Absa Group Limited

Audited summary consolidated financial results for the reporting period ended 31 December 2021

Contents

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

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

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

Together with the GACC, the Board has reviewed and approved the audited summary consolidated financial results (hereafter referred to as 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 14 March 2022. The GACC and the Board are satisfied that the details disclosed in the SENS are a fair presentation of the financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Listings Requirements, IFRS and interpretations of IFRS, IAS 34 Interim Financial Reporting (IAS 34) and SAICA's Reporting Guides.

Absa Group Limited

Summary consolidated financial results for the reporting period ended 31 December 2021

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: ABG
ISIN: ZAE000255915
(Absa, Absa Group, the Group, or the Company)

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

The financial information (the summary consolidated financial results and the consolidated and separate financial statements for the year ended 31 December 2021) is available on the Company's website, copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours on normal business days, subject to COVID-19 office protocols.

The consolidated and separate financial statements and full audit opinion, including any key audit matters, will be available at https://www.absa.africa/adbsaafrica/investor-relations/annual-reports/when the Group's consolidated and separate financial statements are released on or about 14 March 2022.

Profit and dividend announcement

for the reporting period ended 31 December

Salient features

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

- Diluted headline earnings per share (DHEPS) grew 193% to 2 143.5 cents from 730.5 cents.
- Declared 785 cents dividend per ordinary share for the full year (2020: nil).
- Retail and Business Banking (RBB) headline earnings increased 141% to R10 209m and Corporate and Investment Bank (CIB) headline earnings grew 54% to R7 760m.
- Return on equity (RoE) improved to 14.6% from 5.2%.
- Revenue grew 5% to R85.9bn and operating expenses rose 1% to R48.6bn, resulting in a 56.6% cost-to-income ratio.
- Pre-provision profit increased 11% to R37.3bn.
- Credit impairments decreased 59% to R8.5bn, resulting in a 0.77% credit loss ratio from 1.92%.
- Common equity tier 1 (CET 1) capital ratio increased to 12.8% and remains well above regulatory requirements and above the Board's target range of 11.0% – 12.5%.
- Net asset value (NAV) per share rose 12% to 15 641 cents.

Normalised reporting

Given the process of separating from Barclays PLC, the Group has reported IFRS-compliant financial results as well as a normalised view of such results. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance.

Normalisation results are adjusted for the following items: R25m (2020: R67m) of interest earned on the remaining capital invested; non-interest income of R8m (2020: R144m); operating expenses of R1 198m (2020: R2 535m) mainly relating to amortisation and depreciation; recovery of other operating expenses of R42m (2020: R270m charge) and a R305m (2020: R450m) tax impact of the aforementioned items. In total, these adjustments added R766m (2020: R1 927m) to the Group's normalised headline earnings during the period. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Constant currency

Constant currency (CCY) pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Botswana Pula, Ghanaian Cedi, Kenyan Shilling, Mauritius Rupee, Mozambique Metical, Seychelles Rupee, Tanzanian Shilling, Uganda Shilling, United States Dollar and Zambia Kwacha. The CCY pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the CCY pro forma financial information, amounts denoted in the above listed currencies for the current period and prior period have been converted to the presentation currency using the appropriate exchange rates as at 31 December 2020. The CCY pro forma financial information is the responsibility of the Directors.

Overview of results

The Group's headline earnings increased 195% to R17 825m from R6 038m and diluted HEPS grew 193% to 2 143.5 cents from 730.5 cents. The Group's RoE improved to 14.6% from 5.2% and its return on average assets was 1.13% from 0.40%.

Revenue grew 5% to R85 906m, with net interest income rising 9% and non-interest income mainly unchanged at R32 584m. The Group's net interest margin on average interest-bearing assets increased to 4.46% from 4.17%, primarily due to the non-recurrence of the significant policy rate cuts in 2020. With operating expenses increasing 1%, the cost-to-income ratio improved to 56.6% from 59.0%. Pre-provision profit grew 11% to R37.3bn, or 14% in CCY. Credit impairments fell 59% to R8.5bn, resulting in a 0.77% credit loss ratio down from 1.92%. Gross loans and advances grew 7% to R1 134bn, while deposits rose 12% to R1 174bn. The Group's NAV per share increased 12% to 15 641 cents. A final ordinary dividend of 475 cents per ordinary share was declared, a payout ratio of 41% for the second half of 2021. The full year ordinary dividend of 785 cents, gives rise to a payout ratio of 37%.

RBB's headline earnings increased 141% to R10 209m and CIB's increased 54% to R7 760m. Head Office, Treasury and other operations' headline earnings rose to R622m from a loss of R1 328m, largely due to the non-recurrence of losses in the prior period as a result of the large policy rate cuts.

On a geographic basis, South Africa's headline earnings increased 140% to R15 530m, while Africa regions grew 107% to R3 061m.

Operating environment

Despite further waves of COVID-19 infections and periods of social-distancing restrictions, the global economy grew stronger during 2021, as countries began their recovery from 2020's sharp slowdown. Countries with the most extensive fiscal and monetary support led the rebound, as have countries with the most successful vaccination rollout.

South Africa's economy, already under pressure before the onset of the pandemic, witnessed sharp economic contraction in the second quarter of 2020, followed by recovery through the second half of 2020 and into 2021. Economic recovery progressed somewhat more rapidly than expected, notwithstanding challenges posed by load-shedding and July's social unrest. Real GDP grew 4.9% in 2021, although the fourth quarter was still 1.7% below pre-pandemic levels. With inflation increasing towards the upper end of the Reserve Bank's target in late 2021, the MPC increased policy rates by 25 basis points in November, signalling the start of a rising cycle.

All our ARO presence countries have returned to positive economic growth during 2021, with those countries hit hardest by the COVID-19-related economic slowdown the previous year generally recovering faster. We expect 5.7% real GDP growth from our ARO countries in 2021.

Profit and dividend announcement

for the reporting period ended 31 December

Group performance

Statement of financial position

Total assets increased 7% to R1 641bn, reflecting 8% growth in net loans and advances and 23% higher investment securities, as surplus liquidity was deployed in treasury bills.

Loans and advances

Total gross loans and advances grew 7% to R1 134bn, reflecting 7% growth in gross loans and advances to customers to R1 059bn, while gross loans and advances to banks rose 7% to R75bn. Gross RBB loans and advances to customers rose 7% to R655bn, as instalment credit agreements grew 9% to R113bn, mortgages increased 8% to R301bn, personal and term loans increased 5% to R65bn and credit cards rose 1% to R45bn. RBB ARO gross loans and advances to customers grew 16% to R69bn or 8% in CCY. CIB gross loans and advances to customers increased 7% to R404bn. CIB SA grew 6% to R341bn, including 10% growth in mortgages, 9% higher preference shares, 1% growth in term loans and 39% higher reverse repurchase agreements, while foreign currency loans declined 3%. CIB ARO grew 14% to R63bn or 5% in CCY.

Funding

Group sources of liquidity grew 16% to R301bn, which equates to 28% of customer deposits. The Group's liquidity coverage ratio was 117% and the net stable funding ratio 116%, both well above minimum regulatory requirement. Deposits due to customers grew 12% or 10% in CCY, to R1 076bn. Excluding repurchase agreements, total deposit growth was 10% to R1 099bn. Total deposits from banks rose 9% to R98bn. The loans-to-deposits and debt securities ratio decreased to 87% from 89%. Deposits due to customers constituted 83% of total funding, up from 80%.

RBB's deposits grew 14% to R570bn, with RBB SA increasing 13% while RBB ARO increased 21%. Within RBB SA, saving and transmission deposits increased 18% and cheque account deposits rose 13%. CIB's deposits grew 14% to R409bn, with CIB SA up 11% largely due to 14% growth in fixed deposits. CIB ARO's deposits increased 25% to R88bn.

Net asset value

The Group's NAV increased 14% to R126bn and NAV per share grew 12% to 15 641 cents. During 2021, it generated retained earnings of R15.5bn and declared ordinary dividends for the period totalling 785 cents.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 2% to R932bn, largely due to 1% higher credit risk RWAs, while traded market risk RWAs reduced 2%. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The IFRS CET 1 ratio increased to 12.8% from 11.2%, above the Board target range of 11.0% to 12.5%.

Statement of comprehensive income

Net interest income

Net interest income increased 9% to R53 322m from R48 857m, or 12% in CCY, while average interest-bearing assets grew 2%. The Group's net interest margin improved to 4.46% from 4.17%, mainly due to a stable rate environment in South Africa, compared to the 300 bps reduction during 2020.

Loan pricing improved by 3 bps. Improved client pricing, mostly in the secured portfolio in RBB and CIB SA, added 6 bps to the margin. Faster growth in RBB SA's secured lending had a slightly negative mix impact. Deposit margins declined by 3 bps, due to competitive pricing and reduced deposit endowment given lower interest rates, which offset the 16 bps mix benefit of lower reliance on wholesale funding. Lower policy rates resulted in the reduced revenue on structural deposit and equity balances, resulting in a 10 and 2 bps drag on the margin respectively. Given lower policy rates in South Africa, the structural hedge released R3 158m to the income statement, increasing the margin by 8 bps (versus R2 553m in 2020). The programme's after-tax cash flow hedging reserve decreased to R0.8bn at 31 December 2021 from R4.3bn. Non-recurrence of prime rate reset losses from the rate cuts in the prior year improved the margin by 13 bps, while higher yields on the liquid asset portfolio added another 4 bps.

Non-interest income

Non-interest income was flat at R32 584m from R32 736m (up 2% in CCY) and accounts for 37.9% of total revenue, down from 40.0%. Net fee and commission income grew 2% to R22 074m, representing 68% of total non-interest income. Within this, transactional fees and commissions increased 1%, with cheque account fees down 8% while electronic banking fees grew 9% and credit card fees rose 8%. Merchant income rose 10%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 17% to R7 066m, as Global Markets income increased by 14% to R7 098m up from R6 204m, with Markets South Africa up 24% and Markets ARO up 2% (or 14% in CCY).

RBB SA's non-interest income fell 4% to R19 970m, predominantly due to a 46% decline in Insurance, largely reflecting 61% higher mortality claims and increasing reserves related to the COVID-19 pandemic to R423m as at 31 December 2021. Everyday Banking non-interest income decreased 3% to R10 897m, largely due to specific fee reductions and customer migration to digital channels. CIB's non-interest income grew 22% or 28% in CCY to R9 297m. CIB SA increased 36% to R5 789m, given significant growth in Markets and negative fair value adjustments in 2020. CIB ARO grew 5% or 17% in CCY to R3 508m.

Impairment losses (credit impairments)

Credit impairments fell 59% to R8 499m from R20 569m, improving the Group's credit loss ratio to 0.77% from 1.92%. The comparative period included a management adjustment of R5 357m to reflect the deterioration of forward-looking macroeconomic variables and the substantial payment relief granted to customers. The bulk of this was retained, although R1 240m was released to reflect improved forward-looking assumptions and consumption as expected risks either materialised or dissipated. Single name provisions totalled R2 371m, from R2 734m. Total coverage of the Group's loans decreased to 4.1% from 4.5%. Within this, stage 1 and 2 coverage reduced to 1.5% from 1.7%, due to model enhancements and partial release of the macro-overlay. Stage 3 coverage increased to 44.6% from 42.5%, as a definition of default revision transferred loans with lower coverage to the performing book, and additional impairments were raised on single names. Stage 3 loans declined to 5.4% of gross loans and advances from 6.3% partially reflecting the change in RBB SA's definition of default.

RBB's credit impairments dropped 54% to R7 797m from R17 128m, resulting in a 1.21% credit loss ratio, down from 2.78%. RBB SA's charge fell 55% to R6 507m from R14 621m. RBB SA refined its default definition, in alignment with SA peers, for cures out of default and the treatment of performing restructured accounts. This change reduced credit impairments by R166m. It also made other enhancements to achieve better consistency between regulatory and IFRS models, to refine certain assumptions and to reduce complex methodologies in accordance with experience and new information available. These model enhancements reduced credit impairments by R916m.

Group performance (continued)

Statement of comprehensive income (continued)

Impairment losses (credit impairments) (continued)

Home Loans' charge decreased to a R134m credit, producing a -0.05% credit loss ratio from 0.88%. Home Loans' stage 3 loans decreased to 7.3% from 9.3%, reflecting the change in the definition of default which is now aligned with the industry treatment. Vehicle and Asset Finance credit impairments declined 53% to R1 426m, improving its credit loss ratio to 1.45% from 3.45%. Everyday Banking's credit impairments (including Personal Loans, Card and Overdrafts) dropped 41% to R4 348m, resulting in a 5.02% credit loss ratio from 8.42%. Relationship Banking's credit impairments fell 57% to R867m, reducing its credit loss ratio to 0.67% from 1.61%.

CIB's credit impairments decreased 78% to R736m from R3 291m, resulting in a credit loss ratio of 0.17% down from 0.75%. CIB SA's credit impairments fell 66% to R660m from R1 951m, resulting in a credit loss ratio of 0.18% from 0.54%. CIB ARO's charge decreased 94% to R76m from R1 340m. Corporate Bank's credit impairments dropped from R1 298m charge to a credit of R35m, -0.05% credit loss ratio. Investment Bank's credit impairments fell 61% from R1 993m to R771m, a credit loss ratio of 0.21%.

Operating expenses

Operating expenses grew 1%, or 4% in CCY, to R48 610m from R48 111m, improving the Group's cost-to-income ratio to 56.6% from 59.0%. Staff costs rose 3%, or 6% in CCY, to R26 133m and account for 54% of total operating expenses. Salaries, the largest component of staff costs, declined 2% largely due to a reduced headcount. Other staff costs fell 33% reflecting lower restructuring costs. Bonuses grew 106%, in line with improved results. Deferred cash and share-based payments increased by 32%.

Non-staff costs grew 1%, or 2% in CCY, with IT costs 17% higher reflecting continued investment in digital platforms. Total IT spend, including staff, amortisation and depreciation, grew 13% to R11 486m, amounting to 24% of Group expenses. Investment in digital, data and automation processes and analytics saw amortisation of intangible assets increase by 20%. Cash transportation costs fell 4%, given lower merchant cash volumes and the migration to digital banking. Professional fees fell 13%, mainly from decreased spend resulting from the completion of the Separation programme. Telephone and postage costs grew 3%, given higher communication costs to support remote working. Depreciation decreased 8% mainly due to lower depreciation on physical IT infrastructure. Property costs decreased, reflecting continued property optimisation. Marketing costs decreased 21%, due to higher campaign spend mostly RBB, offset by non-recurring rebranding costs from the prior year. Other operating costs increased 18% reflecting higher fraud charges partially offset by lower travel and entertainment costs.

RBB's operating expenses grew 2% to R35 110m (4% in CCY). RBB SA's costs grew 5% to R26 824m, reflecting increased activity-related costs, continued investment in technology and digitisation, restructuring costs and increased bonuses. RBB ARO's expenses decreased 8% (up 2% in CCY) to R8 286m, due to the stronger Rand, which offset investment in IT and digital, and higher bonuses. CIB's costs grew 10% to R11 138m, or 13% in CCY, reflecting increased bonuses and higher incremental run costs. CIB SA's expenses grew 16% to R7 327m, with higher bonuses the principal driver. CIB ARO's expenses grew 1%, or 9% in CCY, to R3 811m as the stronger Rand offset higher bonuses, incremental run costs and investment in technology.

Taxation

The Group's taxation expense grew 131% to R7 299m from R3 156m, resulting in an effective tax rate of 27.3% from 30.4%.

Segment performance

RBB

Headline earnings grew 141% to R10 209m, due to 54% lower credit impairments, while pre-provision profits declined 3%, or 2% in CCY. Revenue was flat at R60 095m, up 2% in CCY, given lower non-interest income. Net interest income grew 2%, or 5% in CCY, while non-interest income decreased 4%, due to higher mortality claims in Insurance and customer-centric price cuts in Everyday Banking. Costs grew 2% to R35 110m, 4% in CCY, resulting in a cost-to-income ratio of 58.4% from 57.3%. RBB's credit loss ratio improved to 1.21% from 2.78%. It generated a return on regulatory capital (RoRC) of 18.5% from 7.6% and contributed 57% of total Group headline earnings excluding Head Office, Treasury and other operations.

RBB SA earnings grew 118% to R9 747m, resulting in a 21.2% RoRC from 10.0%. Pre-provision profits decreased 5%, driven by higher mortality claims in Absa Financial Services, fee reductions and higher incentives. Credit impairments fell 55%, producing a 1.12% credit loss ratio. Everyday Banking headline earnings grew 63% to R3 930m, given 41% lower credit impairments. Within this, Transactions and Deposits headline earnings decreased 7% to R2 989m reflecting a 5% lower non-interest income. Credit impairments falling 39% saw Card earnings rebound to R878m from a loss of R237m, while Personal Loans swung to a profit of R63m from a R588m loss due to 43% lower credit impairments. Home Loans earnings increased to R2 531m from R534m, given significantly lower credit impairments and 15% higher pre-provision profits. Vehicle and Asset Finance earnings swung to a profit of R605m, from a loss of R927m, due to a 18% pre-provision profit growth and 53% lower credit impairments. Relationship Banking's headline earnings grew 49% to R3 459m, given 5% higher pre-provision profits and 57% lower credit impairments. Insurance SA headline earnings fell 93% to R68m from R996m, given 30% lower gross operating income on significantly higher claims and higher reserving in Life Insurance. Life Insurance made a R174m loss from a R622m profit, while Short-term Insurance's earnings decreased 35% to R242m, given increased claims and lower investment income.

RBB ARO's headline earnings increased to R462m, from a loss of R227m, due to 49% lower credit impairments and 8% higher pre-provision profit. Although revenue decreased 4%, it grew 7% in CCY. RBB ARO's RoRC improved to 5.0% from -2.0%.

CIB

Headline earnings rose 54% to R7 760m, as credit impairments decreased 78% and pre-provision profits grew 10%, or 16% in CCY. Revenue increased 10%, 15% in CCY, to R23 105m. Net interest income grew 3%, or 7% in CCY, while non-interest income rose 22%, or 28% in CCY. Costs increased 10% to R11 138m, 13% in CCY, resulting in a flat cost-to-income ratio of 48.2% from 48.1%. CIB's credit loss ratio improved to 0.17% from 0.75%. It contributed 43% of group headline earnings excluding Head Office, Treasury and other operations, and generated a 21.6% RoRC from 13.5%.

Investment Bank headline earnings grew 48% to R5 473m, given 61% lower credit impairments and 15% higher pre-provision profits largely due to 31% higher non-interest income. Investment Bank earnings in SA rose 62% to R3 893m, while ARO grew 22% to R1 580m. Global Markets revenue increased 14% or 20% in CCY. Investment Bank accounted for 71% of CIB's earnings and its RoRC improved to 21.1% from 13.5%.

Corporate Bank headline earnings rose 69% to R2 287m, given significantly lower credit impairments, which outweighed flat pre-provision profits. Corporate Bank SA earnings increased 63% to R1 240m, with ARO up 77% to R1 048m. Corporate Bank's RoRC improved to 23.1% from 13.7%.

Segment performance (continued)

CIB (continued)

CIB SA's headline earnings grew 62% to R5 133m, reflecting 66% lower credit impairments and 18% higher pre-provision profits due to 36% non-interest income growth. CIB SA's RoRC rose to 19.0% from 11.6%.

CIB ARO's headline earnings rose 39%, or 67% in CCY, to R2 627m, as credit impairments dropped 94%. The stronger Rand was a drag, as revenue grew 11% in CCY, versus declining 1% in Rand. CIB ARO's RoRC improved to 29.7% from 18.8%.

Prospects

The outlook for the global economy in 2022 is particularly uncertain. Geopolitical events in Ukraine are acute, and sharp moves in commodity prices and potential interruptions to supply are likely to trigger significant re-assessment. Furthermore, high inflation in many developed markets is expected to result in moves to start normalising accommodative policies, with uncertain consequences for asset prices and flows into emerging markets.

Against this highly uncertain global backdrop, we expect South Africa's economy to grow by 2.1% in 2022, closing the gap to pre-COVID-19 levels before the end of the year. Sectoral differences are likely to remain large, with high commodity prices boosting parts of the mining sector, while households face steep increases in fuel and other commodity prices. Eskom's operational challenges remain a key downside risk to growth and investor sentiment. Headline consumer price inflation is likely to remain elevated, particularly in the first half, and we expect the MPC to continue raising rates in a measured manner, more slowly than interest rate markets are pricing in.

We forecast 5.37% GDP-weighted economic growth for our ARO presence countries. Policy rates are likely to rise in many of them, albeit gradually.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic or regulatory developments, our guidance for 2022 is as follows:

- We expect high single digit revenue growth, driven by improved non-interest income growth, in part due to lower COVID-19-related life insurance claims.
- We expect high single digit growth in customer loans and deposits, while our net interest margin will benefit from rising rates.
- The banking book net interest income sensitivity for a 1% rise in rates is about R600m, post the structural hedge on an annualised basis.
- We expect mid-single digit operating expense growth, resulting in positive operating JAWS and high single digit growth in pre-provision profits.
- Our credit loss ratio is likely to increase, although remain in the bottom half of our through-the-cycle target range of 75 to 100 basis points.
- Consequently, we expect our RoE to be similar to 2021's.
- Lastly, our Group CET 1 ratio is expected to decline, but remain above 12%. We aim to increase our dividend payout ratio to at least 50% in 2022.

In terms of medium-term guidance, we aim to reduce our cost-to-income ratio to the low 50s and improve our RoE to over 17% by 2024, which is heavily dependent on macro backdrop globally and in our presence countries.

The forecast financial information above is the sole responsibility of the Board and has not been reviewed or reported on by the Group's external auditors.

Declaration of a final ordinary dividend number 69

Shareholders are advised that an ordinary dividend of 475 cents per ordinary share was declared on 14 March 2022, for the period ended 31 December 2021. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 22 April 2022. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 475 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 380.00 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 17 465 332[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 19 April 2022
Shares commence trading ex-dividend	Wednesday, 20 April 2022
Record date	Friday, 22 April 2022
Payment date	Monday, 25 April 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 April 2022 and Friday, 22 April 2022, both dates inclusive. On Monday, 25 April 2022, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 25 April 2022.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
14 March 2022

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

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

IFRS summary consolidated financial results

for the reporting period ended 31 December

Basis of preparation

IFRS financial results

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These summary consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG and EY, who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived. A copy of the auditors' report on the summary consolidated financial statements and of the auditors' report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditors' reports. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on request.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of COVID-19 continue to have an impact on estimation uncertainty during the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement (including the use of assumptions and estimation), impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets, fair value measurements and liabilities arising from claims made under short-term and long-term insurance contracts.

Further information on changes in estimation uncertainty implemented during the reporting period is further detailed in the attached notes to the audited summary consolidated financial results, refer to Impact of COVID-19 note.

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

Accounting policies

The accounting policies applied in preparing the audited summary consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2021.

Standards, amendments to standards and circulars adopted for the first time in the current reporting period:

Amendment to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform (IBOR)(Phase II)*.

The amendments, which are applicable for financial periods beginning on or after 1 January 2021, address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are as follows:

- Modifications to financial instruments and lease liabilities which arise as a direct consequence of IBOR reform are accounted for by updating the effective interest rate;
- Hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships must be amended to reflect modifications, and amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- Additional disclosure requirements.

Changes to the use of estimates, assumptions and judgements – RBB expected credit loss model enhancements:

During the current reporting period, RBB South Africa refined its capital and IFRS 9 models of its retail portfolios to reflect a revised application of the definition of default and other model enhancements to better align with the industry and regulatory definitions.

The changes to the definition of default are as follows:

- ***Change in criteria to cure out of default:*** Previously, the cure period was defined as 12 timeous and full consecutive payments made by the customer. The curing period is now a 12-month observation period. If the account is not in default (i.e., 90 days past due or other default criteria) 12 months after default, it will cure.
- ***Change in the treatment of performing restructured accounts:*** Previously all exposures that were restructured for credit reasons were treated as defaulted. Now, in the absence of other indicators of default (i.e., 90 days past due), a restructure will be accounted as a default only if economic value has been lost.

Accounting policies (continued)

Changes to the use of estimates, assumptions and judgements – RBB expected credit loss model enhancements (continued)

The following other model enhancements were made to refine certain assumptions and reduce complex methodologies in accordance with experience and new information available:

- Home Loans refined its mortgages loss given default model to reflect empirical workout behaviour;
- Everyday Banking revised its lifetime assessment, as well as the estimation of conversion rates of unused limit changes on revolving products;
- All retail portfolios:
  - Revised the application of the significant increase in credit risk criteria following the new application of the definition of default;
  - Revised customer risk elements through refined behavioural scorecards;
  - Enhancements to more accurately reflect the effect of modification losses on the historical portfolios; and
  - Enhanced modelling techniques and refinement of assumptions or risk calibration of the portfolios.

The effect of macroeconomic variables (MEV) is calculated as a separate model from the PD and LGD models and now caters for a more efficient update of MEV changes.

The afore-mentioned changes have been accounted as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The impact on the impairment charge recognised in the statement of comprehensive income for the current period is as follows:

	31 December 2021		
Product	Definition of default change Rm	Other model enhancements Rm	Total increase/ (decrease) in impairment charge Rm
Home Loans	5	(624)	(619)
Vehicle and Asset Finance	(5)	(191)	(196)
Everyday Banking	(166)	(101)	(267)
Card	(112)	(607)	(719)
Personal Loans	(43)	372	329
Transactions and Deposits	(11)	134	123
Total	(166)	(916)	(1 082)

Future impacts of the model enhancements are not disclosed as it is impracticable to do so.

Accounting policies (continued)

Standards issued not yet effective

IFRS 17 – Insurance Contracts

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

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows, an explicit entity specific adjustment for non-financial risk and the use of an appropriate discount rate) and a contractual service margin (effectively representing the unearned profit). As a result, no profit may be recognised at inception of an insurance contract, and profit is rather recognised over the coverage period. Losses are however immediately recognised on initial recognition for contracts where fulfilment cash flows are a net outflow. The use of this measurement model involves a significant degree of estimates and judgements in measuring a group of insurance contracts; such as methods used to determine the risk adjustment and discount rate. The general measurement model is expected to be applied mainly to the Group's long-term insurance products.

The premium allocation approach is a simplified measurement model that may be applied when certain conditions are fulfilled:

- The coverage period of each contract in the group is 1 year or less; or
- The use of this method would produce a measurement that would not differ materially from the measurement if the general measurement model had been applied.

Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. Not only is this measurement model more simplified, it also provides for a more cost effective option as opposed to the general measurement model.

This approach will be applied mainly to the Group's short-term businesses.

The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

IFRS 17 is effective for the first annual reporting period beginning on or after 1 January 2023 and should be applied retrospectively. As the Group has chosen not to early adopt the standard, the transition period for the Group commences from 1 January 2022.

IFRS 17 sets out the following transition methods available that will need to be applied for each group of insurance contracts. These methods include:

- **The full retrospective approach:** This approach is compulsory if the entity can practically source all the information required to account for the inforce book at transition as if IFRS 17 has always applied.
- **The modified retrospective approach:** An entity has the option to use the modified retrospective approach to the extent that it does not have reasonable and supportable information to apply the full retrospective approach. The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available at the transition date without undue cost or effort.
- **The fair value approach:** Permitted as an alternative to the modified retrospective approach for a group of contracts when full retrospective application of that group of contracts is impracticable, or required when full retrospective application of a group of contracts is impracticable and an entity cannot obtain reasonable and supportable information for that group of contracts to use the modified retrospective approach. To apply the fair value approach, an entity should determine the contractual service margin or loss at the transition date as the difference between the fair value of a group of insurance contracts and the IFRS 17 fulfilment cash flows measured at that date. In determining the fair value, an entity must apply the requirements of IFRS 13 *Fair Value Measurement*.

The full retrospective approach is expected to be applied to the Group's short-term business and most of its life insurance products whilst the fair value approach is expected to be applied for most products incepted pre-2016.

Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments. In 2022, the new finance process will be established with parallel runs commencing from the first quarter of 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

The IFRS 17 programme is currently on track to deliver an integrated actuarial and finance solution.

A number of other new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these summary consolidated financial statements.

Events after the reporting period

During the budget speech presented on 23 February 2022, the finance minister announced that the corporate tax rate will be reduced from 28% to 27%. Based on the assessment of the impact, the Group does not expect the tax rate change to have a significant impact on the deferred tax balances reported as at 31 December 2021 but may have a larger impact on temporary differences arising in future.

Furthermore, the Russia Ukraine conflict has significantly increased already high levels of global uncertainty and is expected to impact global markets, outlooks and the expectations of the markets in which the Group operates. This is expected to materially heighten risks faced by financial market participants and the global and domestic economies. Active monitoring of the events unfolding in Europe and continuous assessments of the Group's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. The Group has assessed that its direct exposure to Russia is currently negligible and thus monitoring is focused mainly on the indirect exposures and risks. Sensitivity to energy inflation and certain commodity prices will be elevated and are being monitored. The Group's focus remains on proactive risk and capital management to positively position itself as the spillover impact of the conflict unfolds. Risks are actively identified, and the consolidated response monitored to ensure effective implementation achieving the targeted result. Scenario analyses is used in the early detection of potential areas of weakness and to assess response effectiveness.

The directors are not aware of any events, other than the aforementioned (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 31 December 2021 and the date of authorisation of these annual consolidated and separate financial statements.

On behalf of the Board

W E Lucas-Bull
Group Chairman

J P Quinn
Interim Group Chief Executive

P Modise
Interim Financial Director

Johannesburg
14 March 2022

Summary consolidated IFRS salient features

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm
Statement of comprehensive income (Rm)			
Income		**85 906**	81 593
Operating expenses		**48 610**	48 111
Pre-provision profit		**37 296**	33 482
Credit impairments		**8 499**	20 569
Profit attributable to ordinary equity holders		**17 763**	5 880
Headline earnings[1]	6	**17 825**	6 038
Statement of financial position			
Gross loans and advances (Rm)[2],[3]		**1 133 697**	1 058 203
NAV		**129 863**	115 671
Total assets (Rm)		**1 640 833**	1 531 120
Deposits (Rm)[2],[3]		**1 173 766**	1 048 000
Loans to deposits and debt securities ratio (%)[2],[3]		**86.9**	88.6
Average loans to deposits and debt securities ratio (%)[2],[3]		**84.2**	86.2
Financial performance (%)			
Return on equity (RoE)		**14.6**	5.2
Return on average assets (RoA)		**1.13**	0.40
Return on risk-weighted assets (RoRWA)		**1.96**	0.66
Stage 3 loans ratio on gross loans and advances		**5.43**	6.28
Operating performance (%)			
Net interest margin on average interest-bearing assets		**4.46**	4.17
Credit loss ratio on gross loans and advances to customers and banks		**0.77**	1.92
Non-interest as a percentage of total income		**37.9**	40.1
Cost-to-income ratio		**56.6**	59.0
Jaws		**4**	3
Effective tax rate		**27.3**	30.4
Share statistics (million)			
Number of ordinary shares in issue		**847.8**	847.8
Number of ordinary shares in issue (excluding treasury shares)		**830.3**	828.8
Weighted average number of ordinary shares in issue		**830.2**	826.1
Diluted weighted average number of ordinary shares in issue		**831.6**	826.6
Share statistics (cents)			
Basic earnings per ordinary share (EPS)		**2 139.6**	711.8
Diluted basic earnings per ordinary share (DEPS)		**2 136.0**	711.3
Headline earnings per ordinary share (HEPS)	6	**2 147.1**	730.9
Diluted headline earnings per ordinary share (DHEPS)	6	**2 143.5**	730.5
NAV per ordinary share		**15 641**	13 957
Tangible NAV per ordinary share		**14 207**	12 623
Dividend per ordinary share relating to income for the reporting period		**785**	—
Dividend payout ratio (%)		**37**	—
Capital adequacy (%)			
Absa Group Limited		**17.0**	15.0
Absa Bank Limited		**17.9**	15.6
Common Equity Tier 1 (%)			
Absa Group Limited		**12.8**	11.2
Absa Bank Limited		**12.4**	10.6

[1] After allowing for **R242m** (2020: R307m) profit attributable to preference equity holders and **R585m** (2020: R589m) profit attributable to Additional Tier 1 capital holders.
[2] These numbers have been restated, refer to reporting changes overview, note 15.5.
[3] These numbers have been updated to included loans and advances to banks.

Summary consolidated statement of financial position

as at 31 December

	Note	31 December 2021 Rm	Restated 31 December 2020 Rm	Restated 1 January 2020 Rm
Assets				
Cash, cash balances and balances with central banks		**66 041**	60 682	52 532
Investment securities		**188 898**	153 504	116 747
Trading portfolio assets		**203 079**	213 521	158 348
Hedging portfolio assets		**5 159**	11 000	3 358
Other assets		**24 156**	20 417	30 343
Current tax assets		**665**	865	1 682
Non-current assets held for sale	1	**4 259**	144	3 992
Loans and advances[(1)]	2	**1 092 257**	1 014 507	976 723
Reinsurance assets		**732**	680	886
Investments linked to investment contracts		**19 803**	21 273	20 042
Investments in associates and joint ventures		**1 593**	1 601	1 648
Investment properties		**421**	496	513
Property and equipment		**15 970**	17 094	18 620
Goodwill and intangible assets		**11 903**	11 050	10 300
Deferred tax assets		**5 897**	4 286	3 441
Total assets		**1 640 833**	1 531 120	1 399 175
Liabilities				
Trading portfolio liabilities		**72 819**	108 976	59 224
Hedging portfolio liabilities		**3 659**	4 868	1 379
Other liabilities		**48 410**	33 905	46 355
Provisions		**5 396**	3 959	4 064
Current tax liabilities		**1 091**	290	172
Non-current liabilities held for sale	1	**3 465**	—	112
Deposits[(1)]		**1 173 766**	1 048 000	943 716
Debt securities in issue		**131 076**	145 740	159 794
Liabilities under investment contracts		**21 126**	27 533	29 700
Policyholder liabilities under insurance contracts		**5 731**	4 198	4 331
Borrowed funds	3	**26 600**	20 761	21 418
Deferred tax liabilities		**386**	587	227
Total liabilities		**1 493 524**	1 398 817	1 270 492
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 660**	1 657	1 657
Share premium		**10 644**	10 561	10 428
Retained earnings		**110 859**	95 345	95 386
Other reserves		**6 700**	8 108	5 807
		129 863	115 671	113 278
Non-controlling interest – ordinary shares		**5 798**	4 984	4 966
Non-controlling interest – preference shares		**4 644**	4 644	4 644
Other equity – Additional Tier 1 capital[(2)]		**7 004**	7 004	5 795
Total equity		**147 309**	132 303	128 683
Total liabilities and equity		**1 640 833**	1 531 120	1 399 175

[(1)] These numbers have been restated, refer to reporting changes overview, note 15.5.

[(2)] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm
Net interest income		**53 322**	48 857
Interest and similar income		**89 495**	93 051
Effective interest income		**87 844**	91 264
Other interest income		**1 651**	1 787
Interest expense and similar charges		**(36 173)**	(44 194)
Non-interest income	4	**32 584**	32 736
Net fee and commission income		**22 074**	21 597
Fee and commission income		**25 549**	25 120
Fee and commission expense		**(3 475)**	(3 523)
Net insurance premium income		**8 778**	8 286
Net claims and benefits incurred on insurance contracts		**(5 514)**	(4 205)
Changes in investment and insurance contract liabilities		**(2 799)**	(2 262)
Gains and losses from banking and trading activities		**6 606**	6 379
Gains and losses from investment activities		**2 704**	2 199
Other operating income		**735**	742
Total income		**85 906**	81 593
Impairment losses		**(8 499)**	(20 569)
Operating income before operating expenses		**77 407**	61 024
Operating expenses		**(48 610)**	(48 111)
Other expenses		**(2 205)**	(2 508)
Other impairments	5	**(420)**	(464)
Indirect taxation		**(1 785)**	(2 044)
Share of post-tax results of associates and joint ventures		**132**	(36)
Operating profit before income tax		**26 724**	10 369
Taxation expense		**(7 299)**	(3 156)
Profit for the reporting period		**19 425**	7 213
Profit attributable to:			
Ordinary equity holders		**17 763**	5 880
Non-controlling interest – ordinary shares		**835**	437
Non-controlling interest – preference shares		**242**	307
Other equity – Additional Tier 1 capital[1]		**585**	589
		19 425	7 213
Earnings per share:			
Basic earnings per share (cents)		**2 139.6**	711.8
Diluted earnings per share (cents)		**2 136.0**	711.3

[1] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	2021 Rm	2020 Rm
Profit for the reporting period	**19 425**	7 213
Other comprehensive income		
Items that will not be reclassified to profit or loss	**83**	(578)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(133)**	(5)
Fair value losses	**(172)**	(7)
Deferred tax	**39**	2
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(26)**	(82)
Fair value movements	**(36)**	(116)
Deferred tax	**10**	34
Movement in retirement benefit fund assets and liabilities	**242**	(491)
Increase/(decrease) in retirement benefit surplus	**108**	(100)
Decrease/(increase) in retirement benefit deficit	**169**	(433)
Deferred tax	**(35)**	42
Items that are or may be subsequently reclassified to profit or loss	**(1 298)**	2 646
Movement in foreign currency translation reserve	**2 414**	(808)
Differences in translation of foreign operations	**2 510**	(690)
Release to profit or loss	**(96)**	(118)
Movement in cash flow hedging reserve	**(4 051)**	3 997
Fair value (losses)/gains	**(1 469)**	9 034
Amounts transferred within other comprehensive income	**6**	5
Amount removed from other comprehensive income and recognised in profit or loss	**(4 163)**	(3 488)
Deferred tax	**1 575**	(1 554)
Movement in fair value of debt instruments measured at FVOCI	**339**	(543)
Fair value gains/(losses)	**691**	(773)
Release to profit or loss	**(120)**	(32)
Deferred tax	**(232)**	262
Total comprehensive income for the reporting period	**18 210**	9 281
Total comprehensive income attributable to:		
Ordinary equity holders	**16 376**	7 877
Non-controlling interest – ordinary shares	**1 007**	508
Non-controlling interest – preference shares	**242**	307
Other equity – Additional Tier 1 capital[1]	**585**	589
	18 210	9 281

[1] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the end of the previous reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)
Total comprehensive income	—	—	—	17 858	(1 482)	—	380
Profit for the period	—	—	—	17 763	—	—	—
Other comprehensive income	—	—	—	95	(1 482)	—	380
Dividends paid during the reporting period	—	—	—	(2 573)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	7	—	—	—
Elimination of the movement in Treasury shares held by Group entities	1 496	3	83	—	—	—	—
Movement in share-based payment reserve	—	—	280	—	296	—	—
Transfer from share-based payment reserve	—	—	280	—	(280)	—	—
Value of employee services	—	—	—	—	506	—	—
Deferred tax	—	—	—	—	70	—	—
Movement in general credit risk reserve	—	—	—	356	(356)	(356)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—	—
Balance at the end of the reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)

[1] On 30 September 2021, the board of directors disposed of Integrated Processing Solutions.

[2] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

2021

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 Capital [2] Rm	Total equity Rm
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
(4 051)	2 189	—	—	—	16 376	1 007	242	585	18 210
—	—	—	—	—	17 763	835	242	585	19 425
(4 051)	2 189	—	—	—	(1 387)	172	—	—	(1 215)
—	—	—	—	—	(2 573)	(193)	(242)	—	(3 008)
—	—	—	—	—	—	—	—	(585)	(585)
—	—	—	—	—	(273)	—	—	—	(273)
—	—	—	—	—	86	—	—	—	86
—	—	—	296	—	576	—	—	—	576
—	—	—	(280)	—	—	—	—	—	—
—	—	—	506	—	506	—	—	—	506
—	—	—	70	—	70	—	—	—	70
—	—	—	—	—	—	—	—	—	—
—	—	17	—	—	—	—	—	—	—
—	—	—	—	132	—	—	—	—	—
—	—	—	—	(15)	—	—	—	—	—
1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the end of the previous reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)
Total comprehensive income	—	—	—	5 293	2 584	—	(597)
Profit for the period	—	—	—	5 880	—	—	—
Other comprehensive income	—	—	—	(587)	2 584	—	(597)
Dividends paid during the reporting period	—	—	—	(5 115)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(965)	92	—	—	—
Elimination of the movement in Treasury shares held by Group entities	161	0	133	—	—	—	—
Movement in share-based payment reserve	—	—	965	—	(543)	—	—
Transfer from share-based payment reserve	—	—	965	—	(965)	—	—
Value of employee services	—	—	—	—	409	—	—
Deferred tax	—	—	—	—	13	—	—
Movement in general credit risk reserve	—	—	—	(269)	269	269	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(27)	27	—	—
Share of post-tax results of associates and joint ventures	—	—	—	36	(36)	—	—
Disposal of non-controlling interest[(1)]	—	—	—	—	—	—	—
Acquisition of non-controlling interest[(2)]	—	—	—	(51)	—	—	—
Balance at the end of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)

[(1)] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania Limited, which was housed in Head Office, Treasury and other operations in South Africa.

[(2)] On 15 December 2020, the Group acquired the minority interest in Instant Life Proprietary Limited, increasing its shareholding to 100%.

[(3)] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

2020

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital[3] Rm	Total equity Rm
1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
3 997	(816)	—	—	—	7 877	508	307	589	9 281
—	—	—	—	—	5 880	437	307	589	7 213
3 997	(816)	—	—	—	1 997	71	—	—	2 068
—	—	—	—	—	(5 115)	(452)	(307)	—	(5 874)
—	—	—	—	—	—	—	—	(589)	(589)
—	—	—	—	—	—	—	—	1 209	1 209
—	—	—	—	—	(873)	—	—	—	(873)
—	—	—	—	—	133	—	—	—	133
—	—	—	(543)	—	422	—	—	—	422
—	—	—	(965)	—	—	—	—	—	—
—	—	—	409	—	409	—	—	—	409
—	—	—	13	—	13	—	—	—	13
—	—	—	—	—	—	—	—	—	—
—	—	27	—	—	—	—	—	—	—
—	—	—	—	(36)	—	—	—	—	—
—	—	—	—	—	—	(14)	—	—	(14)
—	—	—	—	—	(51)	(24)	—	—	(75)
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303

Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm
Cash generated from operating activities		**6 475**	6 967
Income taxes paid		**(7 692)**	(2 954)
Net cash generated from other operating activities		**14 167**	9 921
Net cash utilised in investing activities		**(3 519)**	(718)
Purchase of property and equipment		**(1 475)**	(1 913)
Purchase of intangible assets		**(2 975)**	(2 976)
Proceeds from sale of non-current assets held for sale		**113**	3 742
Net cash generated from other investing activities		**818**	429
Net cash utilised in financing activities		**(515)**	(8 259)
Issue of Additional Tier 1 capital		**—**	1 209
Proceeds from borrowed funds		**6 866**	2 676
Repayment of borrowed funds		**(2 381)**	(3 733)
Dividends paid		**(3 007)**	(5 874)
Net cash utilised in other financing activities		**(1 993)**	(2 537)
Net increase/(decrease) in cash and cash equivalents		**2 441**	(2 010)
Cash and cash equivalents at the beginning of the reporting period		**16 796**	18 288
Effect of foreign exchange rate movements on cash and cash equivalents		**1 081**	518
Cash and cash equivalents at the end of the reporting period	2	**20 318**	16 796

Notes to the summary consolidated statement of cash flows

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

	2021 Rm	2020 Rm
Cash, cash balances and balances with central banks[1]	**14 403**	14 033
Loans and advances to banks[2]	**2 393**	4 255
	16 796	18 288

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

	2021 Rm	2020 Rm
Cash, cash balances and balances with central banks[1]	**14 577**	14 403
Loans and advances to banks [2]	**5 741**	2 393
	20 318	16 796

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

Impact of COVID-19

COVID-19 has had a significant impact on the risks that the Group is exposed to and the output of financial models, most specifically those used to determine credit risk exposures, valuation of policy liabilities and insurance provisions. This high degree of uncertainty has necessitated the reassessment of assumptions, and existing methods of estimation and judgements, used in the preparation of these financial results specifically ECL allowances and insurance liabilities.

This section provides information on the approach taken in estimating ECL allowance. Readers are referred to the Risk Management section of the Group's annual consolidated and separate financial statements for all other risk disclosures.

Forward-looking assumptions, model parameter refreshes and macro-overlays

As IFRS 9 models are not calibrated for events such as the COVID-19 pandemic, a revised approach to the estimation of probability of default (PD), loss given default (LGD), identification of a significant increase in credit risk (stage 2 impairment), forward-looking information and the resultant impact thereof on estimated expected credit losses (ECL) was employed and incorporated through the use of management adjustments. The Group formed a multi-dimensional IFRS 9 COVID-19 work stream, with oversight from the Group Credit Impairment Committee, in order to robustly estimate and govern impairments arising during this period.

The outcome of the amended approach resulted in a material macro-overlay being raised in 2020 that reflected the deterioration of forward-looking assumptions and accounted for risks not yet reflected in the data and impairment models.

In the second half of 2021, data used in the calibration of ECL parameter models were refreshed for the first time since the onset of the COVID-19 pandemic. Therefore, some risks previously accounted for through the macro-overlay are now recognised via modelled ECL. Accordingly, a portion of the macro-overlay has been released to the extent that the COVID-19 loss experience is now captured in the models. In addition, the latest macroeconomic forecasts were incorporated directly into the ECL parameter models within the South African retail portfolios resulting in a larger portion of ECL estimation being driven by modelled output.

The table below provides a statement of comprehensive income impact assessment of the aforementioned factors. The macro impact column reflects how changes in forward-looking assumptions impact the Group's impairment charge. In 2021, this is a combination of modelled ECL and movements in the macro-overlay. The model parameter refresh column reflects the impairment impact of refreshing model parameters with current data.

	2021			2020[1]
	Macro impact Rm	Model parameter refresh Rm	Total increase/ (decrease) in impairment charge Rm	Macro impact Rm
RBB	(2 464)	1 533	(931)	4 094
Home Loans	(271)	154	(117)	950
Vehicle and Asset Finance	(435)	198	(237)	926
Everyday Banking	(1 285)	1 078	(207)	1 177
Card	(643)	569	(74)	628
Personal Loans	(544)	475	(69)	466
Transactions and Deposits	(98)	34	(64)	83
Relationship Banking	(254)	31	(223)	471
RBB ARO	(219)	72	(147)	570
RBB Other	—	—	—	—
CIB	(297)	—	(297)	1 217
CIB South Africa	(201)		(201)	776
CIB ARO	(96)	—	(96)	441
Head Office, Treasury and other operations	(12)	—	(12)	46
Total	(2 773)	1 533	(1 240)	5 357

The macro impact charge of R5 357m in 2020 was driven by the macro-overlay raised in terms of IFRS 9 for the deterioration of forward-looking macroeconomic variables. The net impact on impairment losses that resulted in a release of **R1 240m** in 2021 across all market segments and is due to the improvement in forward-looking assumptions relative to the initial expectations had in 2020 and the consumption of the macro-overlay as anticipated risks have either materialised or dissipated over time.

The Group remains well provisioned with performing book coverage well above pre-COVID-19 levels.

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

Impact of COVID-19 (continued)

Forward-looking assumptions, model parameter refreshes and macro-overlays (continued)

	Coverage ratio analysis (%)		
	2021	2020	2019
Home Loans	**0.56**	0.53	0.24
Vehicle and Asset Finance	**2.16**	2.49	1.51
Everyday Banking	**7.51**	9.41	6.38
Relationship Banking	**1.30**	1.69	1.13
RBB ARO	**3.50**	3.89	2.41
CIB South Africa	**0.55**	0.69	0.36
CIB ARO	**1.36**	1.71	0.86
Total	**1.46**	1.72	1.07

Macroeconomic scenarios

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa and various ARO presence countries had started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment and the resurgence of the COVID-19 virus. Accordingly, these risks have been incorporated in the scenarios used to calculate the Group's ECL charge as at 31 December 2021.

Several factors are considered in developing macroeconomic scenarios, including economic growth or contraction and anticipated recovery, expected inflation, sector-specific impacts, business confidence, property prices, household spending, exchange rate fluctuations, unemployment rates, key fiscal responses initiated by governments, and regulatory authorities.

The following table shows the key forecast assumptions used for South Africa to calculate the Group's ECL allowance for the reporting period ended 31 December 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Real GDP (%)	5.2	1.7	2.0	2.0	2.0	5.5	2.2	2.5	2.3	2.3	4.9	0.8	1.1	1.0	1.0
CPI (%)	4.4	4.4	4.2	4.3	4.4	4.4	4.4	4.4	4.4	4.6	4.5	5.2	5.2	5.3	5.3
Average repo rate (%)	3.5	3.9	4.7	6.1	6.5	3.5	4.3	5.2	6.4	7.3	3.5	4.1	5.9	7.0	7.8

The following table shows the key forecast assumptions used for South Africa to calculate the Group's ECL allowance for the reporting period ended 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	(9.4)	3.2	1.9	1.5	1.5	(8.0)	3.2	2.6	2.6	2.5	(10.8)	3.0	1.2	1.2	1.1
CPI (%)	3.2	3.9	4.2	4.3	4.5	3.3	4.1	4.4	4.6	4.8	3.2	3.6	3.9	4.0	4.2
Average repo rate (%)	4.3	3.3	3.9	4.6	4.8	4.3	2.9	3.3	4.0	4.3	4.3	3.9	5.0	5.5	5.8

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Botswana															
Real GDP (%)	8.3	4.9	4.0	3.8	3.8	9.8	6.6	5.6	5.3	5.3	7.2	3.1	3.0	1.9	1.9
CPI (%)	6.5	5.0	3.7	3.8	3.4	6.2	4.0	2.4	2.4	2.0	7.0	6.5	5.2	5.4	5.2
Average policy rate (%)	3.8	4.0	4.4	4.9	5.0	3.7	3.7	3.8	4.2	4.4	3.8	4.4	5.0	5.3	6.3
Ghana															
Real GDP (%)	3.7	5.7	5.4	5.5	5.5	4.3	8.6	7.2	6.6	6.3	2.3	3.5	3.4	3.1	3.0
CPI (%)	9.4	9.3	9.5	10.5	10.7	9.1	8.0	7.7	8.5	8.5	9.7	11.0	11.4	12.8	13.0
Average policy rate (%)	13.8	14.1	15.4	16.1	16.5	13.8	13.6	14.1	14.6	15.5	14.0	15.1	16.4	17.8	18.9
Kenya															
Real GDP (%)	4.4	5.5	5.3	5.1	5.0	5.5	6.5	6.5	6.8	6.7	2.6	3.1	3.7	4.1	4.4
CPI (%)	6.0	5.4	5.1	4.8	4.4	5.7	4.0	3.5	3.2	3.0	6.3	6.2	6.0	5.9	5.5
Average policy rate (%)	7.0	7.2	8.0	8.3	8.3	6.9	6.9	7.3	7.6	7.8	7.1	7.7	8.5	9.0	9.3
Mauritius															
Real GDP (%)	4.0	9.2	5.8	5.0	4.0	5.5	11.2	7.0	5.6	5.4	2.0	8.0	4.0	3.0	2.5
CPI (%)	3.9	4.0	3.2	3.0	3.0	3.9	3.2	2.2	2.0	2.0	3.9	5.0	4.8	4.5	4.5
Average policy rate (%)	1.9	2.2	2.7	3.4	3.9	1.9	1.9	2.3	3.0	3.2	1.9	2.5	3.2	4.1	4.8

Notes to the summary consolidated financial results

for the reporting period ended 31 December

Impact of COVID-19 (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	(10.8)	7.3	5.5	4.3	4.2	(7.9)	5.9	4.8	4.7	4.6	(13.0)	7.3	3.6	2.6	2.5
CPI (%)	1.8	3.3	4.1	2.8	2.6	1.5	2.4	3.4	2.6	2.6	2.1	4.7	4.5	4.5	4.4
Average policy rate (%)	4.4	4.2	4.8	4.8	4.8	4.9	3.9	4.4	4.5	4.5	4.4	4.7	5.1	5.1	5.0
Ghana															
Real GDP (%)	1.5	4.1	4.9	5.3	5.2	2.6	5.0	5.5	5.8	5.6	(0.4)	3.6	4.8	3.9	4.0
CPI (%)	10.5	9.8	8.3	8.2	8.0	10.1	8.6	8.0	8.2	8.3	11.1	13.6	9.6	9.7	9.8
Average policy rate (%)	14.7	15.4	15.5	15.5	15.5	14.9	14.6	14.8	14.5	14.5	14.9	16.3	17.8	17.3	16.8
Kenya															
Real GDP (%)	1.6	3.9	5.0	5.4	5.5	2.7	5.1	5.9	6.0	6.1	(0.4)	3.5	3.3	2.8	2.7
CPI (%)	5.2	5.1	5.3	4.5	4.3	4.9	3.0	4.1	2.9	2.8	5.4	7.3	6.1	5.2	5.1
Average policy rate (%)	7.3	7.0	7.3	7.5	7.5	7.2	6.5	6.8	7.0	7.0	7.3	7.8	8.8	8.3	8.0
Mauritius															
Real GDP (%)	(9.6)	7.3	5.6	4.2	4.0	(5.6)	5.5	5.3	5.3	5.2	(11.6)	6.7	3.7	3.2	3.2
CPI (%)	2.1	2.2	2.4	3.4	3.6	2.0	0.8	1.7	2.8	2.9	2.8	4.6	4.4	4.1	4.1
Average policy rate (%)	2.3	2.2	2.9	3.1	3.3	2.3	1.8	2.2	2.4	2.8	2.3	3.3	4.9	5.3	5.1

Baseline scenario as at 31 December 2021

South Africa

The evolution of the COVID-19 pandemic, its impact on the economy, policymakers' responses, and the reaction of markets remain the most significant factors in our current macro modelling, with commodity prices and early estimates of the impact of the recent civil unrest also considered. Regarding COVID-19, the working assumption is that waves of infection will continue but that social-distancing restrictions in each wave will likely become less prohibitive, leading to a diminishing economic impact over time.

Despite the third wave and July's civil unrest, the 2021 recovery was forecast to be more robust under our revised baseline, as early 2021 data generally topped expectations. At the time of modelling, the Group forecasted GDP growth of 5.2% for 2021 and 1.7% for 2022, with trimmed growth forecasts in the outer years. In the proposed baseline, real GDP is expected to recover to end-2019 levels by the third quarter of 2022 and settle at a post-pandemic trend rate of approximately 2% in the outer years. In addition, the baseline included the assumption that load shedding would diminish significantly from 2022.

For households, the 2021 job recovery was weak but will improve slightly faster in the outer years of the forecast than in the mid-year forecast. Wage restraint is longer lasting in the private sector than previously projected, slowing the recovery in household incomes. Household debt to income rose slightly into 2022 but is expected to flatline thereafter, while household debt service is impacted in 2022 and 2023 on expected SARB action. We anticipate house prices to continue to rise modestly on a comfortable interest rate outlook, although our projections have curtailed slightly since the last forecast round.

Private sector investment is expected to remain constrained, while investment by the state sector (primarily public corporations) has been revised in the historical data, rising significantly higher in the near years of the forecast. Early 2021 data was robust, and signals from major state-owned companies (SOCs) suggest that substantial spending will continue even in the face of more difficult financing conditions. More broadly, public finances remain under significant pressure as extra spending commitments offset the windfall tax collections from mining. In the baseline, we project that Moody's are likely to downgrade South Africa's sovereign rating by one further notch in the first half of 2022.

When the economic modelling work was finalised, policy rates were not forecast to move in 2021, with the baseline projecting 75 bps in tightening during 2022 and a further 100 bps in 2023. However, the market is currently pricing in more aggressive rate hikes. The South African Reserve Bank raised rates by 25 bps in the November 2021 and January 2022 Monetary Policy Committee (MPC) meetings, somewhat ahead of our baseline expectation.

Impact of COVID-19 (continued)

ARO

The economic impact of the global pandemic has varied widely across our ARO presence countries. The economies of East Africa have generally been impacted less, as restrictions to economic activity were largely more modest, and their economies are more diversified. Broadly, those economies with less diversification, particularly those where tourism and/or commodity exports are a focus, were hardest hit in 2020 and in the first quarters of 2021.

Against an estimated economic contraction of 0.4% in 2020 on a GDP-weighted basis, the baseline macroeconomic forecast for ARO for 2021 was for expected growth of 4.0% during the year and 5.3% in 2022.

Large fiscal deficits and weak fiscal buffers raise the risk of unsustainable public debt trajectories for some ARO countries, while several economies have already received assistance from multilaterals for the balance of payments and budget support, and many ARO countries are in talks with the International Monetary Fund (IMF) for formal programmes. Central banks reduced policy rates in response to the pandemic, but rates are assumed to have bottomed out. However, as inflation gradually moves higher and country risk premia are generally expected to rise, monetary policy tightening is anticipated for the bulk of ARO into 2022.

Payment relief measures

In 2020, the Group implemented various payment relief programmes across market segments. Directive 3 of 2020 (D3/2020) was issued by the South African Reserve Bank to provide temporary relief on the minimum capital requirements for banks relating to credit risk, specifically the treatment of restructured credit exposures related to COVID-19. During the current year, the Group discontinued the application of D3/2020 and applied the Group's existing credit policies to customers and clients that remained with COVID-19-related concessions and where new relief requests were received.

However, in order to ensure heightened credit monitoring, customers who previously received payment relief remain classified as being in relief until settlement or derecognition of the loan. The table below provides more detail on loans and advances where payment relief was historically provided to customers:

	2021						
	Gross loans and advances to customers Rm	Gross carrying amount of payment relief Rm	Percentage of portfolio %	In arrears[1] %	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB	654 712	137 371	20.98	13.00	106 275	17 184	13 912
Home Loans	277 414	74 251	26.77	8.42	61 808	7 096	5 347
Vehicle and Asset Finance	104 093	18 100	17.39	17.71	12 210	3 346	2 544
Everyday Banking	72 953	13 410	18.38	26.81	8 034	1 888	3 488
Card	46 779	9 425	20.15	23.55	5 998	1 158	2 269
Personal Loans	22 571	3 958	17.54	34.44	2 026	721	1 211
Transactions and Deposits	3 603	27	0.75	44.53	10	9	8
Relationship Banking	130 948	21 949	16.76	6.41	18 695	2 407	847
RBB ARO	69 251	9 661	13.95	35.23	5 528	2 447	1 686
RBB Other	53	—	—	—	—	—	—
CIB	403 616	49 293	12.21	9.17	35 826	10 217	3 250
CIB South Africa	341 008	43 453	12.74	3.02	33 946	8 194	1 313
CIB ARO	62 608	5 840	9.33	54.90	1 880	2 023	1 937
Head Office, Treasury and other operations	416	—	—	—	—	—	—
Total	1 058 744	186 664	17.63	11.99	142 101	27 401	17 162

[1] This relates to accounts that are 30 days past due as a percentage of the gross carrying amount of payment relief.

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Impact of COVID-19 (continued)

Payment relief measures (continued)

	2020						
	Gross loans and advances to customers Rm	Gross carrying amount of payment relief Rm	Percentage of portfolio %	In arrears[1] %	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB[2]	610 761	164 145	26.88	8.70	130 645	26 123	7 377
Home Loans	255 130	84 492	33.12	5.54	71 484	10 305	2 703
Vehicle and Asset Finance	94 876	25 892	27.29	11.99	17 922	5 907	2 063
Everyday Banking	73 731	16 492	22.37	20.68	10 215	4 482	1 795
Card	45 874	9 832	21.43	16.50	6 132	2 833	867
Personal Loans	23 785	6 607	27.78	26.70	4 070	1 629	908
Transactions and Deposits	4 072	53	1.30	45.28	13	20	20
Relationship Banking[2]	127 051	24 782	19.51	6.42	21 101	3 166	515
RBB ARO	59 920	12 487	20.84	11.96	9 923	2 263	301
RBB Other	53	—	—	—	—	—	—
CIB[2]	374 186	54 436	14.55	4.70	41 762	11 021	1 653
CIB South Africa[2]	319 041	39 793	12.47	2.60	29 460	9 300	1 033
CIB ARO	55 145	14 643	26.55	10.43	12 302	1 721	620
Head Office, Treasury and other operations	612	—	—	—	—	—	—
Total[2]	985 559	218 581	22.18	7.70	172 407	37 144	9 030

- The relief population, 'Gross carrying amount of payment relief' above, is a finite list of accounts which continue to amortise. Distressed customer accounts amortise at a slower pace than the performing population, and therefore a negative selection of accounts remain.
- The increase in stage 3 distribution across the Retail portfolios is driven by increased delinquencies and higher defaults following the expiry of payment relief.
- Within CIB requests for moratorium extensions, mainly emanating from the Tourism sector, triggered distressed restructures in terms of the Group's Distressed Assets Policy.

Government Guaranteed Loan Scheme

In addition to the above, National Treasury, the South African Reserve Bank (SARB) and commercial banks created a R100bn guaranteed loan scheme to assist businesses. The scheme specifies client eligibility requirements, restrictions on the use of loan proceeds and standardised loan terms. Loans have a repayment holiday of up to 12 months and thereafter interest and capital are required to be paid over 60 months. The SARB provides the Group with a special-purpose funding facility and partial credit guarantee. A portion of the interest levied on client loans is paid to the SARB. This interest accumulates in reserve accounts and will be used to offset losses on client loans. Once the reserve accounts are exhausted, the Group will incur losses of up to 6% of the total notional lent under the scheme. The SARB guarantees all losses in excess of the 6% threshold. When the scheme ends, the SARB will be entitled to withdraw the balances, if any, then remaining in the reserve accounts. As at 31 December 2021, the Group granted **R2 602m** (2020: R2 331m) of loans under the scheme, with an outstanding balance of **R2 248m** (2020: R2 179m).

(1) This relates to accounts that are 30 days past due as a percentage of the gross carrying amount of payment relief.
(2) These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

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Impact of COVID-19 (continued)

Sensitivity of expected credit losses

For the purposes of the Group's actual weighting of its economic scenarios, a 40% probability weighting is applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios. However, given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	2021	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	13 996	—
Baseline	13 752	(2)
Upside	13 722	(2)
Downside	14 444	3

	2020	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	15 451	—
Baseline	15 268	(1)
Upside	14 050	(9)
Downside	17 085	11

In addition, as at 31 December 2021, the Group assessed what the impact on expected credit losses would be, if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	2021	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	27 154	2 628
CIB	13 234	180

	2020	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	24 424	2 591
CIB[(1)]	12 367	134

[(1)] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

Impact of COVID-19 (continued)

Single name impairments

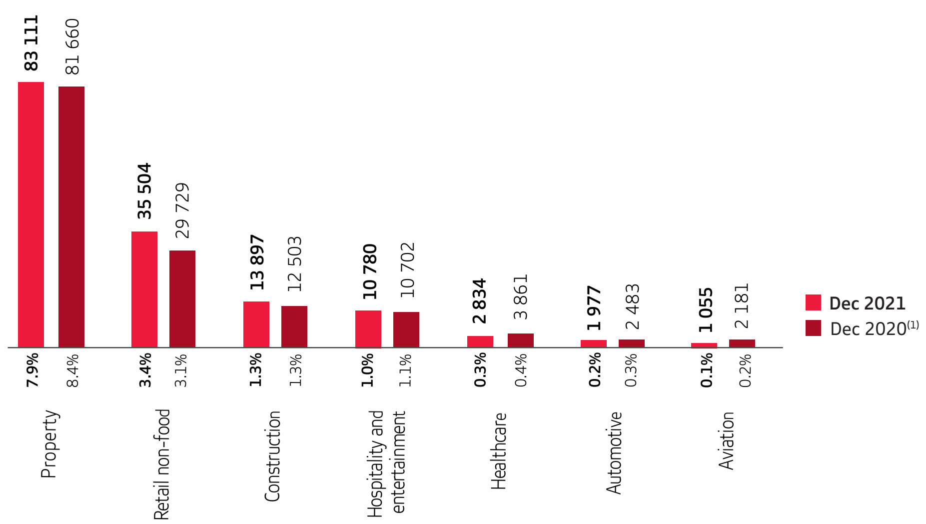
Impairment losses have been adversely impacted by increased level of risk for single name wholesale exposures that are currently categorised as stage 3. The Group continuously monitors these exposures through the Group Distressed Assets Committee to ensure any potential risk is appropriately identified, mitigated, and/or adequately provided for. As at 31 December 2021 the following impairment losses were raised for single name exposures:

	2021 Rm	2020 Rm
RBB	**1 165**	617
Relationship Banking	**732**	287
Business Bank ARO	**433**	330
CIB	**1 206**	2 117
CIB South Africa	**1 005**	1 040
CIB ARO	**201**	1 077
	2 371	2 734

Wholesale lending in key COVID-19 impacted industries

The graph below provides a view of the Group's wholesale exposure (across CIB, Relationship Banking and ARO Business Banking), to industries that have been significantly impacted by the COVID-19 pandemic:

Concentration risk exposures (Rm and % of total loans)



[1] The manufacturing and oil and gas sectors have been removed from the industries significantly impacted by the COVID-19 pandemic and the December 2020 figures for construction have been updated to reflect a more accurate attribution for this sector.

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Impact of COVID-19 (continued)

Insurance risk

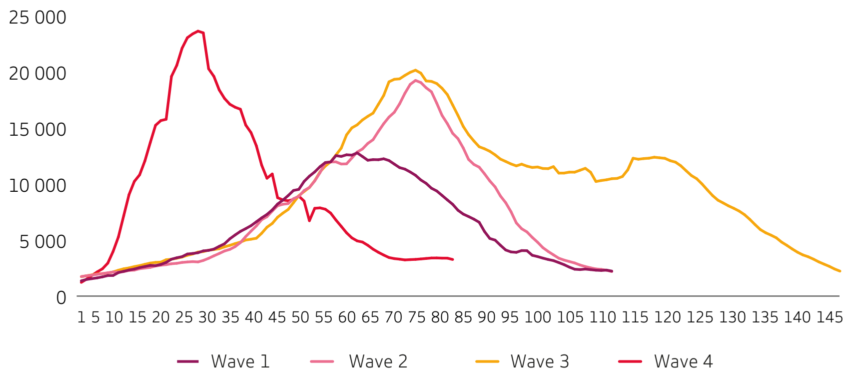
A significant amount of uncertainty remains with the COVID-19 pandemic with regards to the duration and impact of further waves, its long-term effects on mortality and morbidity, the emergence of new variants and the pace and effectiveness of the vaccine rollout programme. In response, a measured approach has been taken in the setting of assumptions used in the determination of policyholder liabilities. This approach is supported by continuous monitoring of actual claims experience, national statistics on infections, deaths and vaccinations, relevant research and guidance from external actuarial advisors, reinsurers, and external auditors. This has resulted in a more comprehensive understanding of the risk drivers associated with the spread of the virus and its associated impact on mortality and morbidity rates and refinements being made to the approach to setting provisions.

COVID-19 short-term provisions were increased as at 30 June 2021 to R846m, with R836m in South Africa and R10m in ARO, to allow for the impact of the third and a fourth wave of the pandemic on our mortality experience. Claims experience driven by the third wave peaked in August 2021 with excess claims reported remaining significantly above pre-COVID-19 levels whilst tracking marginally below the assumptions underlying the provisions. Provision releases amounting to R701m were made in the second half of the year based on how claims experience emerged relative to our assumptions and forward-looking expectations of further waves.

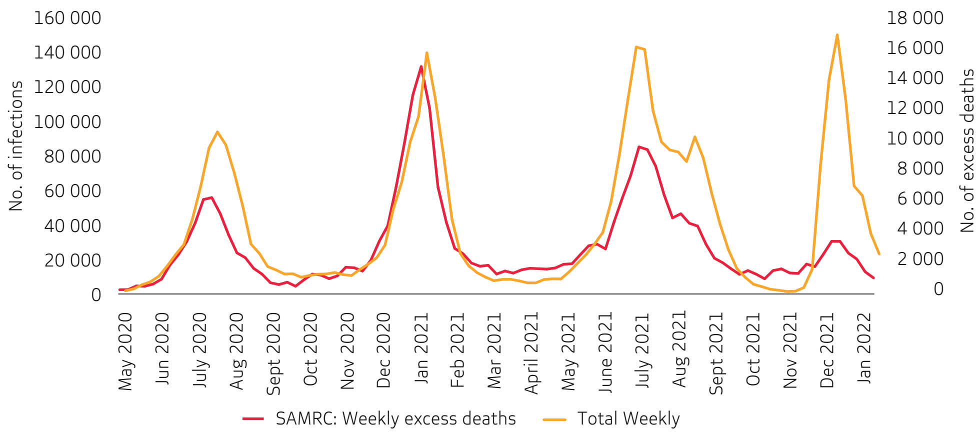
The fourth wave of COVID-19 infections in South Africa started towards the end of the last quarter of 2021 driven by the emergence of the Omicron variant with a progression in daily average infections that was significantly faster than the previous three waves at similar durations. Despite the accelerated trajectory in average daily infections, the fourth wave has had the lowest incidence of hospitalisations and deaths with the level of excess deaths being lower than previous waves to date. Current views on the lower severity of the fourth wave point to a progressively higher level of population immunity in the country compared to the earlier waves driven by prior infections as well as the rate of vaccination.

National progression

SA daily cases (rolling 7-day average)



Infections vs excess deaths



Impact of COVID-19 (continued)

Insurance risk (continued)

The short-term COVID-19 provision was reassessed as at 31 December 2021. It took into account the distribution of the actual excess claims paid in respect of wave 3, the difference in the South African Medical Research Council (SAMRC) excess deaths reported for wave 4 relative to excess deaths reported in wave 3 at similar durations, the progression of the vaccine programme and the assumption that a large proportion of the high risk insured population has been vaccinated. Based on these factors, the remaining short-term COVID-19 provisions of R146m were increased by R330m to allow for the impact of a fourth and fifth wave resulting in a provision of R476m as at 31 December 2021, with R423m in the South African entity and R53m in the Absa Regional Operations subsidiaries.

There have been no material COVID-19-related changes in the setting of estimates and assumptions for short-term insurance reserving purposes due to the limited exposure to business interruption claims and the most significant impact of the pandemic being on customer affordability in this business.

Other estimates and judgements

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

Hedge accounting

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group's exposure to interest rate and foreign currency risk. The Group's structural interest rate hedge in South Africa represents its most significant cash flow hedge. An assessment of the Group's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Group manages its risk. At 31 December 2021, the Group recognised a net decrease (after tax) of **R4 051m** (2020: R3 997m net increase) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates. The net decrease is after a release of **R4 163m** (2020: R3 488m) into the statement of comprehensive income. Furthermore, there has been minimal impact of COVID-19 effects on hedge ineffectiveness recognised during the period ended 31 December 2021.

[1] These numbers have been restated, refer to the reporting changes overview, note 15.1.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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

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

- Head office, Treasury and other operations disposed of property and equipment with a carrying amount of **R93m**.
- Following a strategic review of the business, Absa have agreed a transaction to sell the Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers Ltd (excluding the Absa Prudential Money Market Fund), Absa Multi-Managers (a division of Absa Investment Management (Pty) Ltd) and Absa's NewFunds (RF) Proprietary Limited (excluding the commodity ETF business). While the transaction does not directly include the disposal of investment funds held by the Group in a number of related unit trust investment funds, it will result in the de-consolidation of these funds linked to the transaction. Consequently, these funds were also reclassified as non-current assets and liabilities held for sale. Total assets of **R4 259m** and total liabilities of **R3 465m** were reclassified into the non-current assets and liabilities held for sale category relating to the sale targeted for conclusion before the end of 2022. The assets and liabilities transferred into non-current asset and liabilities for sale comprised mainly investments linked to investment contracts, cash and bank balances, investment securities, trade receivables, goodwill and intangible assets and liabilities linked to investment contracts.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R15m** to non-current assets held for sale and a **R1m** impairment was recognised on remaining assets previously classified as held for sale.
- Foreign exchange movements resulted in a **R2m** decrease in assets.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period end[1]:

- RBB disposed of the Edcon loan book with a carrying amount of R3 829m and property and equipment with a carrying amount of R2m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R132m to non-current assets held for sale and a R17m impairment was recognised on remaining assets previously classified as held for sale.
- First Assurance Tanzania was disposed of in the current year (refer note 8). The movements in Head Office, Treasury and other operations that relate to the disposal are loans and advances to banks (decrease of R30m), other assets (decrease of R26m), investment securities (decrease of R9m), reinsurance assets (decrease of R61m), property and equipment (decrease of R2m), deferred tax assets (decrease of R13m), policyholder liabilities under insurance contracts (decrease of R85m) and other liabilities (decrease of R33m). A R16m impairment was recognised arising from the disposal of First Assurance for Rnil consideration.
- Foreign exchange movements resulted in a R9m and R6m increase in assets and liabilities, respectively.

[1] These numbers have been restated, refer to the reporting changes overview, note 15.1.

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Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB	—	543 071	5 618	1.03
Home Loans	—	236 205	638	0.27
Vehicle and Asset Finance	—	87 151	897	1.03
Everyday Banking	—	54 132	2 285	4.22
Card	—	35 294	1 270	3.60
Personal Loans	—	16 454	805	4.89
Transactions and Deposits	—	2 384	210	8.81
Relationship Banking	—	108 869	682	0.63
RBB ARO	—	56 714	1 116	1.97
RBB Other	—	—	—	—
CIB	89 988	264 676	1 403	0.53
CIB South Africa	89 988	216 386	1 097	0.51
CIB ARO	—	48 290	306	0.63
Head Office, Treasury and other operation	—	352	(162)	—
Loans and advances to customers	—	352	4	1.14
Reclassification to provisions[1]	—	—	(166)	—
Loans and advances to customers	89 988	808 099	6 859	0.85
Loans and advances to banks	28 218	43 602	74	0.17
Total loans and advances	118 206	851 701	6 933	0.81

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

2021

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
59 982	6 427	10.71	51 659	24 473	47.37	618 194
21 210	803	3.79	19 999	5 699	28.50	270 274
9 807	1 198	12.22	7 135	3 921	54.95	98 077
8 166	2 396	29.34	10 655	7 868	73.84	60 404
4 732	1 504	31.78	6 753	5 045	74.71	38 960
2 726	697	25.57	3 391	2 459	72.52	18 610
708	195	27.54	511	364	71.23	2 834
13 730	913	6.65	8 349	3 641	43.61	125 712
7 069	1 117	15.80	5 468	3 292	60.20	63 726
—	—	—	53	52	98.11	1
39 034	737	1.89	9 918	3 058	30.83	398 418
29 200	250	0.86	5 434	1 529	28.14	338 132
9 834	487	4.95	4 484	1 529	34.10	60 286
64	(139)	—	—	(57)	—	774
64	—	—	—	—	—	412
—	(139)	—	—	(57)	—	362
99 080	7 025	7.09	61 577	27 474	44.62	1 017 386
3 133	8	0.26	—	—	—	74 871
102 213	7 033	6.88	61 577	27 474	44.62	1 092 257

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

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

		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB[1]	—	488 486	5 538	1.13
Home Loans	—	210 738	666	0.32
Vehicle and Asset Finance	—	76 556	935	1.22
Everyday Banking	—	48 845	2 161	4.42
Card	—	31 726	1 389	4.38
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking[1]	—	101 918	800	0.78
RBB ARO	—	50 429	976	1.94
RBB Other	—	—	—	—
CIB[1]	70 147	247 873	1 710	0.69
CIB South Africa[1]	70 147	204 587	1 318	0.64
CIB ARO	—	43 286	392	0.91
Head Office, Treasury and other operations[1]	—	390	(137)	—
Loans and advances to customers	—	390	5	1.28
Reclassification to provisions[2]	—	—	(142)	—
Loans and advances to customers[1]	70 147	736 749	7 111	0.97
Loans and advances to banks[1]	25 584	42 088	59	0.14
Total loans and advances	95 731	778 837	7 170	0.92

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

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

2020						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
65 144	7 651	11.74	57 131	25 816	45.19	571 756
20 581	552	2.68	23 812	6 233	26.18	247 680
10 605	1 237	11.66	7 716	3 575	46.33	89 130
10 635	3 435	32.30	14 251	10 114	70.97	58 021
6 174	2 302	37.29	7 975	5 780	72.48	36 404
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	336	28.94	686	398	58.02	3 207
17 786	1 228	6.90	7 345	3 418	46.54	121 603
5 537	1 199	21.65	3 954	2 424	61.31	55 321
—	—	—	53	52	98.11	1
49 465	874	1.77	9 356	2 497	26.69	371 760
40 827	377	0.92	6 135	1 169	19.05	318 832
8 638	497	5.75	3 221	1 328	41.23	52 928
222	(248)	—	—	(68)	—	1 065
222	—	—	—	—	—	607
—	(248)	—	—	(68)	—	458
114 831	8 277	7.21	66 487	28 245	42.48	944 581
2 317	4	0.17	—	—	—	69 926
117 148	8 281	7.07	66 487	28 245	42.48	1 014 507

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

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

	2021			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	36 518	5 282	(360)	41 440
Stage 1	5 618	1 479	(164)	6 933
Stage 2	6 427	745	(139)	7 033
Stage 3	24 473	3 058	(57)	27 474
Undrawn facilities	31	87	362	480
Stage 1	19	61	166	246
Stage 2	12	12	139	163
Stage 3	—	14	57	71
Total loans and advances and undrawn facilities	36 549	5 369	2	41 920

	2020[1]			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	39 005	5 130	(439)	43 696
Stage 1	5 538	1 755	(123)	7 170
Stage 2	7 651	878	(248)	8 281
Stage 3	25 816	2 497	(68)	28 245
Undrawn facilities	52	84	458	594
Stage 1	31	62	142	235
Stage 2	21	11	248	280
Stage 3	—	11	68	79
Total loans and advances and undrawn facilities	39 057	5 214	19	44 290

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

	2021			
Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	39 057	5 214	19	44 290
Stage 1	5 569	1 817	19	7 405
Stage 2	7 672	889	—	8 561
Stage 3	25 816	2 508	—	28 324
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 551	(18)	—	1 533
Stage 2 net transfers	(1 065)	22	—	(1 043)
Stage 3 net transfers	(486)	(4)	—	(490)
Impairment losses raised and interest in suspense	10 008	493	(17)	10 484
Amounts written off	(13 011)	(494)	—	(13 505)
Foreign exchange movements	495	156	—	651
Balance at the end of the reporting period	36 549	5 369	2	41 920
Stage 1	5 637	1 540	2	7 179
Stage 2	6 439	757	—	7 196
Stage 3	24 473	3 072	—	27 545

	2020[1]			
Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	27 200	3 189	16	30 405
Stage 1	3 703	902	16	4 621
Stage 2	4 718	517	—	5 235
Stage 3	18 779	1 770	—	20 549
Transfers between stages	—	—	—	—
Stage 1 net transfers	718	(33)	—	685
Stage 2 net transfers	(2 005)	94	—	(1 911)
Stage 3 net transfers	1 287	(61)	—	1 226
Impairment losses raised and interest in suspense	19 300	3 531	3	22 834
Amounts written off	(6 410)	(1 005)	—	(7 415)
Foreign exchange movements	(1 033)	(501)	—	(1 534)
Balance at the end of the reporting period	39 057	5 214	19	44 290
Stage 1	5 569	1 817	19	7 405
Stage 2	7 672	889	—	8 561
Stage 3	25 816	2 508	—	28 324

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R6 866m** (2020: R2 676m) of subordinated notes were issued and **R2 381m** (2020: R3 733m) were redeemed.

The Group issued USD500m Fixed Rate Reset Write-Off Notes on 27 May 2021, which constitute Additional Tier 1 capital. The notes are unsecured and perpetual securities for which there is no fixed redemption date.

The Group is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount.

Interest is payable semi-annually in arrears on 27 May and 27 November each year, commencing on 27 November 2021. The reset dates are every five years. The interest rate on the notes is 6.375% per annum from the issue date to (but excluding) the first reset date, 27 November 2026. Thereafter the interest rate will be reset to an interest applicable to the relevant reset period.

4. Disaggregation of non-interest income

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

	2021				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	21 791	3 621	137	—	25 549
Consulting and administration fees	378	97	8	—	483
Transactional fees and commissions	16 729	2 736	(18)	—	19 447
Cheque accounts	4 576	139	—	—	4 715
Credit cards	2 517	1	—	—	2 518
Electronic banking	4 691	1 117	—	—	5 808
Other[(1)]	3 423	1 479	(18)	—	4 884
Savings accounts	1 522	—	—	—	1 522
Merchant income	2 430	9	—	—	2 439
Trust and other fiduciary services fees	246	18	993	—	1 257
Other fees and commissions	273	403	(120)	—	556
Insurance commissions received	1 699	—	(726)	—	973
Investment banking fees	36	358	—	—	394
Other income from contracts with customers	226	25	(1)	(16)	234
Other non-interest income, net of expenses	1 221	5 651	(95)	24	6 801
Total non-interest income	23 238	9 297	41	8	32 584

[(1)] Other transactional fees and commissions income include service and credit-related fees of **R1 766m** (2020: R1 587m), exchange commission **R680m** (2020: R603m) and guarantees **R325m** (2020: R359m).

Notes to the summary consolidated financial results

for the reporting period ended 31 December

4. Disaggregation of non-interest income (continued)

	2020				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations[1] Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	21 545	3 279	296	—	25 120
Consulting and administration fees	461	103	11	—	575
Transactional fees and commissions	16 914	2 393	(6)	—	19 301
Cheque accounts	4 972	140	—	—	5 112
Credit cards	2 336	4	—	—	2 340
Electronic banking	4 297	1 036	—	—	5 333
Other[2]	3 658	1 212	(5)	—	4 865
Savings accounts	1 651	1	(1)	—	1 651
Merchant income	2 205	4	—	—	2 209
Trust and other fiduciary services fees	192	33	1 166	—	1 391
Other fees and commissions	251	373	(134)	—	490
Insurance commissions received	1 505	—	(740)	—	765
Investment banking fees	17	373	(1)	—	389
Other income from contracts with customers	70	8	35	—	113
Other non-interest income, net of expenses	2 677	4 315	367	144	7 503
Total non-interest income	24 292	7 602	698	144	32 736

5. Other impairments

	2021 Rm	2020 Rm
Goodwill[3]	**94**	2
Intangible assets[4]	**144**	195
Investments in associates and joint ventures[5]	**(11)**	11
Non-current assets held for sale[6]	**1**	33
Property and equipment[7]	**192**	223
	420	464

(1) These numbers have been restated, refer to the reporting changes overview, note 15.1.

(2) Other transactional fees and commissions income include service and credit-related fees of **R1 587m** (2019: R1 562m), exchange commission **R603m** (2019: R531m) and guarantees **R359m** (2019: R384m)

(3) The Group has adjusted goodwill relating to Woolworths Financial Services totalling **R65m** as a result of an acquisition adjustment which was incorrectly accounted for in 2008. This has been corrected in the current financial year, as it is considered immaterial. In addition, goodwill relating to First Assurance Kenya Limited amounting to **R29m** was impaired.

(4) The Group has impaired certain software assets totalling **R144m** (2020: R195m) for which the value in use is determined to be zero.

(5) Integrated Processing Solutions board of directors approved the dissolution of IPS in the prior year. An impairment loss of **R11m** (2020: R11m) recognised in the previous financial year was reversed in the current year due to the increase in the recoverable amount of the investment.

(6) The Group has impaired certain assets totalling **R1m** (2020: R33m) which have been classified as held for sale under IFRS 5.

(7) The Group has decided to dispose of certain property and equipment classified as held for sale under IFRS 5 resulting in an impairment of **Rnil** (2020: R19m). As the property and equipment will be disposed of, the impairment was calculated based on fair value less costs to sell prior to transferring the assets to non-current assets held for sale. In addition, property and equipment amounting to **R192m** (2020: R204m) was impaired without a related transfer to non-current assets held for sale. Included in the R192m, is **R25m** relating to property and equipment damaged during the riots, as well as a **R25m** insurance recovery against these damages that occurred in the current reporting period.

6. Headline earnings

	2021		2020	
	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group		17 763		5 880
Total headline earnings adjustments:		62		158
IAS 36 – Goodwill impairment	29	29	2	2
IFRS 3 – Gain on bargain purchase	—	—	(86)	(86)
IFRS 5 – (Profit)/loss on disposal of non-current assets held for sale	(20)	(16)	(1)	1
IFRS 5 – Re-measurement of non-current assets held for sale	1	1	33	29
IAS 16 – (Profit)/loss on disposal of property and equipment	(90)	(71)	(65)	(49)
IAS 16 and IAS 36 – Insurance recovery of property and equipment	(121)	(87)	—	—
IAS 21 – Recycled foreign currency translation reserve	(96)	(74)	(118)	(92)
IAS 28 – (Reversal)/impairment of investments in associates and joint	(11)	(11)	11	11
IAS 28 – Profit on disposal of associates and joint ventures	(1)	(1)	—	—
IAS 36 – Impairment of property and equipment	217	157	223	162
IAS 36 – Impairment of intangible assets	144	110	195	176
IAS 38 - Profit on disposal of intangible assets	1	1	—	—
IAS 40 – Change in fair value of investment properties	31	24	5	4
Headline earnings/diluted headline earnings		**17 825**		6 038
Headline earnings per ordinary share (cents)		**2 147.1**		730.9
Diluted headline earnings per ordinary share (cents)		**2 143.5**		730.5

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

Notes to the summary consolidated financial results

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7. Dividends per share

	2021 Rm	2020 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(16 August 2021: 310 cps)** (2020: 0 cps)	2 628	—
Final dividend **(14 March 2022: 475 cps)** (15 March 2021: 0 cps)	4 027	—
	6 655	—
Dividends declared to ordinary equity holders (net of treasury shares)		
Interim dividend **(16 August 2021: 310 cps)** (2020: 0 cps)	2 573	—
Final dividend **(14 March 2022: 475 cps)** (15 March 2021 : 0 cps)	3 944	—
	6 517	—
Dividends declared to non-controlling preference equity holders		
Interim dividend **(16 August 2021: 2 470.13699 cps)** (24 August 2020: 2 741.02740 cps)	122	135
Final dividend **(14 March 2022: 2 494.10959)** (15 March 2021: 2 429.86301 cps)	123	120
	245	255
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
11 January 2021: 20 214.47 Rands per note (rpn); 10 January 2020: 29 049.32 Rands per note (rpn)	25	36
27 January 2021: 20 085.45 rpn	24	—
26 February 2021: 19 268.38 rpn; 28 February 2020: 28 502.36 rpn	32	47
05 March 2021: 18 786.19 rpn; 05 March 2020: 27 569.26 rpn	26	38
12 March 2021: 22 301.37 rpn; 12 March 2020: 31 039.73 rpn	33	47
12 April 2021: 20 922.52 rpn; 14 April 2020: 30 061.64 rpn	26	37
28 April 2021: 20 423.89 rpn	25	—
28 May 2021: 20 299.23 rpn; 28 May 2020: 27 143.01 rpn	34	46
07 June 2021: 20 326.60 rpn; 05 June 2020: 27 075.73 rpn	28	37
14 June 2021: 23 971.29 rpn; 12 June 2020: 30 392.77 rpn	36	46
12 July 2021: 20 984.85 rpn; 10 July 2020: 24 669.86 rpn	26	31
27 July 2021: 20 280.82 rpn	25	—
30 August 2021: 21 074.03 rpn; 28 August 2020: 21 487.67 rpn	36	36
06 September 2021: 19 778.16 rpn; 07 September 2020: 21 138.41 rpn	27	29
13 September 2021: 23 268.58 rpn; 14 September 2020: 24 702.68 rpn	35	37
11 October 2021: 21 047.18 rpn; 12 October 2020: 22 212.33 rpn	26	28
27 October 2021: 20 751.67 rpn	25	—
29 November 2021: 20 361.56 rpn; 30 November 2020: 20 453.37 rpn	34	34
06 December 2021: 19 738.27 rpn; 07 December 2020: 19 177.32 rpn	27	26
13 December 2021: 23 248.63 rpn; 14 December 2020: 22 500.68 rpn	35	34
	585	589
Dividends paid to ordinary equity holders (net of treasury shares)		
Final dividend **(2021: 0 cps)** (20 April 2020: 620 cps)	—	5 115
Interim dividend **(20 September 2021: 310 cps)** (2020: 0 cps)	2 573	—
	2 573	5 115
Dividends paid to non-controlling preference equity holders		
Final dividend **(19 April 2021: 2 429.86301 cps)** (20 April 2020: 3 469.31507 cps)	120	172
Interim dividend **(20 September 2021: 2 470.13699 cps)** (21 September 2020: 2 741.02740 cps)	122	135
	242	307

Notes to the summary consolidated financial results

for the reporting period ended 31 December

8. Acquisitions and disposals of businesses and other similar transactions

8.1 Acquisitions of businesses during the current reporting period

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

8.2 Disposals of assets during the current reporting period

The Group disposed of Card Issuing and Personal loan books on 30 June 2021. The Group received a cash consideration of **R94m** on disposal.

The Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of **R12m** on disposal.

8.3 Acquisitions of businesses during the previous reporting period

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

In terms of IFRS 10 Consolidated Financial Statements, an entity should be consolidated once an investor has sufficient exposure to the variable returns of the entity, as well as the ability to effect the returns through its power over the investee. The Absa Balance Fund is a unit trust fund managed by the Group; and therefore has sufficient exposure to and the ability to effect its returns. In addition, policyholders invest in the fund through investment products; for which the Group does not achieve derecognition in terms of IFRS.

Consequently, the Group recognised the policyholders' investment in the fund (previously as 'investments linked to investment contracts'); together with an obligation to transfer all benefits to the policyholders as 'liabilities under investment contracts'. The effective holding in the Absa Balance Fund, a unit trust managed by the Group, increased to the extent that the Group has a right to a significant component of the variable returns from the fund; therefore warranting consolidation. At the time of consolidation of the fund, the assets and liabilities of the Fund (before eliminating assets already owned by the Group) amounted to R1 593m each; with a net asset value of Rnil. After the effect of eliminating assets already owned by the Group, the attributable fair value of the net assets acquired is R530m, fair value of investment at point of consolidation is R530m, and following the requirements of IFRS 3, no gain nor goodwill was recognised in connection with the increased holdings acquired.

8.4 Disposals of businesses during the previous reporting period

The Group fully disposed of the Edcon loan book in South Africa and Namibia on 1 February 2020. The Group received a cash consideration of R3 740m on disposal.

The Group fully disposed of First Assurance Tanzania on 30 November 2020 for a cash consideration of Rnil.

9. Related parties

Daniel Mminele announced his resignation as the Group Chief Executive of Absa Group Limited from 30 April 2021. The Board appointed Jason Quinn as the interim Group Chief Executive Officer and Punkie Modise as the interim Financial Director with effect from 20 April 2021 and 23 April 2021, respectively.

The Board appointed Sello Moloko as an independent non-executive director and Chairman designate with effect from 1 December 2021. He will commence his role as Chairman of Absa Group on 1 April 2022, taking over from our current Chairman, Wendy Lucas-Bull, who will be retiring from the position with effect from 1 April 2022.

Following the decision to dissolve Integrated Processing Solutions Proprietary Limited, the Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of R12m on disposal.

9.1 Prior period related party events and transactions

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

The Group increased its shareholding in Instant Life Proprietary Limited from 75% to 100%. Instant Life Proprietary Limited remains a subsidiary before and after the increase; it is now considered a wholly owned subsidiary.

In light of the SARB's withdrawal of cheques as a form of payment from the National Payments System in South Africa, the Group, as well as Standard Bank gave an official notice to exit cheque instruments with effect from 31 December 2020 and consequently no longer required the services of cheque processing provided by Integrated Processing Solutions Proprietary Limited (IPS); a joint venture that the Group holds with Standard Bank Group Limited.

The Board of Directors of IPS approved the dissolution of IPS and processes to effect this decision are under way. As a result, an impairment loss of R11m was recognised.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

10. Contingencies, commitments and similar items

	2021 Rm	2020 Rm
Guarantees	**48 828**	45 405
Irrevocable debt facilities	**180 023**	176 264
Letters of credit	**17 782**	12 722
	246 633	234 391
Authorised capital expenditure		
Contracted but not provided for	**938**	758

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

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

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

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

Legal matters

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

- In previous years, Absa received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US$64m. In 2021, the matter has been withdrawn by the other party and is no longer considered a contingent liability.

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

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

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

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

Notes to the summary consolidated financial results

for the reporting period ended 31 December

10. Contingencies, commitments and similar items (continued)

Regulatory developments

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

The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. We are also awaiting policy positions to be taken by Regulators. Some of these are likely to have an impact on the Group's customers, business lines, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to same. The Group undertakes monitoring, review and assurance activities, and has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate. The Group continues to ensure we have a strengthened relationship with its Regulators and manage such engagements on a continuous basis.

During 2020, the PA instituted several regulatory relief reforms in specific response to the COVID-19 pandemic. The relief measures provided a temporary relaxation of both capital supply and short-term liquidity requirements, enabling banks to continue the provision of credit into the economy during this period of financial stress. This support has continued in 2021.

Income taxes

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

The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years.

Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

Notes to the summary consolidated financial results

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11. Segment reporting

The Group has identified its operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity. The identified reportable segments are in a manner in which the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

	2021 Rm	2020 Rm
11.1 Total headline earnings by segment		
RBB	**10 209**	4 239
CIB	**7 760**	5 054
Head Office, Treasury and other operations[2]	**622**	(1 328)
Barclays PLC separation effects[3]	**(766)**	(1 927)
	17 825	6 038
11.2 Total income by segment		
RBB	**60 095**	60 340
CIB	**23 105**	21 026
Head Office, Treasury and other operations[2]	**2 673**	16
Barclays PLC separation effects[3]	**33**	211
	85 906	81 593
11.3 Total internal income by segment		
RBB	**1 184**	(142)
CIB	**(1 240)**	(4 137)
Head Office, Treasury and other operations[2]	**31**	4 212
Barclays PLC separation effects[3]	**25**	67
	—	—
11.4 Total assets by segment		
RBB[1]	**1 186 938**	1 064 180
CIB	**990 820**	939 811
Head Office, Treasury and other operations[1,2]	**(540 464)**	(478 027)
Barclays PLC separation effects[3]	**3 539**	5 156
	1 640 833	1 531 120
11.5 Total liabilities by segment		
RBB[1]	**1 172 720**	1 055 706
CIB	**984 291**	935 305
Head Office, Treasury and other operations[1,2]	**(663 223)**	(592 593)
Barclays PLC separation effects[3]	**(264)**	400
	1 493 524	1 398 818

[1] These numbers have been restated, refer to the reporting changes overview, note 15.1.
[2] Head Office, Treasury and other operations represents a reconciling stripe and is not a reporting segment.
[3] 'Barclays PLC separation effects' is the reconciling stripe and does not represent a reportable segment.

Notes to the summary consolidated financial results

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12. Financial assets and financial liabilities not held at fair value

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

	2021		2020	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	17 521	17 521	13 441	13 441
Balances with the SARB	27 684	27 684	25 467	25 467
Coins and bank notes	14 577	14 577	14 403	14 403
Cash, cash balances and balances with central banks	59 782	59 782	53 311	53 311
Investment securities	36 670	37 689	31 773	34 246
Other assets	20 995	20 995	17 123	17 123
RBB[1]	618 195	621 991	571 756	566 705
Home Loans	270 276	266 310	247 679	245 702
Vehicle and Asset Finance	98 076	100 807	89 129	87 739
Everyday Banking	60 404	60 578	58 022	57 305
Card	38 960	38 960	36 405	36 405
Personal Loans	18 610	18 784	18 410	17 693
Transactions and Deposits	2 834	2 834	3 207	3 207
Relationship Banking[1]	125 712	130 573	121 605	120 638
RBB ARO	63 727	63 723	55 321	55 321
CIB[1]	308 429	308 200	301 614	305 231
CIB South Africa[2]	248 143	249 166	248 686	253 055
CIB ARO	60 286	59 034	52 928	52 176
Head Office, Treasury and other operations	774	774	1 064	1 064
Loans and advances to customers[2]	927 398	930 965	874 434	873 000
Loans and advances to banks[2]	46 653	46 647	44 342	44 301
Loans and advances	974 051	977 612	918 776	917 301
Non-current assets held for sale	842	842	—	—
Total assets (not held at fair value)	1 092 340	1 096 920	1 020 982	1 021 981
Financial liabilities				
Other liabilities	43 776	43 776	29 068	29 068
Call deposits[2]	136 443	136 443	114 788	114 788
Cheque account deposits	301 215	301 215	268 696	268 696
Credit card deposits	2 137	2 137	2 033	2 033
Fixed deposits	182 369	178 783	187 777	191 690
Foreign currency deposits[2]	54 075	54 075	46 814	46 804
Notice deposits	70 148	70 148	74 139	74 139
Other deposits	1 268	1 268	1 267	1 267
Saving and transmission deposits	249 068	249 068	208 689	208 689
Deposits due to customers[2]	996 723	993 137	904 203	908 106
Deposits from banks[2]	53 862	53 851	56 864	57 169
Deposits	1 050 585	1 046 988	961 067	965 275
Debt securities in issue	106 339	105 662	121 637	122 334
Borrowed funds	26 600	26 423	20 761	20 902
Total liabilities (not held at fair value)	1 227 300	1 222 849	1 132 533	1 137 579

[1] These numbers have been restated, refer to the reporting changes overview note 15.1.
[2] These numbers have been restated, refer to the reporting changes overview note 15.5.

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

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

13.2 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

Notes to the summary consolidated financial results

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

13.4 Fair value hierarchy

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

Recurring fair value measurements	2021 Level 1 Rm	2021 Level 2 Rm	2021 Level 3[1] Rm	2021 Total Rm	2020 Level 1 Rm	2020 Level 2 Rm	2020 Level 3 Rm	2020 Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	6 259	—	6 259	461	6 910	—	7 371
Investment securities	56 221	87 446	8 561	152 228	44 363	65 456	11 912	121 731
Trading and hedging portfolio assets	115 035	90 234	2 327	207 596	91 382	129 555	2 502	223 439
Debt instruments	66 659	12 614	122	79 395	55 577	11 545	95	67 217
Derivative assets	—	59 501	1 386	60 887	—	108 151	1 701	109 852
Commodity derivatives	—	907	13	920	—	622	5	627
Credit derivatives	—	2	140	142	—	—	159	159
Equity derivatives	—	7 349	1 232	8 581	—	3 510	1 487	4 997
Foreign exchange derivatives	—	11 578	1	11 579	—	23 244	—	23 244
Interest rate derivatives	—	39 665	—	39 665	—	80 775	50	80 825
Equity instruments	47 283	—	—	47 283	35 243	—	—	35 243
Money market assets	1 093	18 119	819	20 031	562	9 859	706	11 127
Other assets	—	13	—	13	—	19	—	19
Loans and advances[2]	—	101 477	16 729	118 206	—	82 134	13 597	95 731
Investments linked to investment contracts	17 804	1 999	—	19 803	15 412	5 243	618	21 273
Total financial assets	189 060	287 428	27 617	504 105	151 618	289 317	28 629	469 564
Financial liabilities								
Trading and hedging portfolio liabilities	24 650	51 555	273	76 478	21 048	92 623	173	113 844
Derivative liabilities	—	51 555	273	51 828	—	92 623	173	92 796
Commodity derivatives	—	823	1	824	—	764	1	765
Credit derivatives	—	749	93	842	—	183	141	324
Equity derivatives	—	2 513	169	2 682	—	3 135	17	3 152
Foreign exchange derivatives	—	12 687	—	12 687	—	20 894	1	20 895
Interest rate derivatives	—	34 783	10	34 793	—	67 647	13	67 660
Short positions	24 650	—	—	24 650	21 048	—	—	21 048
Other liabilities	—	59	—	59	—	34	—	34
Deposits[2]	156	119 828	3 197	123 181	128	82 123	4 682	86 933
Debt securities in issue	536	24 201	—	24 737	486	23 617	—	24 103
Liabilities under investment contracts	—	21 126	—	21 126	—	27 533	—	27 533
Total financial liabilities	25 342	216 769	3 470	245 581	21 662	225 930	4 855	252 447
Non-financial assets								
Commodities	642	—	—	642	1 082	—	—	1 082
Investment properties	—	—	421	421	—	—	496	496
Non-recurring fair value measurements								
Non-current assets held for sale[3]	—	—	3 417	3 417	—	—	144	144
Non-current liabilities held for sale[3]	—	—	3 465	3 465	—	—	—	—

(1) As a result of the uncertainties inherent in measuring the fair value of financial instruments, its measurement is estimated based on valuation assumptions and inputs derived from market expectations. Estimation involves judgements based on the latest available, reliable information. Resultantly, any changes in key assumptions relating to their valuation is treated as a change in accounting estimate and has been accounted for prospectively in the financial statements.
(2) These numbers have been restated, refer to 15.5.
(3) Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

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

13.5 Measurement of assets and liabilities categorised at Level 2

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

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

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

13.6 Reconciliation of Level 3 assets and liabilities

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

2021	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**2 502**	**13 597**	**11 912**	**496**	**618**	**29 125**
Net interest income	—	180	47	—	—	227
Other income	—	—	—	(7)	—	(7)
Gains and losses from banking and trading activities	906	(96)	(16)	(25)	—	769
Purchases	626	6 008	920	—	—	7 554
Sales	(42)	(4 136)	(2 892)	(51)	—	(7 121)
Movement in other comprehensive income	—	—	(157)	19	—	(138)
Settlements	—	—	(60)	—	—	(60)
Transferred to/(from) assets/liabilities	—	—	—	(11)	—	(11)
Transfer to Level 3	175	1 176	—	—	—	1 351
Transfer out of Level 3	(1 840)	—	(1 193)	—	(618)	(3 651)
Closing balance at the end of the reporting period	**2 327**	**16 729**	**8 561**	**421**	**—**	**28 038**

2020	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	14 198	513	81	31 952
Net interest income	—	246	83	—	—	329
Gains and losses from banking and trading activities	(1 928)	523	(442)	(5)	—	(1 852)
Purchases	38	544	384	—	537	1 503
Sales	(176)	(931)	(2 570)	(44)	—	(3 721)
Movement in other comprehensive income	—	—	(699)	(12)	—	(711)
Transfer to Level 3	142	2 807	2 353	—	—	5 302
Transfer out of Level 3	(1 830)	(496)	(1 395)	—	—	(3 677)
Closing balance at the end of the reporting period	2 502	13 597	11 912	496	618	29 125

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

13.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	2021			
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	173	—	4 682	4 855
Gains and losses from banking and trading activities	48	—	(118)	(70)
Purchases	—	—	5	5
Movement in other comprehensive income	—	—	117	117
Issues	55	—	6 216	6 271
Settlements	(1)	—	(7 554)	(7 555)
Transfer out of Level 3	(2)	—	(151)	(153)
Closing balance at the end of the reporting period	273	—	3 197	3 470

	2020			
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	1 131	19	4 457	5 607
Gains and losses from banking and trading activities	(706)	—	306	(400)
Movement in other comprehensive income	—	—	(55)	(55)
Issues	38	34	1 804	1 876
Settlements	(263)	(53)	(1 104)	(1 420)
Transfer to Level 3	—	—	77	77
Transfer out of Level 3	(27)	—	(803)	(830)
Closing balance at the end of the reporting period	173	—	4 682	4 855

13.7 Significant transfers between levels

During the 2021 and 2020 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year. Transfers between Level 1 and Level 2 are not considered significant for disclosure.

13.8 Unrealised gains and losses on Level 3 assets and liabilities

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

	2021						
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	576	1 833	19	2 428	189	1 190	1 379

	2020						
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	1 774	3 192	(115)	4 851	(104)	(490)	(594)

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

13.9 Sensitivity analysis of valuations using unobservable inputs

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

The following tables reflects the reasonable possible variances applied to significant parameters utilised in our valuations:

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

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

		2021	
		Potential effect recorded in profit or loss	**Potential effect recorded directly in equity**
	Significant unobservable parameters	**Favourable/(Unfavourable) Rm**	**Favourable/(Unfavourable) Rm**
Deposits	**Absa Group Limited/ Absa funding**	**126/(138)**	**—/—**
Investment securities	**Risk adjustment yield curves, future earnings and marketability discount**	**—/—**	**(240)/251**
Loans and advances	**Credit spreads**	**(979)/1 060**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(41)/41**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(37)/37**	**—/—**

		2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	344/(394)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(170)/175
Loans and advances	Credit spreads	(782)/848	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(18)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

The significant unobservable inputs used in determining the fair value of the investment properties are annual rent, discount rates, prevailing bulk selling prices and annual growth rate. Significant increases/decreases of these inputs in isolation, would result in a significantly lower/higher fair value measurement of the investment properties.

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

13.10 Measurement of assets and liabilities at Level 3

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

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	2021 Range of estimates utilised for the unobservable inputs	2020 Range of estimates utilised for the unobservable inputs
Loans and advances	Discounted cash flow models and/or yield for debt instruments	Credit spreads	**1.4% to 3.7%**	0.07% – 3.21%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor multiples	**Discount rate of 8.5%**	Discount rate of 7.75% – 8%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.04% – 4.55%**	0.2% – 13%
Derivative assets				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.035% – 4.502%, 15% – 93.2%, 54% – 100%**	0.03% – 26.5%, 15% – 93%, 60% – 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**17.77% – 68.49%**	16.9% – 58.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**0.88% – 20%**	0.56% – 26.5%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.052% – 7.3%**	0.25% – 4.15%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.15% – 1.6%**	1.075% – 1.550%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.15% – 1.6%**	1.075% – 1.550%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 – 6 years**	1 – 6 years
		Annual selling price escalations	**6% – 8%**	6% – 8%
		Income capitalisation rates	**8.5%**	7.75% – 8%
		Risk adjusted discount rates	**10% – 15%**	10% – 15%

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

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

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

A majority of the items included in the non-current assets held for sale balance consists of financial instruments which are measured in terms of their respective standards (IFRS 9).

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

13.11 Unrecognised (gains) as a result of the use of valuation models using unobservable inputs

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

	2021 Rm	2020 Rm
Opening balance at the beginning of the reporting period	**(446)**	(407)
New transactions	**(212)**	(105)
Amounts recognised in profit or loss during the reporting period	**137**	66
Closing balance at the end of the reporting period	**(521)**	(446)

13.12 Third-party credit enhancements

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

14. Interest rate benchmark reform

Background

The Group structures executes a variety of transactions, including equity-linked offerings, debt issuances, lending activities as well as structured and derivative transactions.

The Group is materially exposed to JIBAR, with less exposure to EUR, GBP, USD and JPY LIBOR.

Fair value hedges are used by the Group to protect against changes in the fair value of financial instruments due to movements in interest rates and are therefore affected by the interest rate benchmark reform. The financial instruments hedged for interest rate risk include fixed rate investment securities, fixed rate loans and advances, fixed debt securities and borrowed funds. The hedging instruments typically utilised are interest rate swaps or cross currency swaps, which reference a floating rate, namely ZAR JIBAR, USD, EUR or JPY LIBOR.

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from exposure to interest rate and foreign currency risk and are therefore also affected by interest rate benchmark reform. The financial instruments designated as hedged items include variable rate loans and advances. The hedging instruments typically utilised are interest rate swaps or cross currency swaps which reference a floating rate, namely ZAR JIBAR, EUR, GBP, USD or JPY LIBOR.

In addition, the Group has derivative and non-derivative financial instruments linked to IBORs that are not in hedge accounting relationships.

The GBP, EUR and JPY LIBOR rates and the one-week and two-month USD LIBOR rates were discontinued at 31 December 2021. The remaining USD LIBOR rates are expected to be discontinued post 30 June 2023.

The Group's exposure to IBORs subject to change at 31 December 2021 is not significant compared to those expected to be changed post June 2023. The GBP Libor, EUR Libor, JYP Libor and US Libor have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively as alternative reference rates.

The South African Reserve Bank (SARB) announced in 2020 that the Johannesburg Interbank Average Rate (JIBAR) would cease to exist in the near future as it did not comply with the IOSCO Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR.

The transition journey for JIBAR is still in its nascency and transition timelines are yet to be announced by the SARB. Absa participates in the SARB's MPG and has started its own preparations for the transition of JIBAR. Lessons learned during the Libor transition journey will pave the way for an efficient transition of JIBAR in due course.

The Group's IBOR transition steering committee which comprises a series of business and function workstreams with oversight and coordination provided by a central project team is currently managing the transition. Workstreams actively participate in industry-wide working groups to remain informed of the latest developments and to ensure consistency with the approaches of other market participants.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

14. Interest rate benchmark reform (continued)

Background (continued)

The main risks to which the Group is exposed as result of IBOR reform are operational as detailed below:

Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest.

Pricing and Valuation considerations: International Securities and Derivatives Association (ISDA) published the IBOR Fallbacks Supplement and ISDA 2020 IBOR Fallbacks Protocol on 23 October 2020. New fallbacks for derivatives linked to key IBORs came into effect on 25 January 2021, ensuring a viable safety net is in place in the event an IBOR becomes permanently unavailable while entities continue to have exposure to that rate. The supplement incorporates the fallbacks into all new non-cleared derivatives contracts from 25 January 2021 that reference the 2006 ISDA Definitions.

Derivative participants can incorporate the fallback into legacy non-cleared derivatives contracts via use of an ISDA protocol or through bilateral negotiation. For cleared derivatives, central counterparties (CCPs) have incorporated the ISDA IBOR fallbacks in their rule books for both new and legacy contracts.

Accounting: If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g. arising from differing interpretation of existing fallback terms), there is a risk of litigation and prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working proactively with all counterparties to minimise this risk from occurring.

Operational risk: Our Group's IT systems are undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time resulting in additional manual procedures which give rise to operational risks.

These risks are being managed through either the Group's IBOR Steering Committee or where more appropriate the relevant function best placed to monitor and/or mitigate risk.

Developments made towards implementing alternative benchmark interest rates

For derivatives subject to interest rate reform, the Group and a significant portion of its counterparties have adhered to the ISDA IBOR Fallbacks Protocol (the 'Protocol') as well as the IBOR Fallbacks Supplement (the 'Supplement') published by the ISDA in October 2020. The protocol has become effective on 25 January 2021, and provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

Absa has been systematically including fallback language in all new contracts as of January 2021 across all Libor currencies. For legacy contracts referencing Libor, particularly for non-USD currencies, Absa has either included fallback language into the contracts or actively transitioned these to new risk-free rates, i.e. re-contracted using the risk-free rates in preparation of the cessation of Libor. As at 31 December 2021 all active transactions referencing non-USD Libor, either contain fallback language, have been actively transitioned or will naturally roll-off as they do not have further reset dates. Absa is in the process of transiting contracts referencing USD Libor either through the use of fallbacks or the active transitions approach and will aim to complete this activity by 30 June 2023.

The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty on the timing and amount of cash flows arising from interest rate benchmark reform ends. It is expected that this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread. The Group has elected to apply the Phase 2 amendments prospectively from effective date with no restatement of comparatives.

The Group has certain designated hedging relationships where hedged items and/or hedging instruments reference an interest rate benchmark. These rates are in the process of being transitioned to risk-free rates (RFRs) as these rates will no longer exist once the interest rate benchmark reform is finalised.

For hedges of EUR and JPY IBOR risk, the Group does not consider there to be uncertainty in the timing or amount of cash flows arising from IBOR reform as at 31 December 2021. However, the Group's cash flow hedging relationships of JIBAR and US dollar LIBOR risks extend beyond the anticipated cessation dates for both IBORs. There is uncertainty over the timing and amount of the replacement rate cash flows which may impact the hedging relationship, i.e. its effectiveness assessment and highly probable assessment. For the purposes of these assessments, the Group assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by uncertainty about IBOR reform has not been highly effective throughout the financial reporting period, then the Group evaluates whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

The table below provides more information on the hedge accounting relationships that are impacted by interest rate benchmark reform.

	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total notional Rm
Cash flow hedges	192 956	—	50	128	193 134	2 204	195 338
Interest rate swaps	180 649	—	—	—	180 649	—	180 649
Cross currency swaps	12 307	—	50	128	12 485	—	12 485
Forwards	—	—	—	—	—	2 204	2 204
Fair value hedges	61 052	15 943	—	128	77 123	—	77 123
Interest rate swaps	56 625	15 943	—	128	72 696	—	72 696
Cross currency swaps	2 857	—	—	—	2 857	—	2 857
Inflation rate swaps	1 570	—	—	—	1 570	—	1 570

The table below provides information on financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period:

	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Other Rm	Total Rm
Non-derivative assets[1]	90 676	1 573	1 697	15	0	93 961
Non-derivative liabilities[1]	5 251	0	0	0	0	5 251
Derivative notionals[2]	972 088	4 001	2 212	63	0	978 364

Financial instrument modifications due to IBOR reforms

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform if the following conditions are met; the change is necessary as a direct consequence of the reform; and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, i.e. the basis immediately before the change.

[1] Includes both on balance sheet and off-balance sheet exposures. Carrying amounts for on-balance sheet and notional amounts for off-balance sheet have been included.
[2] Balances represent the notional amount of derivative assets and liabilities directly impacted by the IBOR reform.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

15. Reporting changes overview

The Group effected the following financial reporting changes during the current reporting period:

15.1 In line with the vision to become a truly Pan-African bank, Retail and Business Banking (RBB) and Corporate and Investment Bank (CIB) will be managed on a Pan-Africa basis. The Absa Regional Operations (ARO) centre, which had largely been providing support to the in-country RBB teams, has been merged into RBB SA with RBB ARO now run as a business alongside the existing RBB SA businesses. CIB was already set up as a Pan-African business with support provided by the centre. The Group's operating segments have subsequently been updated to reflect the aforementioned change in operating model.

15.2 The Group continued refining its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.

- RBB changed to **R34 545m** (previously reported: R34 571m).
- CIB changed to **R10 114m** (previously reported: R10 239m).
- Head Office and Treasury operations changed to **R917m** (previously reported: R586m).

These numbers are inclusive of previously reported ARO segment.

15.3 A portion of the Commercial Property Finance portfolio, previously reported in RBB SA, has been moved to CIB in line with portfolio segmentation criteria. The CIB net carrying amount changed to **R121 603m** (previously reported: R122 421m). Additionally, this resulted in a reclassification from wholesale overdrafts to mortgages to align to the product offering of the respective segments.

15.4 The Group restructured some of the business units within RBB, which had a resultant impact on the consolidation stripe. This resulted in a change in other assets and other liabilities between these two segments, with no change at Group level. The inter-segment impact was an **R885m** reduction in Other assets and an **R885m** increase in Other liabilities within the segment.

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

15.5 Correction of prior period error and reclassifications
The Group has identified a statement of financial position misclassification between 'Loans and advances to banks' and 'Loans and advances to customers' as well as 'Deposits from banks' and 'Deposits from customers' as clients were incorrectly classified as a bank as opposed to a customer. This has resulted in **R14.6bn** (2019: R7.5bn) previously being reported as 'Loans and advances to banks', which should have been disclosed as 'Loans and advances to customers' and **R6.5bn** (2019: R1.3bn) previously included in 'Deposits from banks', which should have been reported as 'Deposits from customers' for the 2020 reporting period.

In accordance with IAS 8 requirements, the Group has restated the statement of financial position for the 2019 and 2020 reporting periods. This has no impact on the statement of comprehensive income, statement of changes in equity and statement of cash flows.

The restatement presents the Group with the opportunity to align the statement of financial position presentation of loans and advances and deposits to that of peer banks, i.e. combining 'Loans and advances to banks' and 'Loans and advances to customers' to be reported in one line as 'Loans and advances', and similarly combining 'Deposits due to customers' and 'Deposits due to banks' to be reported in one line as 'Deposits'. The change will enhance the Group's comparability and relevance to its peers in the market. The impact of the restatement and combining the aforementioned items are disclosed below. The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to note 2.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

15. Reporting changes overview (continued)

	31 December 2020			
	As previously reported Rm	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
Assets				
Loans and advances to banks	84 538	(14 612)	(69 926)	—
Loans and advances to customers	929 969	14 612	(944 581)	—
Loans and advances	—	—	1 014 507	1 014 507
Liabilities				
Deposits from banks	96 106	(6 536)	(89 570)	—
Deposits due to customers	951 894	6 536	(958 430)	—
Deposits	—	—	1 048 000	1 048 000

	1 January 2020			
	As previously reported Rm	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
Assets				
Loans and advances to banks	59 745	(7 484)	(52 261)	—
Loans and advances to customers	916 978	7 484	(924 462)	—
Loans and advances	—	—	976 723	976 723
Liabilities				
Deposits from banks	117 423	(1 278)	(116 145)	—
Deposits due to customers	826 293	1 278	(827 571)	—
Deposits	—	—	943 716	943 716

Additional risk management disclosure

At the start of the COVID-19 pandemic the Group provided additional risk disclosures to highlight risks the Group is exposed to as a result of both financial assets held and financial liabilities issued. The COVID-19 risk management disclosures were aimed at demonstrating the impact that the virus has had on the Group's credit, liquidity, and market risks, as well as the way in which it manages its capital. For the current reporting period the Group has disclosed all COVID-19-related disclosures in the Impact of COVID-19 note, to the extent it remains relevant, as such the additional risk management section will not be presented. Detailed risk management disclosures are included in the annual financial statements.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

Normalised financial results (normalised results) as a consequence of the Barclays PLC separation

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

The separation project was completed in December 2020. The Group has reported normalised results to reflect significant post-separation impacts on the income statement and the performance ratios.

Normalised results have therefore been disclosed to reflect the underlying business performance. Refer to page 2 for the IFRS results.

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

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

Basis of presentation

Normalised results

The summary consolidated normalised results have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separation activities, operating expenses (including amortisation of intangible assets) and other expenses (collectively the 'separation'). Normalisation does not affect divisional disclosures.

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

These results are considered to be pro forma financial information and have been presented in accordance with the JSE Limited's Listings Requirements which require that pro forma financial information be compiled in terms of the JSE Limited's Listings Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA. The normalised results are the responsibility of the Group's Board of Directors. The summary consolidated financial results have been audited by the Group's external auditors.

The normalised results for the year ended 31 December 2021 should be read together with KPMG's independent reporting accountant's assurance report thereon, which is available for inspection at the Company's registered office.

Summary consolidated normalised salient features

for the reporting period ended 31 December

	2021[1]	2020
Statement of comprehensive income (Rm)		
Income	**85 873**	81 382
Operating expenses	**47 412**	45 576
Pre-provision profit	**38 461**	35 806
Credit impairment	**8 499**	20 569
Profit attributable to ordinary equity holders	**18 565**	7 912
Headline earnings[2]	**18 591**	7 965
Statement of financial position		
NAV	**125 823**	110 693
Total assets (Rm)	**1 637 294**	1 525 964
Financial performance (%)		
Return on equity (RoE)	**15.8**	7.2
Return on average assets (RoA)	**1.18**	0.52
Return on risk-weighted assets (RoRWA)	**2.05**	0.86
Operating performance (%)		
Net interest margin on average interest-bearing assets	**4.46**	4.17
Non-interest income as a percentage of total income	**37.9**	40.0
Cost-to-income ratio	**55.2**	56.0
Jaws	**1**	3
Effective tax rate	**27.3**	27.8
Share statistics (million)		
Number of ordinary shares in issue (excluding treasury shares)	**846.3**	844.8
Weighted average number of ordinary shares in issue	**846.2**	841.5
Diluted weighted average number of ordinary shares in issue	**847.6**	842.0
Share statistics (cents)		
Basic earnings per ordinary share (EPS)	**2 193.9**	940.2
Diluted basic earnings per ordinary share (DEPS)	**2 190.3**	939.7
Headline earnings per ordinary share (HEPS)	**2 197.0**	946.5
Diluted headline earnings per ordinary share (DHEPS)	**2 193.4**	946.0
NAV per ordinary share	**14 868**	13 103
Tangible NAV per ordinary share	**13 804**	12 258
Dividend per ordinary share relating to income for the reporting period	**785**	—
Dividend payout ratio (%)	**36**	—
Capital adequacy (%)		
Absa Group Limited[3]	**17.0**	15.0
Absa Bank Limited[3]	**17.9**	15.6
Common Equity Tier 1 (%)		
Absa Group Limited[3]	**12.8**	11.2
Absa Bank Limited[3]	**12.4**	10.6

(1) Please refer to the summary consolidated normalised reconciliation for the reporting period ended 31 December 2021 for further information as presented on page 60 to 61.

(2) After allowing for **R242m** (2020: R307m) profit attributable to preference equity holders and **R585m** (2020: R589m) profit attributable to Additional Tier 1 capital holders.

(3) Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Summary consolidated reconciliation of IFRS to normalised financial results

for the reporting period ended 31 December

	31 December 2021		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
Impairment losses	(8 499)	—	(8 499)
Operating expenses	(48 610)	1 198	(47 412)
Other expenses	(2 205)	(42)	(2 247)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	26 724	1 123	27 847
Tax expenses	(7 299)	(305)	(7 604)
Profit for the reporting period	19 425	818	20 243
Profit attributable to:			
Ordinary equity holders	17 763	802	18 565
Non-controlling interest – ordinary shares	835	16	851
Non-controlling interest – preference shares	242	—	242
Other equity – Additional Tier 1 capital[6]	585	—	585
	19 425	818	20 243
Headline earnings	17 825	766	18 591
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	n/a	4.46
Credit loss ratio on gross loans and advances to customers and banks	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances	1 092 257	—	1 092 257
Investment securities	188 898	—	188 898
Other assets	359 678	(3 539)	356 139
Total assets	1 640 833	(3 539)	1 637 294
Deposits	1 173 766	—	1 173 766
Debt securities in issue	131 076	—	131 076
Other liabilities	188 682	264[4]	188 946
Total liabilities	1 493 524	264	1 493 788
Equity	147 309	(3 803)	143 506
Total equity and liabilities	1 640 833	(3 539)	1 637 294
Key performance ratios (%)			
RoA	1.13	n/a	1.18
RoE	14.6	n/a	15.8
Capital adequacy[5]	17.0	n/a	17.0
Common Equity Tier 1[5]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

[1] IFRS Group performance presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2021.

[2] Barclays PLC separation effects presents the financial effects of the separation on the summary consolidated financial results of the Group.

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

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

[5] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

[6] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, as subsidiary of the Group and were previously presented as 'non-controlling interest'. The reference to 'non-controlling interest' has however been removed and changed to 'other equity' as these instruments do not meet the definition of 'non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

Summary consolidated reconciliation of IFRS results to normalised financial results

for the reporting period ended 31 December

	31 December 2020		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	48 857	(67)	48 790
Non-interest income	32 736	(144)	32 592
Total income	81 593	(211)	81 382
Impairment losses	(20 569)	—	(20 569)
Operating expenses	(48 111)	2 535	(45 576)
Other expenses	(2 508)	270	(2 238)
Share of post-tax results of associates and joint ventures	(36)	—	(36)
Operating profit before income tax	10 369	2 594	12 963
Tax expenses	(3 156)	(450)	(3 606)
Profit for the reporting period	7 213	2 144	9 357
Profit attributable to:			
Ordinary equity holders	5 880	2 032	7 912
Non-controlling interest – ordinary shares	437	112	549
Non-controlling interest – preference shares	307	—	307
Other equity – Additional Tier 1 capital[6]	589	—	589
	7 213	2 144	9 357
Headline earnings	6 038	1 927	7 965
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.17	n/a	4.17
Credit loss ratio on gross loans and advances to customers and banks	1.92	n/a	1.92
Non-interest income as % of total income	40.1	n/a	40.0
Income growth	2	n/a	2
Operating expenses growth	(1)	n/a	(2)
Cost-to-income ratio	59.0	n/a	56.0
Effective tax rate	30.4	n/a	27.8
Statement of financial position (Rm)			
Loans and advances[5]	1 014 507	—	1 014 507
Investment securities	153 504	—	153 504
Other assets	363 109	(5 156)	276 070
Total assets	1 531 120	(5 156)	1 525 964
Deposits[5]	1 104 170	—	1 104 170
Debt securities in issue	145 740	—	145 740
Other liabilities	148 907	(399)	148 508
Total liabilities	1 398 817	(399)	1 398 418
Equity	132 303	(4 757)	127 546
Total equity and liabilities	1 531 120	(5 156)	1 525 964
Key performance ratios (%)			
RoA	0.40	n/a	0.52
RoE	5.2	n/a	7.2
Capital adequacy[4]	15.0	n/a	15.0
Common Equity Tier 1[4]	11.2	n/a	11.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	730.5	n/a	946.0

(1) IFRS Group performance, presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2020.

(2) Barclays PLC separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Group.

(3) Normalised Group performance, presents the summary consolidated financial results of the Group, after adjusting for the consequences of the separation.

(4) Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

(5) These numbers have been restated, refer to reporting changes overview, note 14.1.

(6) The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, as subsidiary of the Group and were previously presented as 'non-controlling interest'. The reference to 'non-controlling interest' has however been removed and changed to 'other equity' as these instruments do not meet the definition of 'non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

Glossary

Average loans to deposits and debt securities ratio

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

Capital adequacy ratio

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

Capital – Common Equity Tier 1 capital adequacy ratio

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

Constant currency

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

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

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

Cost-to-income ratio

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

Dividend per ordinary share relating to income for the reporting period

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

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

Earnings per share

Basic earnings per share

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

Diluted basic earnings per share

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

Headline earnings

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

Headline earnings per share

Headline earnings per share

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

Diluted basic earnings per share

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

Glossary

Jaws

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

Loans-to-deposits and debt securities ratio

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

Net asset value per share

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

Net interest margin on average interest-bearing assets

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

Non-interest income as a percentage of income

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

Return on assets (RoA)

Annualised headline earnings as a proportion of total average assets.

Return on average equity (RoE)

Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital

Measure of efficient use, by segment, of regulatory capital.

Return on average risk-weighted assets

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

Stage 3 loans ratio on gross loans and advances

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

Tangible net asset value per share

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

Contact information

Absa Group Limited

Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
Authorised financial services and registered credit provider (NCRCP7)
JSE share code: ABG
ISIN: ZAE000255915

Head Investor Relations

Alan Hartdegen
Telephone: +27 11 350 2598

Group Company Secretary

Nadine Drutman
Telephone: +27 11 350 5347

Head of Financial Control

John Annandale
Telephone: +27 11 350 3496

Transfer secretary

Computershare Investor Services (Pty) Ltd
Telephone: +27 11 370 5000
computershare.com/za/

Auditors

Ernst & Young Inc.
Telephone: +27 11 772 3000
ey.com/ZA/en/Home

KPMG
Telephone: +27 11 647 7111
home.kpmg/za/en/home.html

Registered office

7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000

Switchboard: +27 11 350 4000
www.absa.africa

Queries

Please direct investor relations queries to
IR@absa.africa

Please direct media queries to
groupmedia@absa.africa

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

Please direct general queries regarding the Group to
absa@absa.co.za

Sponsors

Lead independent sponsor
J.P. Morgan Equities South Africa (Pty) Ltd
Telephone: +27 11 507 0300

Joint sponsor
Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6843
equitysponsor@absacaptital.com

www.absa.africa