cover before reopening benefits to new business.

Claims management

Some refinements to claims management practices have been made to ensure appropriate and consistent treatment of Covid-19 related claims in line with policy terms and conditions. Such refinements have so far mainly related to disability and retrenchment income claims where policy terms and conditions in some instances are deemed to cover loss of income during quarantine / self-isolation periods, following a positive Covid-19 test result.

Further refinements to claim management practices may be required, particularly on morbidity benefits such as lump sum disability and dread disease cover, if negative long-term health effects of surviving Covid-19 prove common.

Reinsurance

As previously described in the AFS, reinsurance is used by Liberty to reduce exposure to a particular line of business; a particular individual; or a single event and to benefit from the risk management support services and technical expertise offered by reinsurers.

The levels of reinsurance purchased for new business written in the first half of 2020 are similar to prior years. However, for certain lives with comorbidities identified at underwriting stage, that have shown to be correlated with Covid-19 complications, more cover is currently being placed with reinsurers where the level of uncertainty is beyond the risk appetite of Liberty.

Covid-19 claims are covered on all Liberty's long-term business reinsurance arrangements, with the exception of its catastrophe reinsurance arrangements which exclude epidemics and pandemic claims.

Longevity risk

Longevity risk is the risk of annuitant mortality being lower than expected, that is annuitants living longer than expected.

For life annuities and claims on disability income business, the loss arises as a result of Liberty having undertaken to make regular payments to annuitant policyholders for their remaining lives (or in the case of income disability until earlier expiry), and possibly to the annuitant policyholders’ spouses for their remaining lives.

The pandemic is likely to result in the death of some of these annuitant policyholders giving rise to higher than expected profits on this portfolio in the short-term. In the longer term the impact on annuitant mortality is unclear.

Non-life (short-term) insurance

Liberty holds a 57.7% controlling share in Liberty Kenya Holdings Plc, which includes companies conducting short-term insurance business in the East Africa region and a 51% share of Liberty General Insurance Uganda Limited. In addition, Liberty holds 100% share in Total Health Trust Limited Nigeria and 100% share of Liberty Health Proprietary Limited, which provide medical expense cover to customers in Nigeria and a number of other African countries.

Business interruption insurance

The terms and conditions of the business interruption polices written by Liberty only cover direct physical loss or damage or destruction to property. This does not extend to cover infectious/epidemic disease or contingent business liability, whether arising from government lockdown or closure required for deep cleaning. The pandemic has hence not increased business interruption claims.

Motor insurance

There have been reduced incidents of motor claims due to lockdown restrictions. Contribution reductions on renewal or cashbacks have been given in some instances to reflect this improved experience, to make the business more affordable and competitive in order to help improve retention in the economic circumstances.

RISK MANAGEMENT – IFRS DISCLOSURES

Medical expense insurance

Covid-19 is expected to increase medical claims due to increased hospitalisation and ICU treatment. So far in the pandemic, medical expense use is below normal levels as a result of generally reduced medical usage of doctors and hospitals for non-Covid-19 related issues. Overall, claims are expected to be above typical levels, but as a result of capacity constraints, the level of these excess claims is expected to be limited and is not expected to result in a material impact on Liberty.

Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in equity prices, interest rates, foreign currency exchange rates, property values and inflation as well as any changes in the implied volatility assumptions associated with these variables. Credit risk is covered separately.

Liberty's shareholders are exposed to market risk arising predominantly from:

- Financial assets forming Liberty's capital base (also referred to as shareholders' equity) including currency risks on capital invested outside South Africa;
- The long-term policyholder asset/liability mismatch risk;
- Financial assets held to back liabilities other than long-term policyholder liabilities; and
- Exposure to management fee revenues not already recognised in the negative Rand reserves.

Shareholder Investment Portfolio (SIP)

This portfolio comprises shareholder assets and investment exposures expected to remain on Liberty's balance sheet over the long-term in order to support capital requirements. These are invested and managed for the benefit of Liberty and thereby Liberty's shareholders within a clearly defined investment mandate. The board through Liberty risk committee, approves the long-term strategic asset allocation of the portfolio.

The portfolio is invested in a diversified set of financial assets including equity, fixed income, property and cash, both in local and foreign currency. The portfolio is exposed to credit risk through the investment in fixed income and cash and these risks are managed in line with Liberty's credit risk management policy. Allocations are also made to alternative asset classes in search of yield and diversification benefits. As a result, the portfolio is exposed to currency movements as well as market movements in the underlying asset classes.

During the early stages of the crisis the portfolio experienced significant earnings volatility as asset values came under pressure. The portfolio's offshore exposures provided some relief, benefitting from the weaker Rand. The portfolio benefitted from the subsequent recovery in markets. Liberty is satisfied that the existing portfolio construction approach remains appropriate, given the portfolio's long-term objectives.

SHAREHOLDER INVESTMENT PORTFOLIO

	1H20				FY19			
Exposure category	**Local Rm**	**Foreign Rm**	**Total Rm**	**%**	Local Rm	Foreign Rm	Total Rm	%
Equities	**3 936**	**3 599**	**7 535**	**29**	4 437	3 587	8 024	29
Bonds	**8 754**	**447**	**9 201**	**34**	8 657	584	9 241	34
Cash	**3 056**	**72**	**3 128**	**12**	4 671	20	4 691	17
Property	**5 713**		**5 713**	**22**	2 736		2 736	10
Other	**1 485**	**1 284**	**2 769**	**11**	1 794	1 019	2 813	10
Covid-19 pandemic reserve[2]	**(2 160)**		**(2 160)**	**(8)**				
Total	**20 784**	**5 402**	**26 186**	**100**	22 295	5 210	27 505	100
Assets backing capital			**14 919**	**57**			15 205	55
Assets backing policyholder liabilities			**5 558**	**21**			9 128	33
90:10 exposure and other[3]			**5 709**	**22**			3 172	12
Reconciliation to IFRS shareholders' equity								
SIP			**26 186**				27 505	
Less: 90:10 exposure and other[3]			**(5 709)**				(3 172)	
Less: Subordinated notes			**(5 576)**				(5 643)	
South African insurance operations Liberty funds			**14 901**				18 690	
Liberty's IFRS shareholders' equity			**15 755**				19 736	
Insurance Liberty funds			**14 901**				18 690	
Liberty Two Degrees[1]			**854**				1 046	

[1] This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date.

[2] The Covid-19 pandemic reserve was established at 30 June 2020. The assets intended to match the pandemic reserve have not yet been disinvested from the relevant asset exposure categories at 30 June 2020.

[3] Other represents capital exposures on property assets backing the IBNR reserve.

SHAREHOLDER INVESTMENT PORTFOLIO PERCENTAGE ALLOCATION

	1H20				FY19			
Exposure category %	Assets backing capital	Assets backing policyholder liabilities	90:10 exposure and other	Total	Assets backing capital	Assets backing policyholder liabilities	90:10 exposure	Total
Local assets								
Equities	10		5	15	11		5	16
Bonds, cash and property	33	21	12	66	23	33	2	58
Other	6			6	7			7
Foreign assets								
Equities	11		3	14	10		3	13
Bonds, cash and property			2	2	1		2	3
Other	5			5	3			3
Covid-19 pandemic reserve	(8)			(8)				
Total	57	21	22	100	55	33	12	100

Asset/liability management portfolio (ALM portfolio)

Liberty has chosen to mitigate a number of market risk exposures, arising from asset/liability mismatches, to which it does not wish to be exposed on a long-term strategic basis. Risk mitigation is achieved through a dynamic hedging programme, managed by LibFin. The extreme volatility experienced within the markets resulted in higher hedging costs being incurred by LibFin than during normal periods.

Liberty risk targets are set within risk appetite. These targets guide the setting of market risk limits for the ALM portfolio. During the reporting period the ALM portfolio experienced a number of passive limit breaches resulting from extreme market volatility. These limit breaches were escalated to first line risk managers and senior management, with appropriate action taken in order to reduce exposures within an appropriate time frame.

Sensitivities to market assumptions

Liberty's earnings and available capital are exposed to market risks amongst others through its insurance and asset management operations. Assumptions are made in respect of the market risks in the measurement of policyholder contract values.

The sensitivities presented are calculated at a point in time and applied consistently across the financial position of Liberty. In many cases changes to certain economic or policyholder behaviour assumptions do not result in linear impacts to policyholder contract values and are not always consistent in the direction of impact to ordinary shareholders' equity. Liberty follows a dynamic asset/liability matching strategy (within the risk appetite constraints set by the board). The nature of the exposures and associated hedging instruments lead to non-linear sensitivity impacts. Caution is therefore advised in interpreting these sensitivity disclosures in earnings or capital resilience analyses.

The sensitivities have not been adjusted for the expected sell down of SIP equity in order to fund the pandemic reserve that's been established as at 30 June 2020. The sell down is expected to reduce the exposures to the risky asset classes.

The table below provides a description of the sensitivities provided on market risk assumptions.

Market risk variable	Description of sensitivity
Interest rate yield curve	A parallel shift in the interest rate yield curve
Equity prices	A change in the local and foreign equity prices
Rand exchange rates	A change in the ZAR exchange rate to all applicable currencies

RISK MANAGEMENT – IFRS DISCLOSURES

IMPACT ON ORDINARY SHAREHOLDERS' EQUITY AND ATTRIBUTABLE PROFIT AFTER TAXATION

Assumption description	Change in variable %	1H20 Rm	FY19 Rm
Market assumptions			
Interest rate yield curve	+12	**(377)**	(362)
	-12	**343**	264
Equity prices[3]	+15	**1 269**	1 364
	-15	**(1 306)**	(1 249)
Rand exchange rates	+12[1]	**(615)**	(641)
	-12[2]	**674**	681

[1] Strengthening of the Rand.
[2] Weakening of the Rand.
[3] Excludes property exposures.

Property market risk

Liberty is exposed to tenant default, depressed rental markets and unlet space within its investment property portfolio affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings significantly reduce the exposure to this risk. At 30 June 2020 the proportion of unlet space in the property portfolio was 5% (31 December 2019: 5%).

During the first half of 2020 property valuations have been negatively impacted by inter alia, the negative effect of Covid-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space. Independent valuators have reflected this through more conservative valuation metrics including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space. Valuators have indicated there is "material valuation uncertainty" with current valuations.

Steps taken to manage the emerging risks associated with the Covid-19 crisis include the introduction of safety measures at shopping centres and pragmatic rental relief and ongoing tenant support weighted in favour of tenants where the Covid-19 impact is greatest.

Liberty's direct exposure to property market risk is shown below.

LIBERTY'S EXPOSURE TO PROPERTY HOLDINGS

	1H20 Rm	FY19 Rm
Investment properties	**30 442**	34 682
Owner-occupied properties	**1 617**	1 612
Gross direct exposure	**32 059**	36 294
Attributable to non-controlling interests	**(7 576)**	(8 313)
Net exposure	**24 483**	27 981
Sector split of directly held properties		
Shopping malls	**25 706**	29 664
Office buildings	**2 343**	2 493
Other property	**4 010**	4 137
Gross direct exposure	**32 059**	36 294

The main items in other property are shares in the Melrose Arch precinct, Sandton Sun and Towers, Garden Court Sandton City, John Ross Eco Junction and the Sandton Convention Centre.

Shareholder property market risk arises in respect of exposures due to ALM mismatches as well as through the SIP and other direct property holdings. As at 30 June 2020 the shareholder property market risk exposure included in the SIP was R5.7 billion.

A portion of Liberty's exposure to property is held in listed shares in Liberty Two Degrees Limited (L2D). To the extent that policyholders and shareholders are invested in shares, they are exposed to the volatility of the price at which the listed shares trade. L2D is consolidated by Liberty and therefore its property exposure is included in the gross direct exposure.

Credit risk

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed.

Taking of credit risk

Liberty has a strong credit risk sanctioning and monitoring capability which enables Liberty to effectively originate and manage credit risk on behalf of its policyholders and shareholders.

Policyholders are exposed to credit risk through the various investment propositions offered by Liberty.

Liberty directly assumes credit risk through its LibFin Markets Credit portfolio, which houses illiquid credit investments used to back annuity, guaranteed investment product and certain index tracker liabilities. All credit profits and losses on this portfolio accrue directly to Liberty shareholders. These investments aid Liberty in delivering propositions to clients through its core business activities, but also contribute to diversify the risks on the balance sheet and generate attractive risk-adjusted returns for shareholders.

A less material amount of credit risk is assumed through the investment of the SIP.

Liberty indirectly assumes credit risk through its normal business activities such as funding of commission to advisers, reinsurance and use of derivatives to manage market risk exposures.

During the period under review the macro-business environment deteriorated materially, further exacerbated by the pandemic. This has given rise to a significant increase in the credit riskiness of counterparties to which Liberty is exposed.

Management of credit risk

Day-to-day management of Liberty's primary credit risk portfolio, the LibFin Markets Credit portfolio, has been mandated to the STANLIB Credit Alternatives Franchise which has proactively been reviewing the portfolio and engaging with counterparties in order to take mitigating actions, restructure deals or waive covenants where appropriate to ensure management of the credit risk throughout the crisis. As part of the credit risk management process, STANLIB Credit Alternatives Franchise rerates the credit counterparties to reflect the heightened level of credit risk using forward-looking risk considerations. This has resulted in an increase in the capital held against credit risk on the balance sheet as well as a write down in the valuation of certain credit assets.

Policyholder credit risk exposures and the credit risk inherent within the SIP are managed appropriately by the asset managers responsible for managing these investments.

All credit risk continues to be managed within its governance structures, limits and risk appetite.

Significant shareholder and policyholder credit exposures and Credit Watchlist counterparty names are reported to various board committees or sub-committees. In addition, Covid-19 Credit Watchlist counterparty names have also been identified and reported on where counterparties are perceived to be likely to experience material credit deterioration as a result of the pandemic.

Characteristics of credit risk exposures

Through the investment activities of mandated asset managers, Liberty's SIP and Liberty's policyholders are largely exposed to listed and more liquid credit instruments. The impact of the deteriorating economic environment and the pandemic is reflected in these portfolios through the mark to market pricing.

However, the LibFin Markets Credit portfolio's mandate to the STANLIB Credit Alternatives Franchise requires investment into illiquid credit assets, including exposure to unlisted and structured instruments, to benefit from higher returns and diversification. This is in line with the board approved credit strategy and risk appetite for the business. These assets are valued using a level 2 fair value hierarchy methodology which reflects the increase in credit risk through a forward-looking credit rating methodology, together with market derived inputs, where available.

The continued efforts of the STANLIB Credit Alternatives Franchise have resulted in a further level of diversification and improved returns for the credit risks being taken in this credit portfolio. While Liberty remains satisfied that this credit portfolio is sound, well positioned and within risk appetite levels, it is recognised that the severity of the deterioration in the credit risk environment may well give rise to future credit losses in the portfolio.

RISK MANAGEMENT – IFRS DISCLOSURES

The table below shows the total exposure of the LibFin Markets Credit portfolio managed by the STANLIB Credit Alternatives Franchise categorised by credit rating.

Counterparty type (Rbn)	A- and above	BBB	BBB-	BB+	BB	BB- and below	Pooled funds	Total
1H20								
Bank			**6.8**	**1.3**				**8.1**
Corporate	**0.8**	**0.6**	**19.7**	**5.8**	**2.0**	**1.1**		**30.0**
Sovereign			**0.9**	**0.6**	**1.1**	**0.3**		**2.9**
State-Owned Entity			**1.8**	**1.0**	**1.0**	**3.3**		**7.1**
Total	**0.8**	**0.6**	**29.2**	**8.7**	**4.1**	**4.7**		**48.1**
FY19								
Bank		7.6	0.4		0.2			8.2
Corporate	1.3	9.7	16.2	4.0	1.4	1.3	0.2	34.1
Sovereign		0.7	0.2	2.3		0.4		3.6
State-Owned Entity		2.8	3.2					6.0
Total	1.3	20.8	20.0	6.3	1.6	1.7	0.2	51.9

For the purposes of the table, standard rating classifications used by external ratings agencies have been applied. Where applicable, internal ratings are mapped to equivalent external rating agencies' (Moody's, Standard and Poor's) rating scales. These external, globally recognisable rating categories are defined below.

Investment grade

A- and above: Strong to extremely strong capacity to meet financial commitments.

BBB: Adequate capacity to meet financial commitments, but vulnerable to severe adverse economic conditions.

Non-investment grade

BB: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.

Below BB: Vulnerable to adverse business, financial and economic conditions.

The above ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Exposure in the portfolio is largely to South African entities. The Corporate exposure in the portfolio is spread across a large number of entities. Exposure to banks is spread across all the major SA banks. The largest exposures to state owned entities are exposures to Transnet and Eskom.

Reinsurance

Unless otherwise required by local regulation, all reinsurance is placed with or guaranteed by leading international reinsurance companies of investment grade credit standing. A detailed credit analysis is conducted prior to the appointment of reinsurers. Cognisance is also taken of the potential future claims on reinsurers in the assessment process. Financial strength, performance, track record, relative size, ranking within the industry and credit ratings of reinsurers are considered when determining the allocation of business to reinsurers. In addition, efforts are made to appropriately diversify exposure by using several reinsurers.
A review of these reinsurers is done at least annually. While the pandemic is expected to result in significant reinsurance claims, global reinsurers are expected to be able to survive the crisis.

Derivatives and securities financing and lending counterparties

A detailed credit analysis of all LibFin counterparties is performed and approved by the STANLIB Credit Alternatives Investment Committee prior to any trading taking place. In principle, trading is limited to:

- Financial institution counterparties with a strong credit rating; and
- Financial institutions where Liberty has negotiated international swap and derivative agreements (ISDAs) and credit support annexures (CSAs) with a zero threshold, or other appropriate market standard margining agreements.

Most of these agreements have a zero threshold and daily margin calls. Accordingly, the extent of credit risk to which Liberty is exposed is the 'jump risk' that can arise in very volatile markets if there is a delay in closing out transactions with a defaulting counterparty.

Insurance and other receivables

Liberty has formalised procedures in place to collect or recover amounts receivable. In the event of default, these procedures include industry supported lists that help to prevent rogue financial advisers from conducting further business. Full impairment is made for non-recoverability as soon as management is uncertain as to the recovery.

Investment debtors are protected by the security of the underlying investment not being transferred to the purchaser prior to payment. Established broker relationships and protection afforded through the rules and directives of the JSE Limited further reduce credit risk.

Liquidity risk

Liquidity risk is the risk that a legal entity cannot maintain, or generate, sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at an unsustainable cost or at materially disadvantageous terms.

Liberty is exposed to liquidity risk in the event of heightened benefit withdrawals and risk claims where backing assets cannot be readily converted into cash. Liquidity risk also arises through collateral and margin calls related to derivative transactions used to hedge market risk.

Risk identification, assessment and measurement

Liquidity risk is primarily measured by means of a LCR. The LCR models 30-day and one-year liquidity stresses (relating to sustained cash outflows as a result of severe lapse, mortality and morbidity catastrophes, as well as financial market shocks) by comparing stressed net cash outflow requirements to available sources of HQLA, held as part of a liquid asset buffer. The liquid asset buffer consists of eligible asset types chosen based on their proven ability to generate liquidity under both normal and significantly stressed market conditions.

At the onset of the Covid-19 crisis financial markets experienced significant levels of volatility, resulting in significant collateral calls being made against Liberty's derivative position, whilst at the same time the value of Liberty's HQLA contracted. This placed some pressure on Liberty's LCR, particularly at the one-year point. The subsequent recovery in financial markets resulted in a marked improvement in Liberty's LCR, which at 30 June 2020 indicated a healthy surplus of sources of liquidity available to meet stressed outflows. During the reporting period Liberty's liquidity contingency plan (LCP) was invoked, ensuring that Liberty is able to meet liquidity requirements in full and on time. In addition, during the reporting period Liberty constrained the origination of illiquid credit within the STANLIB credit alternatives portfolio in order to conserve liquidity. Liberty is satisfied that its liquidity risk management processes were both appropriate and effective in managing the risk through the highly volatile markets which were observed during the period. Notwithstanding the restoration of the LCR metrics, Liberty has been cautious in revoking the LCP, given the high degree of uncertainty that remains in the business environment.

Liquidity profile of assets

The majority of Liberty's assets match its liabilities from a liquidity perspective, including both investment-linked business and investment guarantees.

For certain long-term liabilities, such as life annuities, Liberty has consciously invested in less liquid assets such as unlisted credit, which aim to match the duration of the underlying liabilities' expected cash flow profile, in order to enhance returns and achieve diversification benefits.

In the case of unlisted property assets backing property liabilities, it is not always practical to realise assets as claim payments arise, due to the relatively small number of high-value properties and their illiquid nature. Liberty Property Portfolio experienced increased policyholder outflows over the period, resulting in increased exposure to this asset class for shareholders. The overarching liquidity risk position of Liberty remains strong and the increasing property exposure does not pose any near-term threat to risk appetite.

The table below breaks down Liberty's assets according to time to liquidate. It is worth noting that, in a stressed environment, the market value of these assets is likely to be negatively affected.

	1H20		FY19	
Financial, property and insurance asset liquidity	**%**	**Rm**	%	Rm
Liquid assets (realisable within one month e.g. cash, listed equities, term deposits)	**74**	**341 958**	75	343 091
Medium assets (realisable within six months e.g. unlisted equities, certain unlisted term deposits)	**17**	**79 835**	15	69 302
Illiquid assets (realisable in excess of six months e.g. investment properties)	**9**	**40 772**	10	45 720
Total	**100**	**462 565**	100	458 113

Operational risk

Liberty defines operational risk as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Whilst the definition includes business conduct, financial crime, compliance and legal risk, these receive additional focus and are hence considered as separate risk categories within Liberty's risk taxonomy. Operational risk excludes risks arising from strategic decisions. Technology, cyber, third party, data and information risks are material components of operational risk.

Management of key operational risks

Operational risk management remains a priority for Liberty. The Covid-19 crisis has resulted in an elevated level of operational risk. Liberty identified the risks posed by the pandemic early and appropriately mitigated and managed the operational risk using, amongst others, the business continuity and crisis management framework that is in place. Liberty leveraged its technology assets and capabilities to rapidly move to a fully productive operation within the constraints of the lockdown. Approximately 98% of the workforce can operate in a remote environment and continue to do so as at 30 June 2020.

The key focus throughout this crisis has been to ensure that Liberty continues to deliver on its commitments to customers, advisers, employees and the wider Liberty community, through maintaining sound business practices, processes, governance, controls and appropriately managing operational risks.

As the Covid-19 crisis intensifies, it is expected that operational risk will remain a primary area of focus.

People risk

People risk is defined as the risk of an adverse business impact arising from inadequate practices for the recruitment, development, management and/or retention of employees and contractors. It also includes the risk of business impact due to insufficient people capacity, capabilities, skills and/or inappropriate behaviour.

Covid-19 has had a pronounced operational risk impact on employees, both in their personal capacities as well as in their capacities as employees. This includes risks associated with new-ways-of-working, additional personal pressures and the risk of mental health challenges and burnout. Mitigating this risk has been one of the priority focus areas from early in the Covid-19 response process. The operational risks relating to people are acutely

RISK MANAGEMENT – IFRS DISCLOSURES

recognised and continue to be addressed by providing high levels of personal, emotional and vocational support through various mechanisms, driven by Liberty's Human Capital function and enabled through the leadership within Liberty.

Management has identified individuals who can step into all key roles should incumbents fall ill, in order to minimise continuity risks.

Information security risk (including cyber risk)

The pandemic has seen an increase in cyber activity across all countries, industries, organisations and even individuals. Work-from-home practices and the related extension of Liberty virtual network has been a key focus for the information security teams, who increased monitoring activities and ensured response capabilities remained in place and on high alert at all times. Liberty continues to stave off attacks and remains proactive in ensuring mitigation measures such as patches, anti-virus software, firewalls and stakeholder awareness are effectively applied.

IT risk

IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of information and technology infrastructure and applications within Liberty.

The pandemic has reinforced Liberty's high dependency on and increased use of information and technology to ensure high quality of operations and customer service. The technology assets and capabilities invested in prior to the pandemic allowed the organisation to leverage these to relatively seamlessly transition into the new ways of working. Initial challenges, such as international equipment shortages and constrained local data networks, due to high demand for these assets and services, were overcome early on after the crisis emerged.

Third-party risk

Third party risk is defined as the risk of Liberty's engagements with third party suppliers resulting in reputational damage, operational and legal risk. As organisations globally become more connected, there are relationships and dependencies that become more critical to manage with third parties. These third parties include, amongst others, business and technology partners, suppliers, outsourcing partners, managed services vendors and other related business partners.

The pandemic necessitated developing very close operational working relationships with key third parties and supporting them to maintain continuity of operations.

Operational process risk

Operational process risk is the risk of operational processes failing or not being effectively executed, resulting in errors, incorrect payment or delays in processing of transactions. Operational process risk, specifically related to risk in operational transaction processes that may impact service to customers through the Covid-19 crisis, remained an area of key focus and was monitored continuously through various risk and control practices. Specific consideration was given to ensuring that processes that required changes, due to the changing nature of operations through the lockdown period and changes designed to offer customers and advisers financial relief, were appropriately executed and impact to customers and the business were appropriately managed. In addition, Liberty has implemented actions to minimise any deterioration in customer service from the anticipated increase in claims due to the pandemic.

Financial control risk

This is defined as the risk of inadequate or ineffective financial and accounting processes/controls, management and oversight resulting in a loss and incorrect decision making and reporting. This includes financial, actuarial or tax controls and balance sheet reconciliation and substantiation processes.

The need to rapidly implement actions in response to the crisis, as well as the extreme levels of market volatility observed, have resulted in an elevated level of financial control risk during the crisis. Liberty continues to invest in its financial control infrastructure to mitigate any increase in this risk.

Physical asset risk

Liberty defines physical asset risk as the risk of loss, damage or injury to people, property and reputation from natural disaster or other events across all its geographical locations. Liberty's Liberty Real Estate Services manages risks related to physical assets in collaboration with other Liberty functions such as human capital, IT and business areas.

Managing Liberty's properties during the pandemic has included, amongst others, defining and implementing processes and protocols in terms of social distancing, enhanced/deep cleaning, hygiene and infection management protocols, security and screening, implementing and monitoring Covid-19 related regulatory compliance, health and safety protocols and closure and subsequent controlled re-opening of various Liberty occupied buildings, including walk-in centres, branches, insurance medical testing facilities and infrastructure facilities.

Business conduct risk

Liberty defines business conduct risk as the risk of loss, whether qualitative or quantitative, caused by the inappropriate behaviour of individuals, including financial advisers and third-party service providers, or of Liberty itself, that results in poor customer outcomes, causes detriment to the financial institution or has an adverse impact on the market.

Against the backdrop of Covid-19, focus remains on ensuring fair outcomes to customers. In the current climate it is important to ensure that sound decision-making principles continue to be followed and that Liberty focuses on getting the basics right, as failure to do so could lead to poor outcomes for customers (and the business) in the short and long term.

Liberty is focused on managing the following conduct risks which the pandemic has intensified:

- Advice risk – The risk of providing inappropriate advice or not being able to demonstrate that advice was suitable at the time it was provided.
- Communication – Proactive communication with financial advisers, policyholders and other stakeholders in respect of general updates as well as Covid-19 specific information, such as relief options and other impacts (e.g. impact of Covid-19 on investment values) is paramount in managing expectations and empowering sound financial decisions to be made.
- Claims and complaints management – Taking actions that prepare the business to handle increased claims and complaints volumes as a result of Covid-19, while maintaining service levels.

Compliance and legal risk

Compliance risk

This is defined as the risk of legal or regulatory sanctions, financial loss or damage to reputation that Liberty may suffer as a result of its failure to comply with statutory, supervisory and regulatory requirements applicable to its financial products and services.

Accountability for adherence to Liberty's statutory, supervisory and regulatory obligations rests with management. Liberty compliance function provides independent oversight and assurance to both management and the board on the status of compliance within the organisation. Collectively, Liberty keeps abreast of all current and impending legislative requirements. During the pandemic, Liberty has ensured that statutory, supervisory and regulatory obligations have been met. As the pandemic evolves and the regulatory requirements unfold, Liberty is proactively implementing measures to limit infections.

Liberty seeks positive and constructive engagement with its regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for the industry and all its stakeholders. Formal reporting procedures to all regulators are undertaken in line with Liberty's regulatory obligations.

Financial crime risk

This is defined as the risk of economic loss, reputational impact and regulatory sanction arising from any type of financial crime against Liberty. Financial crime includes fraud, theft, money laundering, cyber-crime, bribery, corruption, collusion and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties.

The risk of financial crime has been elevated through the crisis partly as a result of increased economic pressure on individuals. Financial crime risk is managed through a combination of specialist Liberty-wide forensics and compliance capabilities and by strengthening the risk culture to pro-actively mitigate risks and manage incidents. Focus is placed on ensuring robust prevention and detection controls are in place and are continuously enhanced, based on internal and external trends. Regular engagements with both regulatory bodies and industry partners take place to ensure that current trends, applicable threats and new modus operandi are shared and mitigated as appropriate.

Concentration risk

Concentration risk is the risk that Liberty is exposed to financial loss which, if incurred, would be significant due to the aggregate (concentration) exposure Liberty has to a particular asset, counterparty, customer or service provider.

In addition to concentration risks detailed in previous sections, Liberty has identified the following concentration risks:

- SBG risk concentration;
- Asset manager concentration, as most of Liberty's assets are managed within Liberty; and
- Liberty’s asset base and liabilities contain significant South African sovereign risk.

FINANCIAL AND OTHER DEFINITIONS

Standard Bank Group	
Common equity tier 1 capital adequacy ratio (fully loaded) (%)	Common equity tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets, before the adjustment for the SARB three-year phase-in provision.
Common equity tier 1 capital adequacy ratio (phase-in) (%)	Common equity tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets, after the adjustment for the SARB three-year phase-in provision.
Common equity tier 1 capital adequacy ratio (%)	Common equity tier 1 regulatory capital as a percentage of total risk-weighted assets.
Constant currency (%)	Comparative financial results adjusted for the difference between the current and prior year cumulative average exchange rates.
Consumer Price Index	A South African index of prices used to measure the change in the cost of basic goods and services.
Covid-19	Covid-19 is the acronym for the full name coronavirus disease of 2019. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV.' The COVID-19 virus is a virus linked to the same family of viruses as Severe Acute Respiratory Syndrome (SARS) and some types of common cold.
Diluted headline earnings per ordinary share (cents)	Headline earnings divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares.
Dividend cover (times)	Headline earnings per share divided by dividend per share.
Dividend payout ratio (%)	Dividend per share divided by headline earnings per share.
Dividend per share (cents)	Dividends declared to ordinary shareholders divided by weighted average number of shares.
Earnings per share (cents)	Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Headline earnings (Rm)	Determined by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at the end of the period.
Profit attributable to ordinary shareholders (Rm)	Profit for the period after distributions to non-controlling interests and other equity instrument holders.
Profit for the period (Rm)	Profit for the period attributable to ordinary shareholders, before non-controlling interests and other equity instrument holders.
Return on average risk-weighted assets	Headline earnings as a percentage of monthly average risk-weighted assets.
Return on equity (%)	Headline earnings as a percentage of monthly average ordinary shareholders' equity.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on-balance sheet and off-balance sheet exposures according to the relative risk of the counterparty.
Shares in issue (number)	Number of ordinary shares in issue listed on the JSE.
Structured entity	Entities created to accomplish a narrow and well-defined objective.
Tangible net asset value (Rm)	Equity attributable to ordinary shareholders, excluding goodwill and other intangible assets.
Tangible net asset value per share (cents)	Tangible net asset value divided by the number of ordinary shares in issue at the end of the period.
Tier 1 capital adequacy ratio (%)	Tier 1 regulatory capital as a percentage of total risk-weighted assets.
Total capital adequacy ratio (fully loaded) (%)	Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets, before the adjustment for the SARB three-year phase-in provision.
Total capital adequacy ratio (phase-in) (%)	Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets, after the adjustment for the SARB three-year phase-in provision.
Total capital adequacy ratio (%)	Total regulatory capital as a percentage of total risk-weighted assets.
Tutuwa	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the period as listed on the JSE.

Banking activities	
Available financial resources (Rm)	The amount of permanent capital that is available to the group to absorb potential losses.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income after revenue sharing agreements with group companies but before credit impairments.
Credit loss ratio (%)	Total income statement impairment charges on loans and advances, as a percentage of average daily and monthly gross loans and advances, excluding interest in suspense.
Economic capital coverage ratio (times)	Available financial resources divided by minimum economic capital requirements.
Effective direct taxation rate (%)	Direct taxation as a percentage of net income before direct taxation.
Effective total taxation rate (%)	Direct and indirect taxation as a percentage of net income before taxation.
Gross stage 3 loans coverage ratio (%)	Balance sheet (BS) impairments for credit impaired loans and off-balance sheet credit impaired exposures (O/BS) including interest in suspense (IIS), as a percentage of gross NPLs (including IIS).
Interest-earnings assets (Rm)	Net loans and advances, financial investments, and cash and balances with central banks.
Interest in suspense (Rm)	Contractual interest on loans that have been classified as stage 3 and cannot be recognised in terms of IFRS 9.
Jaws (%)	Total income growth minus total operating expenses growth.
Loan-to-deposit ratio (%)	Net loans and advances as a percentage of deposits and debt funding.
Net interest margin (%)	Net interest income as a percentage of average interest-earning assets.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Stage 1 and 2 (Rm)	Performing loans include credit exposures classified as follows: • Credit exposures for which there has been no default event and for which the credit risk has not significantly increased since recognition. • Credit exposures for which the credit risk has increase significantly since recognition, unless the credit risk is low in which case it remains classified as stage 1.
Stage 1 and 2 loans credit impairments (Rm)	Impairment for latent losses inherent in groups of loans and advances that have not yet been classified as non-performing.
Stage 3 loans (Rm)	Credit exposures that are either in default or where default is imminent. There is a rebuttable presumption that the default does not occur later than when a financial asset is 90 days past due.
Stage 3 loan credit impairments (Rm)	Impairment for credit impaired (stage 3) loans, net of the present value of estimated recoveries.

FINANCIAL AND OTHER DEFINITIONS

Abbreviations and acronyms			
AT1	Additional tier 1	**Rand**	South African Rand
BEE	Black economic empowerment	**ROE**	Return on equity
bps	Basis points	**RoRWA**	Return on risk-weighted assets
CAGR	Compound annual growth rate	**RWA**	Risk-weighted assets
CCY	Constant currency	**SA**	South Africa
CET1	Common equity tier 1	**SAICA**	South African Institute of Chartered Accountants
CIB	Corporate & Investment Banking	**SARB**	South African Reserve Bank
CLR	Credit loss ratio	**SBG**	Standard Bank Group Limited
ECL	Expected credit loss	**SBSA**	The Standard Bank of South Africa Limited and its subsidiaries
EPS	Earnings per share	**SIP**	Shareholder Investment Portfolio
HEPS	Headline earnings per share	**The group**	The Standard Bank Group Limited
HQLA	High quality liquid assets	**UK**	United Kingdom
IAS	International Accounting Standards	**US**	United States
ICBC	Industrial and Commercial Bank of China Limited	**VAF**	Vehicle and Asset Finance
ICBCS	ICBC Standard Bank Plc	**VaR**	Value at risk
IFRS	International Financial Reporting Standards	**SVaR**	Stressed value at risk
IMF	International Monetary Fund	**ZAR**	South African Rand
JSE	Johannesburg Stock Exchange		
LCR	Liquidity coverage ratio		
MSCI	Morgan Stanley Capital International		
NCD	Negotiable certificates of deposit		
NII	Net interest income		
NIM	Net interest margin		
NIR	Non-interest revenue		
NPL	Non-performing loans		
NSFR	Net stable funding ratio		
PBB	Personal & Business Banking		

SHAREHOLDER INFORMATION

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ANALYSIS OF SHAREHOLDERS

TEN MAJOR SHAREHOLDERS[1]

	1H20		1H19		FY19	
	Number of shares (million)	**% holding**	Number of shares (million)	% holding	Number of shares (million)	% holding
Industrial and Commercial Bank of China	**325.0**	**20.1**	325.0	20.1	325.0	20.1
Government Employees Pension Fund (PIC)	**225.1**	**13.9**	198.2	12.2	215.0	13.3
Allan Gray Balanced Fund	**38.2**	**2.4**	22.4	1.4	26.2	1.6
Alexander Forbes Investments	**30.4**	**1.9**	24.5	1.5	24.3	1.5
Old Mutual Life Assurance Company	**24.7**	**1.5**	24.6	1.5	20.6	1.3
GIC Asset Management	**23.9**	**1.5**	33.4	2.1	31.3	1.9
Vanguard Total International Stock Index Fund	**22.6**	**1.4**	20.6	1.3	21.4	1.3
Vanguard Emerging Markets Stock Index Fund	**17.3**	**1.1**	21.9	1.4	19.3	1.2
Government of Norway	**15.9**	**1.0**	14.3	0.9	14.4	0.9
Abu Dhabi Investment Authority (AE)	**13.3**	**0.8**	7.4	0.5	13.2	0.8
	736.4	**45.6**	692.3	42.9	710.7	43.9

[1] Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 56 of the Companies Act, 71 of 2008.

GEOGRAPHIC SPREAD OF SHAREHOLDERS

	1H20		1H19		FY19	
	Number of shares (million)	**% holding**	Number of shares (million)	% holding	Number of shares (million)	% holding
South Africa	**842.9**	**52.0**	800.9	49.5	787.5	48.6
Foreign shareholders	**777.0**	**48.0**	818.3	50.5	832.2	51.4
China	**327.2**	**20.2**	325.9	20.1	327.8	20.2
United States of America	**211.7**	**13.1**	245.9	15.2	232.8	14.4
Singapore	**27.5**	**1.7**	36.0	2.2	34.9	2.2
United Kingdom	**24.0**	**1.5**	35.2	2.2	24.7	1.5
United Arab Emirates	**21.3**	**1.3**	12.1	0.7	19.9	1.2
Namibia	**20.3**	**1.3**	17.9	1.1	19.4	1.2
Norway	**17.9**	**1.1**	15.2	0.9	15.7	1.0
Japan	**15.8**	**1.0**	14.9	0.9	14.9	0.9
Ireland	**13.4**	**0.8**	10.7	0.7	13.8	0.9
Netherlands	**13.2**	**0.8**	14.2	0.9	15.3	0.9
Luxembourg	**13.0**	**0.8**	13.4	0.8	15.3	0.9
Hong Kong	**12.7**	**0.8**	13.4	0.8	12.5	0.8
Switzerland	**8.6**	**0.5**	8.1	0.5	8.1	0.5
Saudi Arabia	**7.9**	**0.5**	9.8	0.6	7.7	0.5
Other	**42.5**	**2.6**	45.6	2.9	69.4	4.3
	1 619.9	**100.0**	1 619.2	100.0	1 619.7	100.0

CREDIT RATINGS

RATINGS AS AT 19 AUGUST 2020 FOR KEY BANKING ENTITIES WITHIN STANDARD BANK GROUP

	Short term	Long term	Outlook
Standard Bank Group Limited			
Fitch Ratings			
Foreign currency issuer default rating	B	BB	Negative
Local currency issuer default rating		BB	Negative
National rating	F1 + (zaf)	AA (zaf)	Negative
Moody's Investor Services			
Issuer rating		Ba2	Negative
The Standard Bank of South Africa			
Fitch Ratings			
Foreign currency issuer default rating	B	BB	Negative
Local currency issuer default rating		BB	Negative
National rating	F1 + (zaf)	AA (zaf)	Negative
Moody's Investor Services			
Foreign currency deposit rating	NP	Ba1	Negative
Local currency deposit rating	NP	Ba1	Negative
National rating	P-1.za	Aa1.za	
RSA Sovereign			
Fitch Ratings			
Foreign currency issuer default rating	B	BB	Negative
Local currency issuer default rating	B	BB	Negative
Moody's Investor Services			
Foreign currency deposit rating	P(NP)	Ba1	Negative
Local currency deposit rating		Ba1	Negative
Standard & Poor's			
Foreign currency	B	BB-	Stable
Local currency	B	BB	Stable
National rating	zaA-1+	zaAAA	
Stanbic IBTC Bank PLC			
Fitch Ratings			
National rating	F1 + (nga)	AAA (nga)	
Standard & Poor's			
Foreign currency	B	B-	Stable
National rating	ngA-2	ngBBB	
Stanbic Bank Kenya			
Fitch Ratings			
Foreign currency issuer default rating	B	B+	Negative
National rating	F1 + (ken)	AAA (ken)	Negative
Stanbic Bank Uganda			
Fitch Ratings			
Foreign currency issuer default rating	B	B+	Negative
National rating	F1 + (uga)	AAA (uga)	
Moody's Investor Services			
Foreign currency deposit rating	NP	B3	
Local currency deposit rating	NP	B1	

DECLARATION OF DIVIDENDS

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders (share code SBK on the JSE; ISIN: ZAE000109815 and share code SBN on the Namibian Stock Exchange; ISIN: ZAE000109815) are advised that, in line with the South African Reserve Bank's guidance, the board has not declared an interim dividend (1H19: 454 cents, decrease of 100%).

Preference shares

Preference shareholders are advised that the board has resolved to declare the following interim dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 102 of 3.25 cents (gross) per first preference share, payable on Monday, 14 September 2020, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 11 September 2020. The last day to trade to participate in the dividend is Tuesday, 8 September 2020. First preference shares will commence trading *ex* dividend from Wednesday, 9 September 2020.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 32 of 333.00 cents (gross) per second preference share, payable on Monday, 14 September 2020, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 11 September 2020. The last day to trade to participate in the dividend is Tuesday, 8 September 2020. Second preference shares will commence trading *ex* dividend from Wednesday, 9 September 2020.

The salient dates and times for the preference share dividend are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 9 September 2020, and Friday, 11 September 2020, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 14 September 2020.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

THE RELEVANT DATES FOR THE PAYMENT OF PREFERENCE DIVIDENDS ARE AS FOLLOWS:

	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)[1]
JSE Limited		
Share code	**SBKP**	**SBPP**
ISIN	**ZAE000038881**	**ZAE000056339**
Dividend number	**102**	**32**
Gross distribution/dividend per share (cents)	**3.25**	**333.00**
Last day to trade in order to be eligible for the cash dividend	**Tuesday, 8 September 2020**	**Tuesday, 8 September 2020**
Shares trade *ex* the cash dividend	**Wednesday, 9 September 2020**	**Wednesday, 9 September 2020**
Record date in respect of the cash dividend	**Friday, 11 September 2020**	**Friday, 11 September 2020**
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	**Monday, 14 September 2020**	**Monday, 14 September 2020**

[1] The non-redeemable, non-cumulative, non-participating preference shares (SBPP) are entitled to a dividend of not less than 77% of the prime interest rate multiplied by the subscription price of R100 per share.

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service (SENS) and published in the South African and Namibian press.

Tax implications

The cash dividend received under the preference shares is likely to have tax implications for both resident and non-resident preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 2.60 cents per first preference share and 266.400 cents per second preference share. Non-resident preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:
- 1 619 929 317 ordinary shares at a par value of 10 cents each
- 8 000 000 first preference shares at a par value of R1 each
- 52 982 248 second preference shares at a par value of 1 cent each and subscription price of R100.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

Notes

ADMINISTRATIVE AND CONTACT DETAILS

Standard Bank Group Limited

Registration No. 1969/017128/06
Incorporated in the Republic of South Africa
Website: www.standardbank.com

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Directors

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* Executive director [1] British [2] Chinese [3] Kenyan [4] Nigerian

All nationalities are South African, unless otherwise specified.

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Share Transfer Secretaries in Namibia

Transfer Secretaries (Proprietary) Limited
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PO Box 2401, Windhoek, Namibia

JSE Independent Sponsor

J.P. Morgan Equities South Africa
Proprietary Limited

Namibian Sponsor

Simonis Storm Securities (Proprietary) Limited

JSE Joint Sponsor

The Standard Bank of South Africa Limited

Share and Bond Codes

JSE share code: SBK ISIN: ZAE000109815
NSX share code: SNB ZAE000109815
A2X share code: SBK
SBKP ZAE000038881
(First preference shares)
SBPP ZAE000056339
(Second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, SBT, ETN series

SSN series and CLN series (all JSE-listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Credit Linked Note Programme)

Please direct all customer queries and comments to
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