Absa Bank Limited

Annual consolidated and separate financial statements for the reporting period ended 31 December 2021

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Annual Financial Statements

Absa Bank Limited
(1986/004794/06)
Annual consolidated and separate financial statements for the reporting period ended 31 December 2021

These audited annual consolidated and separate financial statements (financial statements) were prepared by Absa Bank Financial Reporting under the direction and supervision of the Bank's interim Financial Director, P E Modise CA(SA).

Directors' approval

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' responsibility statement set out on page 11, is made to distinguish, for the benefit of shareholders, the respective responsibilities of the Board of directors (the Board) and of the auditors in relation to the financial statements of Absa Bank Limited and its subsidiaries (the Bank).

The Board is responsible for overseeing the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of the Bank and Absa Bank Limited standalone (the Company) at the end of the reporting period and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the Board to meet these responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that, in all reasonable circumstances, is above reproach.
- The Board sets standards and management implements systems of internal control and accounting as well as information systems aimed at providing reasonable assurance that both on- and off-statements of financial position are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of all responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Bank and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems, and discipline are applied and managed within predetermined procedures and constraints.
- The Bank's internal audit and compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the Group Audit and Compliance Committee (GACC), appraise, evaluate and, when necessary, recommend improvements to the systems of internal control, accounting and compliance practices, based on plans that, combined with the efforts of the Group's risk functions, take cognisance of the relative degrees of risk of each function or aspect of the business.
- The GACC, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure. The GACC is satisfied that the external auditors are independent.
- The Board approves the Enterprise Risk Management Framework (ERMF) through recommendation by the Group Capital Management Committee (GRCMC).
- The Board, through the GACC which is assigned by the GRCMC in respect of risk matters, reviewed the compliance practices and procedures to enable the Board to discharge their regulatory responsibilities, by overseeing the plan and progress management makes in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions requirements; and by considering that the Bank's systems and processes appropriately reflect the current legal and regulatory environment, refer to note 44.
- The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

Based on the above, and to the best of their knowledge and belief, the Board is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the current reporting period.

The financial statements of the Bank and the Company have been prepared in accordance with the provisions of the Companies Act and the Banks Act, JSE Listings Requirements and the South African Institute of Chartered Accountants (SAICA) financial reporting guides, and comply with the requirements of International Financial Reporting Standards (IFRS), and all applicable legislation.

Based on forecasts and available cash resources, the Board have no reason to believe that the Bank and the Company will not be going concerns in the next reporting period. These financial statements have been prepared on this basis.

It is the responsibility of the independent external auditor to report on the financial statements. Their report to the shareholders of the Bank and the Company is set out on page 11 of this report.

The directors' report on pages 7 to 9 and the annual financial statements of the Bank and the Company were approved by the Board and are signed on their behalf by:

W E Lucas-Bull
Group Chairman

J P Quinn
Interim Group Chief Executive

Johannesburg
13 March 2022

Chief Executive Officer and Chief Financial Officer responsibility statement

for the reporting period ended 31 December

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 1 to 214, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

J P Quinn
Interim Group Chief Executive

P Modise
Interim Group Chief Financial Officer

Johannesburg
13 March 2022

Group Audit and Compliance Committee report

Introduction

The Group Audit and Compliance Committee (GACC) is pleased to present its report for the 2021 financial year. The report has been prepared based on the requirements of the Companies Act, No 71 of 2008 (as amended) (the Companies Act), the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Listings Requirements and other applicable regulatory requirements.

This report is intended to provide details on how the Committee satisfied its various statutory obligations, as well as on the key audit matters considered during the reporting period.

Composition and governance

The Committee is composed of independent Non-Executive Directors. The members of the Committee have a breadth of banking, financial, risk and governance expertise as well as commercial acumen that the Committee needs to fulfil its responsibilities. Further information on the membership and composition of the Committee is set out in the Committee's mandate on the Group's website.

The composition of the Committee and the attendance of meetings by its members for the 2021 financial year are set out below:

Member	Meeting attendance
Alex Darko	6/6
Daisy Naidoo	6/6
René van Wyk (appointed as a member on 1 September 2021)	2/2
Swithin Munyantwali	6/6
Tasneem Abdool–Samad (Chairman)	6/6

The Committee keeps the Board informed and advises on matters concerning the Group's financial reporting requirements to ensure that the Board is able to exercise oversight of the work carried out by Finance, Risk, Compliance, Internal audit and the external auditors. The Chairman held regular meetings with management (including Finance, Risk and Compliance), the Chief Internal Auditor (CIA), the Chief Compliance Officer and external auditors to discuss specific issues arising during the year. The CIA and the external auditors have direct access to the Committee, including closed sessions without management being present, on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities. The Committee Secretary regularly met with the Chairman to ensure the Committee fulfilled its governance responsibilities, and to consider input from stakeholders when finalising meeting agendas, tracking progress on actions and Committee priorities.

Role of the Committee

The responsibilities of the Committee include, but are not limited to:

- Monitoring and assessing the integrity of the financial statements, formal announcements, and regulatory information in relation to the Group's financial performance, as well as significant accounting judgements.
- Reviewing the effectiveness of and ensuring that management has appropriate internal controls over financial reporting.
- Reviewing and monitoring the relationship with the external auditors overseeing the firms' and designated audit partners' appointments, tenure, rotation quality and independence.
- Overseeing external audits, including the review and consideration of external audit scope and plans.
- Overseeing the work of Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.
- Ensuring that a combined assurance model is applied to provide a coordinated approach to assurance activities.
- Reviewing significant audit findings and monitoring progress reports on corrective actions required to rectify reported internal control shortcomings.
- Overseeing the Banks Act regulatory audit process.
- Receiving reports on operational, fraud and IT risks as these relate to financial reporting.
- Satisfying itself as to the expertise, resources, and experience of the Financial Director and finance function; the CIA and the Group Head of Compliance.

Control environment and management control approach

The Committee monitored the Group's Control Environment and Management Control Approach (MCA). Management evidenced resilience through its MCA in managing the Group's heightened risk profile in the 'new normal' brought about by the COVID-19 pandemic. The Group's control environment strengthened over the course of the year, with additional and/or enhanced control measures put in place.

- Noteworthy matters for 2021 relate to: Implementation of enhanced controls and continued focus applied for the managing of COVID-19 heightened risks, including Credit, Cyber and Information Security, Financial Crime, Fraud, Model, Payments, People, Supplier and Third-party, and Technology Risks.
- Satisfactory internal audit outcome regarding the prior year delivery of the Risk Data Aggregation and Risk Reporting Programme.
- Embedment of changes to the Risk Target Operating Model and filling of all key Risk roles.
- Embedment of cyclical risk and control assessments of critical processes towards the management of non-critical processes.
- In conjunction with the Group Risk and Capital Management Committee and/or the Information Technology Committee, monitoring by the GACC of the Group's heightened inherent risk profile in the context of the ongoing impact of COVID-19 and ensured relevant assurance of the most critical risks.
- Monitoring by the GACC of the control and governance process over new credit model development, including changes of the definition of default, the use of macroeconomic variables and the incorporation of the ongoing impact of COVID-19 on forecasts.
- Monitoring of assurance coverage across the three lines of defence over regulatory compliance with the Financial Sector Conduct Authority Conduct Standards for Banks and Financial Advisory and Intermediary Services. This was in conjunction with the Social, Sustainability and Ethics Committee, which oversees conduct risk management and principles relating to Treating Customers Fairly.
- Receiving confirmation from Internal Audit that the Board and Board Committees apply the King IV principles on the roles and responsibilities of the Group's governance forums.
- Confirmation by the GACC that the Finance Function meets the King IV requirements to fulfil financial reporting and control functions.

Combined assurance

The Group promotes the embedment of a consistent and comprehensive Combined Assurance approach that optimises effort, reduces duplication, and drives effective assurance of high-risk areas through the aggregated efforts of assurance providers. The Committee ensures that the Group's combined assurance model adequately addresses the Group's risks and material matters and the Committee:

- Reviewed the Group's continued implementation of its Combined Assurance approach across the three Lines of Defence.
- Approved the Group's Combined Assurance Plan for 2021 and more recently for 2022 and is satisfied that the 2022 plan adequately addresses coverage across the Group's risks, business units, functions, countries, and international representative offices.
- Reviewed the progress of the remediation of overdue issues raised by Second Line of Defence (Group Risk, Group Compliance) and Third Line of Defence (Internal Audit, External Audit) on a quarterly basis.
- Reviewed the Combined Assurance report on the assessments across the three Lines of Defence of the Group's Control Environment and MCA at half-year and year-end.
- Considered the Combined Assurance approach adopted by the Combined Assurance Steering Committee, to address the Internal Financial Controls related attestation and assurance requirements outlined in the Banks Act Regulation 40(4), King IV (requirement on internal financial controls) and the JSE Listings Requirements.
- Accordingly reviewed the control functions' assessment of Banks Act Regulation 40(4) and the Chief Executive Officer/Chief Finance Officer attestations as required by the JSE Listings Requirements, as well as Internal Audit's Statement on Internal Financial Controls over Financial Reporting, and Internal Audit's Statement on Governance Risk Management and Control Processes.

Technology, cyber and information security

Technology, Cyber and Information Security risks have increased across global industries throughout 2021 and this trend is expected to continue in 2022. During the year the Committee received reports on controls in respect of cyber security, IT systems and controls impacting financial reporting. It has also considered updates on key internal and external audit findings in relation to the IT control environment and IT intangible assets.

External auditors

Following an audit tender in 2020, KPMG Inc was appointed as one of the Group's joint statutory auditors with effect from the 2021 financial year. During the year, the Committee, through regular feedback and enhanced monitoring was comfortable that KPMG's transition was managed effectively as the joint statutory auditor.

The Committee is responsible for assessing the effectiveness, objectivity and independence of the Group's auditors, which were KPMG and EY for the 2021 year. This responsibility was discharged by the Committee during the year at formal meetings, during private meetings with both audit firms and through discussions with Group executives. In addition to the matters noted above, the Committee:

- Ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act, JSE Listings Requirements, and all other regulatory and legal requirements. This included receiving submissions from the external auditors, as part of the suitability assessments of the firm and the designated audit partner. As part of this process, we continued to assess potential regulatory and reputational matters impacting the firms.
- Approved the terms of the audit engagement letter and associated fees, on behalf of the Board.
- Considered the external audit plan to address significant focus areas, which similarly received focus by the Committee and specifically considered the external auditors' findings in this regard.
- Discussed external audit feedback on the Group's critical accounting estimates and judgements, as well as the involvement of specialists from the audit firms in the more complex matters, in particular on expected credit loss (ECL) and valuation of complex financial instruments in the current year.
- Updated the non-audit services policy, approved proposed contracts with the external auditors for the provision of non-audit services, and monitored that the non-audit services fees for the year ended 31 December 2021 were permissible and within the thresholds set by the Committee for such engagements.

The Committee considered if any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were no such reportable irregularities.

Transition of PwC for 2022

Following an audit tender in 2020, PwC was recommended by the GACC for appointment as joint statutory auditor with effect from the 2022 financial year. This recommendation was supported by the Board in November 2021, subject to regulatory and shareholder approvals. In anticipation of the appointment at the AGM, the Committee monitored PwC's independence specifically with regards to projects undertaken in the Group in the 2021 financial year. As part of its responsibilities, the Committee confirmed the audit firm and designated auditor suitability assessment and accreditation, having regard to submissions provided by the firm and the designated auditor in terms of the JSE Listings Requirements. We continue to assess the potential reputation and regulatory matters impacting the firm.

Internal audit

The Group's Internal Audit (IA) function is a key component in supporting the Committee's work. The GACC monitors the performance of the function throughout the year, with respect to scoping, performing, and reporting the outcomes of its work both to management and the Committee. The Committee held regular meetings with the CIA and members of her senior management team to ensure that the Committee is aware of the current programme of work and any emerging issues. The IA exhibits high levels of professional objectivity in gathering, evaluating, and communicating information, as well as high levels of professional ethics in the conduct of its work.

The Committee reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.

Significant matters

The Committee has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the significant accounting judgements and estimates relating to the annual financial statements as follows:

Significant matter	How the Committee addressed the matter
Expected credit losses on loans and advances to customers	The measurement of ECL involves significant judgements, particularly under current economic conditions. Despite a general recovery in economic conditions in 2021, there remains an elevated degree of uncertainty over ECL estimation under current conditions, due to macroeconomic, political and epidemiological uncertainties. As part of its monitoring, the Committee considered several reports from management on: • the economic impact of the ongoing COVID-19 pandemic; • the impact of the ongoing uncertain macroeconomic environment; • model changes and model validation; • refresh of the macroeconomic variables and associated weighting; • adjustments made to the modelled output to reflect updated data and known model deficiencies; and • comparisons between actual experience and forecast losses. Having considered and scrutinised the reports, the Committee agreed with management's conclusion that the impairment provision was appropriate. The Committee reviewed closely the refreshed macroeconomic scenarios and the judgement exercised by management in determining post-model adjustments, in particular at the end of the year, the emerging risks associated with the Omicron variant of COVID-19 and the related ongoing economic uncertainty.
Valuation of complex financial instruments	Due to the ongoing volatile market conditions in 2021, management continuously assessed its assumptions in valuing the Group's investment portfolio. As losses were incurred management considered whether fair value adjustments were required under the fair value framework. Management's analysis provided evidence to support the introduction of these adjustments in line with International Financial Reporting Standards (IFRSs). The Committee considered the key valuation metrics and judgements involved in the determination of the fair value of financial instruments. The Committee considered the valuation control framework, valuation metrics, significant year-end judgements and emerging valuation matters and agrees with the judgements applied by management.

Financial, legal, compliance and regulatory reporting requirements

- The Committee received regular reports from the compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors.
- The Committee noted that the Group will continue the protection and responsible use of its customer and employee data, including those held by suppliers and other third parties and was also satisfied that the Group successfully concluded on the authenticated collections project to further reduce debit order abuse.

Annual financial statements and integrated reporting process

The Committee is responsible for reviewing all formal announcements relating to the Group's performance. As part of its review the Committee:

- Evaluated management's application of critical accounting policies and material areas in which significant accounting judgements were applied.
- Focused on compliance with disclosure requirements to ensure these were consistent, appropriate, and acceptable under the relevant financial and governance reporting requirements.
- Recommended to the Board that the financial statements should be prepared on a going concern basis and that there were no material uncertainties that would impact the going concern statement which required disclosure. The Committee notes that forecast capital ratios remained above minimum mandatory requirements and within the Board's target ranges.
- Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate.
- Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure.
- Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made.
- Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences.
- Reviewed and discussed the integrated report process, and governance and financial information proposed to be included in the integrated report after considering recommendations from the Social, Sustainability and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Directors' Affairs Committee.
- The Committee considered the circumstances that have led to the restatement contained in note 1.19.1 of the consolidated financial statements and has communicated the restatement notification, which is required in accordance with paragraph 3.1 of the JSE Listings Requirements, to the JSE.

The Committee concluded that the processes underlying the preparation of the annual financial statements and the financial information included in the integrated report for the financial year ended 31 December 2021 were appropriate in ensuring that those statements were fair, balanced, and understandable, and recommended these reports to the Board for approval. The Board subsequently approved the annual financial statements.

Group Audit and Compliance Committee report

Internal financial control attestation

In terms of paragraph 3.84(k) of the JSE Listings Requirements, the Chief Executive Officer and the Financial Director must make positive statements under their names and signatures in the annual report that:

- The annual financial statements fairly present in all material respects the financial position, financial performance, and cash flows of the issuer in terms of the IFRSs.
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to prepare the financial statements of the issuer effectively.
- The internal financial controls are adequate and effective and can be relied on in compiling the annual financial statements, having fulfilled the role and function within the combined assurance model pursuant to principle 15 of King IV.
- Where the Chief Executive Officer and the Financial Director are not satisfied, they have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal controls and any fraud that involves directors and have taken the necessary action.

The identified deficiencies in design and operating effectiveness of internal financial controls identified via the Group's three lines of defence were reported to the Committee. The Committee considered the identified deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. The Committee noted the significant assurance process to support the CEO and CFO attestations.

Looking ahead

The Committee will continue to strongly focus on:

- The progress made by management on the various initiatives recommended by the lines of defence and the various commitments given to regulators on issues that they have raised.
- Intensifying its review of the Group's regulatory reporting processes, which is an area of increasing focus for the industry as a whole.
- Ensuring the effective functioning of the Group's financial systems, processes and controls, monitored by an effective combined assurance model.
- Management's response in respect of IFRS and other regulation, which includes, but are not limited the Basel III reforms.
- Audit quality and independence, with specific emphasis on the transition of PwC as a joint auditor of the Group for the 2022 financial year.

Conclusion

The Committee is satisfied that it has complied with all statutory duties and duties given to it by the Board under its terms of reference.

The Committee is satisfied that the financial and internal controls are adequate and that no material breakdowns occurred that resulted in material loss to the Group.

The Committee reviewed the Group and separate Company financial statements for the year ended 31 December 2021 and recommended them to the Board for approval on 9 March 2022.

On behalf of the GACC

T Abdool-Samad
Chairman of the GACC

Johannesburg
13 March 2022

Directors' report

General information and nature of activities

Absa Bank Limited (the Company) is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, and wealth management products and services. The Company and its subsidiaries (the Bank) operate primarily in South Africa and employ 25 908 people. The address of the registered office of the Bank is 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001. The Company has preference shares listed on the JSE Limited.

The Bank is a subsidiary of Absa Group Limited.

The Bank is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in South Africa. The Bank also provides products and services to selected markets in Nigeria and Namibia.

The Bank interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of banking services (from basic products and services for the low-income personal market, to customised solutions for the commercial and corporate markets), financial services and wealth management products and services.

The consolidated and separate financial statements were approved for issue by the Board Finance Committee, a committee of the Absa Group Limited Board, on 13 March 2022.

The financial statements present the financial positions, results of operations and cash flows for the Bank and the Company for the reporting period ended 31 December 2021.

Absa Group Audit and Compliance Committee report

Refer to page 3.

Bank results

Main business and operations

The Bank recorded an increase of 665% in headline earnings to **R10 726m** (2020: R1 402m) for the reporting period. Headline earnings per share (HEPS) and fully diluted HEPS increased by 665% to **2 392.6 cents** (2020: 312.7 cents). Refer to note 32 for the headline earnings note.

Some segmental comparative information contained in this set of financial statements has been restated due to business portfolio changes, refer to note 1.19 of the accounting policies and note 39.1 for further details.

Headline earnings was derived from the following activities:

	Bank	
	2021 Rm	2020[1] Rm
Retail and Business Banking (RBB)	9 402	3 183
Corporate and Investment Bank (CIB)	3 497	2 539
Head office, Treasury and other operations	(1 544)	(3 069)
Barclays PLC Separation	(629)	(1 252)
Headline earnings (refer to note 32)	**10 726**	1 402

Details of the members of the Board:

Name	Position as director	Current reporting period
W E Lucas-Bull	Independent non-executive director, Chairman	
M S Moloko	Independent non-executive director and chairman designate	Appointed 1 December 2021
T Abdool-Samad	Independent non-executive director	
N S Mjoli-Mncube	Independent non-executive director	Appointed 8 February 2022
D Mminele	Group Chief Executive	Resigned 20 April 2021
J P Quinn[2]	Interim Group Chief Executive Officer	Appointed 20 April 2021
P E Modise	Interim Group Chief Financial Officer	Appointed 23 April 2021
A B Darko	Independent non-executive director	Appointed 1 December 2021
S M Pityana	Independent non-executive director	Removed 24 November 2021
R A Keanly	Independent non-executive director	Appointed 8 February 2022
M S Merson	Independent non-executive director	Resigned 31 January 2022
F Okomo-Okello	Independent non-executive director	

[1] These numbers have been restated, refer to notes 1.19.
[2] Jason Quinn was the Group Financial Director since 1 September 2016 and was appointed as Interim Group Chief Executive Officer on 20 April 2021.

Re-election of retiring directors

In line with international best practice, the Company has a requirement in terms of which all directors on the Board for longer than nine years are subject to annual re-election by shareholders at the annual general meeting (AGM).

In terms of the Company's Memorandum of Incorporation (MOI), one-third of the directors are required to retire at each AGM and may offer themselves for re-election.

Directors' interests in Absa Bank Limited preference shares

As at the reporting date, no director held any preference shares in the Company.

Directors' and officers' personal financial interests in contracts

Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Executive directors are entitled to share awards (Absa Group ordinary shares), the details of which are included in note 56.

No other contracts were entered into in which directors and officers of the Bank had a personal financial interest and which significantly affected the business of the Bank. The directors had no interest in any third party or company responsible for managing any of the business activities of the Bank.

Directors' and prescribed officers' emoluments

The emoluments and services of executive directors are determined by the Absa Group Limited Remuneration Committee (Remco) as disclosed in note 56.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures are set out in note 38 to the consolidated financial statements.

Acquisitions and disposals

Refer to note 47 for additional information on the acquisitions and disposals of businesses and other significant assets.

Acquisitions and disposals during the current and prior reporting periods

The Bank disposed of Card Issuing and Personal loan books on 30 June 2021. The bank received a cash consideration of **R94m** on disposal. The Bank disposed of the Integrated Processing Solution investment on 30 September 2021. The Bank received a cash consideration of **R12m** on disposal.

COVID-19 response

The Board continues to monitor the impact of the COVID-19 pandemic on our customers, clients and stakeholders and employees as well as ensuring that the Bank remains financially and operationally secure. The impact of COVID-19 on the financial results of the Bank has been included in the 'Impact of COVID-19' section.

Dividends

- On 12 March 2021, a final dividend of 2 429.86301 cents per preference share was approved. The dividend was announced on 15 March 2021 to preference shareholders registered on 16 April 2021. The dividend was payable on 19 April 2021.
- On 13 August 2021, an interim dividend of 2 470.13699 cents per preference share was approved. The dividend was announced on 16 August 2021 to preference shareholders registered on 17 September 2021. The dividend was payable on 20 September 2021.
- On 13 March 2022, a final dividend of 2 494.10959 cents per preference share was approved. The dividend was announced on 14 March 2022 to ordinary shareholders registered on 22 April 2022. This dividend is payable on 25 April 2022.
- On 13 March 2022, a final dividend of 446.12851 cents per ordinary share was approved. The dividend was announced on 14 March 2022 to ordinary shareholders registered on 22 April 2022. This dividend is payable on 25 April 2022.
- Refer to note 35 for the Common Equity Tier 1 distribution.

Special resolutions

The following special resolutions were passed by the Bank's ordinary shareholders at the AGM held on 4 June 2021, in accordance with the Companies Act:

- **Special resolution number 1 – Remuneration of non-executive directors**

  Resolved to approve the proposed remuneration to be payable to non-executive directors for their services as directors of the Company for the period 1 June 2021 to and including the last day of the month preceding the date of the next AGM thereafter.
- **Special resolution number 2 – General authority to repurchase the Company's securities**

  Resolved that the Company or any subsidiary of the Company may, subject to the Company's MOI, section 48 of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM.
- **Special resolution number 3 – Financial assistance to a related or inter-related company/corporation**

  Resolved to enable the Company, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide direct or indirect financial assistance as regulated by section 45 of the Companies Act to a related or inter-related company/corporation and/or to a member of a related or inter-related company/corporation.

Company Secretary

N R Drutman is the Company Secretary. Her contact details are as follows:

7th Floor, Absa Towers West
15 Troye Street
Johannesburg, 2001

Telephone: (+27 11) 350 5347

Email: groupsec@absa.africa

Auditors

Ernst & Young Inc and KPMG Inc were appointed as joint auditors of the Group for the 2021 reporting period, effective 1 January 2021.

EY's appointment will be terminated upon conclusion of the audit of the 2021 financial year in anticipation of the mandatory audit firm rotation requirements of the Independent Regulatory Board for Auditors (IRBA) and in order to ensure a smooth handover process to the new joint auditors. PricewaterhouseCoopers will replace EY for the 2022 reporting period, effective 1 January 2022.

Authorised and issued share capital

Authorised

The authorised ordinary share capital of the Company of **R322 500 000** (2020: R322 500 000) consists of:

- **320 000 000** (2020: 320 000 000) ordinary shares of R1.00 each;
- **250 000 000** (2020: 250 000 000) 'A' ordinary shares of R0.01 each.

The authorised preference share capital of the Company of **R300 000** (2020: R300 000) consists of:

- **30 000 000** (2020: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Issued

No additional 'A' ordinary shares were issued in the current reporting period (2020: 16 983 265).

The total issued ordinary share capital at the reporting date, consists of:

- **302 609 369** (2020: 302 609 369) ordinary shares of R1.00 each;
- **145 691 959** (2020: 145 691 959) 'A' ordinary shares of R0.01 each.

The total issued preference share capital at the reporting date, consists of:

- **4 944 839** (2020: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Shareholder information

	2021			2020		
	Number of shareholders/ note holders	Number of shares/notes	% held	Number of shareholders/ note holders	Number of shares/notes	% held
Non-public shareholders						
Ordinary shares		302 609 369	100.0		302 609 369	100.0
Absa Group Limited		302 609 369	100.0		302 609 369	100.0
'A' ordinary shares		145 691 959	100.0		145 691 959	100.0
Absa Group Limited		145 691 959	100.0		145 691 959	100.0
Public shareholders						
Preference shares	5 393	4 944 839	100.0	4 525	4 944 839	100.0
Standard Chartered Bank	20	264 458	5.3	11	253 178	5.1
Standard Bank	346	892 699	18.1	400	1 007 221	20.4
Nedbank Investor Services	1 173	1 485 518	30.0	34	796 898	16.1
Other preference shareholders	3 854	2 302 164	46.6	4 080	2 887 542	58.4

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the issuer) subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. The total number of issued notes at the end of the reporting period was **R7 004 000 000** (2020: R7 004 000 000).

Company Secretary's certificate to the shareholders of Absa Bank Limited

In accordance with the provisions of the Companies Act, I certify that, in respect of the reporting period ended 31 December 2021, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

N R Drutman
Company Secretary

Johannesburg
13 March 2022

Independent auditors' report to the shareholders of Absa Bank Limited

Independent auditor's report

To the Shareholders of Absa Bank Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Absa Bank Limited (the Bank and Company), set out on pages 16 to 214 which comprise:

- the consolidated and company statements of financial position as at 31 December 2021;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended;
- the accounting policies, and
- the notes to the consolidated and company financial statements excluding the sections marked as unaudited in notes 43, 52.5.2 for the consolidated and note 37 Company statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Absa Bank Limited as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Bank and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Level	Key audit matter
Absa Bank Limited (consolidated and separate)	**Expected credit losses on loans and advances** • The disclosure associated with expected credit losses on loans and advances is set out in the financial statements in the following notes: ◦ Note 1.2.1 – Approach to credit risk and impairment of loans and advances (page 32 – 36) ◦ Note 7 – Loans and advances (page 58) ◦ Note 52.2 – Credit risk (page 131 – 144) ◦ Impact of COVID-19 note (page 16 – 21) ◦ Company note 7 – Loans and advances (page 182)

Independent auditors' report to the shareholders of Absa Bank Limited

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
Absa Bank Limited (consolidated and separate) (continued)	We identified the audit of expected credit losses (ECL) on loans and advances to customers as a key audit matter which required significant audit effort and the support of our specialists when considering the following: • The Bank's and Company's loans and advances to customers are material to the consolidated and separate financial statements; • There is a high degree of estimation uncertainty and significant judgements and assumptions are applied in estimating modelled ECL on loans and advances to customers; • Economic scenario forecasts used to estimate the ECL on loans and advances to customers require subjective management judgement and post-model/management adjustments to reflect the current macroeconomic environment accurately; • Impairments determined on an individual basis for stage 3 loans and advances to customers are material and require significant management judgement in estimating future recoveries; and • The credit risk disclosures incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. In particular we have focused on the following areas of significant judgement and estimation which required the use of specialists:	Our audit effort included the following procedures in addressing the key audit matter: We have updated our understanding of management's process over credit origination, credit monitoring and credit remediation and tested the relevant controls identified within these processes.
	1. Modelled ECL impairment losses • A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. • Retail have redeveloped and enhanced their ECL models in the current year. • Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment, and the determination of credit impaired loans and advances to customers, incorporates judgement and estimation by management.	**1. Modelled ECL impairment losses** • With the assistance of our quantitative specialists, we have assessed the design and implementation of the ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9 *Financial Instruments* and have tested the operating effectiveness of management's ECL modelling controls which support the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models. • With the assistance of our quantitative specialists we have reperformed the model calculations using assumptions as per the model documentation, and independently reperformed the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations. • We assessed the appropriateness of the Bank's and Company's significant increase in credit risk (SICR) methodologies and model calibrations and have tested the stage allocations including the SICR for a sample of portfolios and individual exposures. The reperformed ECL impairments were compared to the Bank's and Company's ECL impairments per stage and per portfolio. • We tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to information sourced by management from internal systems and external data providers.

Independent auditors' report to the shareholders of Absa Bank Limited

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
	2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • These scenario forecasts are developed by the Bank's and Company's economics unit and require management judgement, given the uncertain macroeconomic environment, including the ongoing impacts of the COVID-19 pandemic, and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL.	**2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation** • We tested the design and implementation and operating effectiveness of controls over the approval of updated macroeconomic forecasts used within the models. • With assistance from our economics specialists, we have assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data. • With the assistance of our quantitative and economics specialists, we have assessed the appropriateness of economic modelling and the incorporation of macroeconomic forecasts into the models. • We performed independent ECL quantification analyses on economic forecasts and industry stresses, which incorporated independently estimated economic impacts as a result of the COVID-19 pandemic, to assess the reasonability of the macroeconomic management adjustments.
	3. Post-model management adjustments • Where the Bank's and Company's ECL models are not fully calibrated to cater for the impact of the current levels of economic volatility and complexity, including the impact of COVID-19, management adjustments are applied. • Management adjustments were used within Retail and Relationship Banking on model outputs not catering for residual portfolio risk. • Within CIB, modelled ECL was adjusted for the impacts of COVID-19 by applying out of model adjustments catering for increased risk of default and reduced collateral values across all stage 1 and stage 2 loans. Further adjustments reflecting increased risk of loss were applied to those industries most impacted by the economic effects of COVID-19. • These adjustments are subject to a high degree of subjective management judgement and bias.	**3. Post-model management adjustments** • We reperformed a sample of management adjustments to test their accuracy and assessed the appropriateness of the assumptions and inputs used where models are not fully calibrated for current market volatility. • We have assessed management's governance processes over the management adjustments. • Using our understanding of the elements in the macroeconomic information adjustments and applying our own independent data, we assessed management's rationale for the macroeconomic information adjustments. • Where there was a range of uncertain potential outcomes, we performed independent ECL quantifications over the range of possible outcomes, and compared these results against management's estimates.
	4. Stage 3 ECL impairments assessed on an individual basis • A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the Relationship Banking and CIB portfolios. Significant judgements, estimates and assumptions are applied by management to: ◦ Determine if the loans and advances are credit impaired; ◦ Evaluate the valuation and recoverability of collateral; ◦ Determine the expected future cash flows to be collected; and ◦ Estimate the timing of the future cash flows.	**4. Stage 3 ECL impairments assessed on an individual basis** • We tested management's processes and key controls over judgements used to determine whether specific exposures are credit impaired, including the completeness and reasonability of these assessments. • Our procedures focused on assessing the reasonability of the estimate of the amount and timing of expected future cash flows used in measuring ECL. We have performed the following for a sample of stage 3 exposures: ◦ Where exposures are collateralised, we tested the Bank's and Company's legal right to the collateral by inspecting legal agreements and bond registration information, as well as the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information. ◦ Where future cash flows are estimated based on the loan counterparty's enterprise value, we have tested these valuations with reference to available market information and counterparty specific information.

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
Absa Bank Limited (consolidated and separate) (continued)	5. Disclosures related to credit risk • Credit risk disclosures are significant as they rely on material data inputs and explain the management judgement, estimates and assumptions used in determining the ECL, including management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non-routine and very specific to the economic conditions, it required significant audit effort to assess the reasonability thereof.	5. Disclosures related to credit risk • We tested the design and implementation and operating effectiveness of controls over the credit risk financial reporting process over note 52.2 presented in the financial statements. • We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates, management adjustments and macroeconomic forecasts.
	Valuation of complex financial instruments The disclosure associated with the valuation of complex financial instruments is set out in the consolidated financial statements in the following notes: • Note 1.2.3 – Fair value measurement (page 37 – 40) • Note 50 – Fair value disclosures (page 122 – 128) • Company note 41 – Fair value disclosures (page 206 – 213)	
	Complex financial instruments include unlisted equity investments, loans and advances at fair value, investment securities, trading portfolio assets and liabilities, including relevant valuation adjustments. We have identified the valuation of complex financial instruments as a key audit matter which required significant audit effort and the support of our valuation specialists as it requires significant management judgement relating to the application of sophisticated valuation methodologies and models, key assumptions and inputs to estimate the payoff profile and fair value of the respective financial instruments, including the related fair value disclosures. Significant judgement is required concerning unobservable inputs, specifically for level 3 financial instruments measured at fair value for which there are no quoted market prices, and proxy inputs are also illiquid and volatile in nature. These judgements relate to the counterparty valuation adjustments and funding valuation adjustments. These inputs depend on various sources of external and internal data and the use of sophisticated modeling techniques. Valuation disclosures are significant as they rely on material inputs, valuation techniques, assumptions and management judgement.	Our audit procedures included the following procedures, which were performed with the assistance of our valuation specialists: • We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of key controls identified in the valuation process, such as model governance and validation, oversight of valuation inputs and assumptions applied throughout the independent price verification process and market risk monitoring. • We tested the IT general controls, including change management controls, and application controls relating to the IT systems that support the valuation of complex instruments. • We assessed the appropriateness of valuation methodologies and the reasonableness of valuation models applied with the assistance of our valuation specialists. This was done by reperforming the valuation for a sample of complex financial instruments using independent models. • For both observable and unobservable valuation inputs, we used our valuation specialists to assess the reasonability of the valuation inputs to independent market data. In cases where independent market data was not available, we used proxy data to evaluate the reasonableness of inputs and assumptions used. • For unlisted equity instruments, we engaged our valuation specialists to perform independent calculations and assessed against management assumptions and judgements used. • Where management used external independent appraisers to value unobservable inputs in the unlisted equity portfolios, we evaluated their competence, independence and experience with reference to their qualifications and industry experience. • We assessed the appropriateness of the level 3 fair value disclosures with reference to the requirements of IFRS 13 *Fair Value Measurement* by considering the judgement in the key valuation inputs and assumptions.

Other matter

The consolidated and separate financial statements of Absa Bank Limited for the year ended 31 December 2021 were audited by the incumbent auditor who is one of the joint auditors in the current year. The sole auditor for the prior year expressed an unmodified audit opinion on those financial statements on 13 March 2022.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled '*Absa Bank Limited, Annual consolidated and separate financial statements for the reporting period ended 31 December 2021*' which includes the Company Secretary's certificate to the shareholders of Absa Bank Limited, Group Audit and Compliance Committee report and the Directors' report as required by the Companies Act of South Africa. The other information also includes the sections marked as unaudited in the consolidated and separate financial statements and described in our Opinion paragraph above. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Bank's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. and KPMG Inc. have been the joint auditors of Absa Bank Limited for one year. Ernst & Young have been the auditors of Absa Bank Limited for 27 years and the sole auditor for three years. KPMG Inc was previously the joint auditor for the year ended 31 December 2017.

Ernst & Young Inc.
Director: Ranesh Hariparsad (CA)SA
Registered Auditor

102 Rivonia Road, Sandton

13 March 2022

KPMG Inc.
Director: Heather Berrange (CA)SA
Registered Auditor

85 Empire Road, Parktown

13 March 2022

Impact of COVID-19 on the financial statements

The COVID-19 pandemic has had a devastating impact on the global economy and has resulted in significant changes to government policies and actions, economic and financial market conditions as well as consumer behaviour. Accounting for the following items on the face of the statement of financial position has been significantly impacted due to the advent of the pandemic, with further information provided below and in the individual notes to the financial statements:

- Loans and advances (refer to note 7)
- Impairment losses (refer to note 27)
- Other impairments (refer to note 29)
- Credit risk (refer to note 52.2)

Impact on the use of estimates, judgements and assumptions

The pandemic has, in turn, had a material impact on the risks that the Bank is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. This high degree of uncertainty has necessitated the reassessment of assumptions, and existing methods of estimation and judgements, used in the preparation of these financial results, specifically ECL allowances. Furthermore, the temporary payment relief provided to eligible customers as part of the Bank's response created added complexity and there is a risk that actual loss experienced may differ from those suggested by the judgements and assumptions used.

As multiple outbreaks continue to progress and evolve, it is challenging to predict the full extent and duration of their business and economic impact. Refer to the 'Forward-looking assumption, model parameter refreshes and macro-overlays' below for further information on the management adjustments and model outputs.

Other areas of estimates, judgements and assumptions that have been affected by the COVID-19 pandemic include determination of fair values and determination of long-term and short-term insurance liabilities. Further detail on the application of the Bank's estimates and judgements is included in note 1.2 and within the 'Other estimates and judgements' section below.

Effect on risk management

The role of risk management is to evaluate, respond and monitor risks in the execution of our strategy. It is essential that business growth plans are supported by an effective Enterprise Risk Management Framework (ERMF). Risk culture is closely aligned to that of the business. The Risk Function retains independence in analysis and decision-making. Please refer to the credit risk note 52.2.

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 Bank 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 Bank'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.

Impact of COVID-19

Effect on risk management (continued)

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

	2021			2020
	Macro impact Rm	Model parameter refresh Rm	Total increase/ (decrease) in impairment charge Rm	Macro impact Rm
RBB	(2 104)	1 361	(743)	3 368
Home Loans	(271)	154	(117)	950
Vehicle and Asset Finance	(435)	198	(237)	926
Everyday Banking	(1 144)	978	(166)	1 021
Card	(502)	469	(33)	472
Personal Loans	(544)	475	(69)	466
Transactions and Deposits	(98)	34	(64)	83
Relationship Banking	(254)	31	(223)	471
RBB Other	—	—	—	—
CIB	(201)	—	(201)	776
Head Office, Treasury and other operations	(12)	—	(12)	—
Total	(2 317)	1 361	(956)	4 144

The macro impact charge of R4 144m 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 resulting in a release of **R956m** 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 Bank remains well provisioned with performing book coverage well above pre-COVID-19 levels.

	Coverage ratio (%)		
	2021	2020	2019
Home Loans	0.56	0.53	0.24
Vehicle and Asset Finance	2.16	2.49	1.51
Everyday Banking	7.47	9.20	6.19
Relationship Banking	1.30	1.69	1.13
CIB South Africa	0.55	0.69	0.36
Total	1.25	1.72	0.92

Effect on risk management (continued)

Payment relief measures

In 2020, the Bank 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 Bank discontinued the application of D3/2020 and applied the Bank'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	572 565	126 178	22.04	10.95	100 098	14 240	11 840
Home Loans	277 413	74 250	26.77	8.42	61 807	7 096	5 347
Vehicle and Asset Finance	104 093	18 100	17.39	17.71	12 210	3 346	2 544
Everyday Banking	60 096	11 879	19.77	24.86	7 386	1 391	3 102
Card	33 922	7 893	23.27	19.98	5 349	661	1 883
Personal Loans	22 571	3 958	17.54	34.44	2 026	721	1 211
Transactions and Deposits	3 603	28	0.78	44.53	11	9	8
Relationship Banking	130 910	21 949	16.77	6.41	18 695	2 407	847
RBB Other	53	—	—	—	—	—	—
CIB	340 884	43 453	12.75	3.02	33 946	8 194	1 313
Head Office, Treasury and other operations	339	—	—	—	—	—	—
Total	913 788	169 631	18.56	8.92	134 044	22 434	13 153

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]	537 661	149 753	27.85	7.99	120 289	22 591	6 873
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	60 572	14 587	24.08	17.72	9 782	3 213	1 592
Card	32 715	7 927	24.23	10.05	5 699	1 564	664
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]	127 030	24 782	19.51	6.42	21 101	3 166	515
RBB Other	53	—	—	—	—	—	—
CIB[2, 3]	318 890	39 793	12.48	2.60	29 460	9 300	1 033
Head Office, Treasury and other operations	520	—	—	—	—	—	—
Total[2, 3]	857 071	189 546	22.12	6.85	149 749	31 891	7 906

- 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.

[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 note 1.19.2.
[3] These numbers have been restated, refer to note 1.19.1.

Impact of COVID-19

Effect on risk management (continued)

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 Bank 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 Bank 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 Bank granted **R2 602m** (2020: R2 331m) of loans under the scheme, with an outstanding balance of **R2 248m** (2020: R2 179m).

Sensitivity of expected credit losses

For the purposes of the Bank'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 Bank 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	2021 % Change
ECL allowance on stage 1 and stage 2 loans and advances.	10 069	—
Baseline	9 855	(2)
Upside	9 825	(2)
Downside	10 547	5

	2020 Rm	2020 % Change
ECL allowance on stage 1 and stage 2 loans and advances.	11 281	—
Baseline	11 178	(1)
Upside	9 952	(12)
Downside	12 768	13

Effect on risk management (continued)

Sensitivity of expected credit losses (continued)

In addition, as at 31 December 2021, the Bank 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	23 890	2 062
CIB	10 813	38

	2020	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	21 529	1 946
CIB[1]	10 195	28

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 Bank 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:

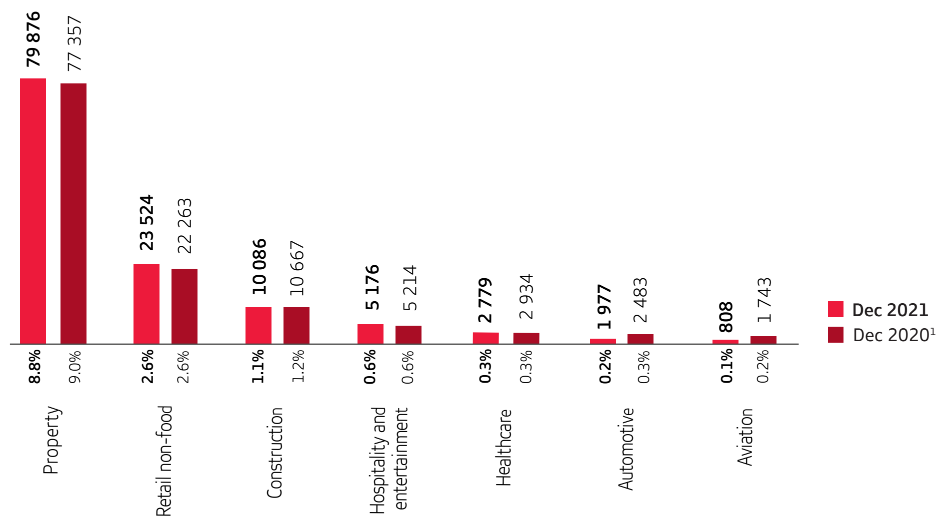
	2021 Rm	2020 Rm
RBB	732	287
CIB	1 005	1 040
	1 737	1 327

[1] These numbers have been restated, refer to note 1.19.1.

Wholesale lending in key COVID-19 impacted industries

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

Concentration risk exposures (Rm and % of total loans)



Other estimates and judgements

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

Hedge accounting

Cash flow hedges are used by the Bank to protect against the potential cash flow variability arising from the Bank's exposure to interest rate and foreign currency risk. The Bank's structural interest rate hedge in South Africa represents its most significant cash flow hedge. An assessment of the Bank's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Bank manages its risk. At 31 December 2021, the Bank 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] 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.

Consolidated statement of financial position

as at

		Bank		
			Restated	
	Note	31 December 2021 Rm	31 December 2020 Rm	1 January 2020 Rm
Assets				
Cash, cash balances and balances with central banks	2	**33 751**	33 812	25 485
Investment securities	3	**116 265**	99 489	75 230
Trading portfolio assets	4	**141 815**	166 148	111 592
Hedging portfolio assets	4	**5 157**	10 998	3 355
Other assets	5	**16 737**	14 819	21 728
Current tax assets		**66**	273	1 223
Non-current assets held for sale	6	**57**	136	3 706
Loans and advances[1]	7	**932 775**	877 275	839 375
Loans to Group companies	8	**76 733**	56 145	50 460
Investments in associates and joint ventures	9	**1 593**	1 601	1 648
Property and equipment	10	**12 382**	13 923	15 588
Goodwill and intangible assets	11	**10 406**	9 626	8 863
Deferred tax assets	12	**3 261**	2 030	1 572
Total assets		**1 350 998**	1 286 275	1 159 825
Liabilities				
Trading portfolio liabilities	13	**67 354**	105 967	55 968
Hedging portfolio liabilities	13	**3 659**	4 868	1 379
Other liabilities	14	**35 833**	22 475	32 338
Provisions	15	**3 947**	2 855	2 622
Current tax liabilities		**102**	3	6
Deposits[1]	16	**974 121**	890 920	797 286
Debt securities in issue	17	**128 571**	144 159	157 603
Loans from Group companies		**9 214**	—	—
Borrowed funds	18	**26 459**	20 621	21 282
Deferred tax liabilities	12	**19**	8	16
Total liabilities		**1 249 279**	1 191 876	1 068 500
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Ordinary share capital	19	**304**	304	304
Ordinary share premium	19	**36 879**	36 879	36 879
Preference share capital	19	**1**	1	1
Preference share premium	19	**4 643**	4 643	4 643
Additional Tier 1 capital	19	**7 004**	7 004	5 795
Retained earnings	20	**48 841**	38 507	39 075
Other reserves	20	**4 047**	7 058	4 625
		101 719	94 396	91 322
Non-controlling interest – ordinary shares		**—**	3	3
Total equity		**101 719**	94 399	91 325
Total liabilities and equity		**1 350 998**	1 286 275	1 159 825

[1] These numbers have been restated, refer to note 1.19.1.

Consolidated statement of comprehensive income

for the reporting period ended 31 December

		Bank	
	Note	2021 Rm	2020 Rm
Net interest income		**38 301**	33 184
Interest and similar income	21	**72 144**	73 886
Effective interest income		**70 492**	72 113
Other interest income		**1 652**	1 773
Interest expense and similar charges	22	**(33 843)**	(40 702)
Non-interest income		**20 191**	20 503
Net fee and commission income		**18 073**	17 690
Fee and commission income	23	**19 777**	19 486
Fee and commission expense	23	**(1 704)**	(1 796)
Gains and losses from banking and trading activities	24	**1 722**	2 284
Gains and losses from investment activities	25	**1**	3
Other operating income	26	**395**	526
Total income		**58 492**	53 687
Impairment losses	27	**(6 395)**	(15 829)
Operating income before operating expenses		**52 097**	37 858
Operating expenses	28	**(35 232)**	(33 202)
Other expenses		**(1 461)**	(1 798)
Other impairments	29	**(326)**	(437)
Indirect taxation	30	**(1 135)**	(1 361)
Share of post-tax results of associates and joint ventures	9	**132**	(36)
Operating profit before income tax		**15 536**	2 822
Taxation expense	31	**(4 139)**	(750)
Profit for the reporting period		**11 397**	2 072
Profit attributable to:			
Ordinary equity holders		**10 573**	1 176
Non-controlling interest – ordinary shares		**(3)**	0
Preference equity holders		**242**	307
Additional Tier 1 capital		**585**	589
		11 397	2 072
Earnings per share:			
Basic earnings per share (cents)	41	**2 358.5**	262.3
Diluted earnings per share (cents)	41	**2 358.5**	262.3

Consolidated statement of comprehensive income

for the reporting period ended 31 December

		Bank	
	Note	2021 Rm	2020 Rm
Profit for the reporting period		**11 397**	2 072
Other comprehensive income			
Items that will not be reclassified to profit or loss		**54**	(162)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)		**10**	(5)
Fair value gains/(losses)		**13**	(7)
Deferred tax		**(3)**	2
Movement of liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk		**(26)**	(82)
Fair value losses		**(36)**	(116)
Deferred tax		**10**	34
Movement in retirement benefit fund assets and liabilities		**70**	(75)
Increase/(decrease) in retirement benefit surplus	34	**98**	(104)
Deferred tax	12	**(28)**	29
Items that are or may be subsequently reclassified to profit or loss		**(3 406)**	2 964
Movement in foreign currency translation reserve		**(2)**	—
Differences in translation of foreign operations		**(2)**	—
Movement in cash flow hedging reserve		**(4 051)**	3 997
Fair value (losses)/gains		**(1 463)**	9 039
Amount removed from other comprehensive income and recognised in profit or loss	48.6.2	**(4 163)**	(3 488)
Deferred tax		**1 575**	(1 554)
Movement in fair value of debt instruments measured at FVOCI		**647**	(1 033)
Fair value gains/(losses)		**1 015**	(1 400)
Release to profit or loss	24	**(120)**	(32)
Deferred tax	12	**(248)**	399
Total comprehensive income for the reporting period		**8 045**	4 874
Total comprehensive income attributable to:			
Ordinary equity holders		**7 221**	3 978
Non-controlling interest – ordinary shares		**(3)**	0
Preference equity holders		**242**	307
Additional Tier 1 capital		**585**	589
		8 045	4 874

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Consolidated statement of changes in equity

for the reporting period ended 31 December

Consolidated statement of changes in equity

for the reporting period ended 31 December

Bank
2021

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
Balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	7 004	38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399
Total comprehensive income	—	—	—	—	242	585	10 627	(3 406)	647	(4 051)	(2)	—	—	—	8 048	(3)	8 045
Profit for the period	—	—	—	—	242	585	10 573	—	—	—	—	—	—	—	11 400	(3)	11 397
Other comprehensive income	—	—	—	—	—	—	54	(3 406)	647	(4 051)	(2)	—	—	—	(3 352)	—	(3 352)
Dividends paid during the reporting period	—	—	—	—	(242)	—	—	—	—	—	—	—	—	—	(242)	—	(242)
Distributions paid during the reporting period	—	—	—	—	—	(585)	—	—	—	—	—	—	—	—	(585)	—	(585)
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(176)	—	—	—	—	—	—	—	(176)	—	(176)
Movement in share-based payment reserve	—	—	—	—	—	—	—	278	—	—	—	—	278	—	278	—	278
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(253)	—	—	—	—	(253)	—	(253)	—	(253)
Value of employee services	—	—	—	—	—	—	—	461	—	—	—	—	461	—	461	—	461
Deferred tax	—	—	—	—	—	—	—	70	—	—	—	—	70	—	70	—	70
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—	(132)	132	—	—	—	—	—	132	—	—	—
Disposal of associates and joint ventures[2]	—	—	—	—	—	—	15	(15)	—	—	—	—	—	(15)	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004	48 841	4 047	(866)	1 264	(1)	1 422	614	1 614	101 719	—	101 719
Note	19	19	19	19	19	19			20	20	20	20	20	20			

All movements are reflected net of taxation.

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

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

Consolidated statement of changes in equity

for the reporting period ended 31 December

Consolidated statement of changes in equity

for the reporting period ended 31 December

Bank
2020

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	5 795	39 075	4 625	(480)	1 318	1	1 422	831	1 533	91 322	3	91 325
Total comprehensive income	—	—	—	—	307	589	1 014	2 964	(1 033)	3 997	—	—	—	—	4 874	—	4 874
Profit for the period	—	—	—	—	307	589	1 176	—	—	—	—	—	—	—	2 072	—	2 072
Other comprehensive income	—	—	—	—	—	—	(162)	2 964	(1 033)	3 997	—	—	—	—	2 802	—	2 802
Dividends paid during the reporting period	—	—	—	—	(307)	—	(2 000)	—	—	—	—	—	—	—	(2 307)	—	(2 307)
Distributions paid during the reporting period	—	—	—	—	—	(589)	—	—	—	—	—	—	—	—	(589)	—	(589)
Issuance of Additional Tier 1 capital	—	—	—	—	—	1 209	—	—	—	—	—	—	—	—	1 209	—	1 209
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	424	—	—	—	—	—	—	—	424	—	424
Movement in share-based payment reserve	—	—	—	—	—	—	—	(495)	—	—	—	—	(495)	—	(495)	—	(495)
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(863)	—	—	—	—	(863)	—	(863)	—	(863)
Value of employee services	—	—	—	—	—	—	—	355	—	—	—	—	355	—	355	—	355
Deferred tax	—	—	—	—	—	—	—	13	—	—	—	—	13	—	13	—	13
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—	36	(36)	—	—	—	—	—	(36)	—	—	—
Other movements[2]	—	—	—	—	—	—	(42)	—	—	—	—	—	—	—	(42)	—	(42)
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004	38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399
Note	19	19	19	19	19	19			20	20	20	20	20	20			

All movements are reflected net of taxation.

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

[2] This relates to an equity distribution to a subsidiary of Absa Group Limited.

Consolidated statement of cash flows

for the reporting period ended 31 December

	Note	Bank 2021 Rm	2020 Rm
Cash flow from operating activities			
Profit before tax		**15 536**	2 824
Adjustment of non-cash items			
Depreciation and amortisation	28	**5 140**	4 971
Other impairments	29	**326**	420
Share of post-tax results of associates and joint ventures		**(132)**	36
Other non-cash items included in profit and before tax		**(535)**	(29)
Dividends received from investing activities		**(32)**	(3)
Cash flow from operating activities before changes in operating assets and liabilities		**20 303**	8 219
Net decrease/(increase) in trading and hedging portfolio assets		**26 123**	(62 199)
Net increase in loans and advances		**(55 828)**	(38 258)
Net increase in investment securities		**(16 099)**	(25 298)
Net increase in other assets		**(25 937)**	(7 503)
Net (decrease)/increase in trading and hedging portfolio liabilities		**(39 822)**	57 486
Net increase in deposits		**83 201**	93 316
Net increase/(decrease) in other liabilities[1]		**9 729**	(23 190)
Income taxes paid		**(3 717)**	(258)
Net cash (utilised in)/generated from operating activities		**(2 047)**	2 315
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale	6	**112**	3 601
Purchase of property and equipment	10	**(886)**	(1 048)
Proceeds from disposal of properties and equipment		**170**	177
Purchase of intangible assets	11	**(2 644)**	(2 774)
Proceeds from disposal of intangible assets		**20**	—
Dividends received from investing activities		**152**	3
Proceeds from disposal of investment in associate		**12**	—
Net cash utilised in investing activities		**(3 064)**	(41)
Cash flow from financing activities			
Net contribution from/distribution to the Group in respect of equity-settled share-based payment[2]		**(176)**	424
Issue of Additional Tier 1 capital		**—**	1 209
Equity distribution to a subsidiary of Absa Group Limited		**—**	(42)
Proceeds from borrowed funds		**6 866**	2 676
Repayment of borrowed funds		**(2 381)**	(3 733)
Repayment of IFRS 16 lease liability		**(984)**	(975)
Distribution to Tier 1 capital holders		**(585)**	(589)
Dividends paid		**(242)**	(2 307)
Net cash generated from/(utilised in) financing activities		**2 498**	(3 337)
Net decrease in cash and cash equivalents		**(2 613)**	(1 063)
Cash and cash equivalents at the beginning of the reporting period		**8 783**	9 846
Cash and cash equivalents at the end of the reporting period	45	**6 170**	8 783

As part of operating activities, interest income amounting to **R71 289m** (2020: R71 843m); and interest expense amounting to **R32 539m** (2020: R40 275m) were received and paid in cash respectively.

[1] Net increase in other liabilities includes debt securities in issue and provisions.

[2] The description has been updated to clarify the nature of the line item.

Accounting policies

for the reporting period ended 31 December

1. Summary of significant accounting policies

1.1 Basis of preparation

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies comply with IFRS, interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

1.1.1 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.

1.1.2 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. An account will therefore cure if not in default (i.e., 90 days past due or other default criteria) for 12 months after the default date.
- ***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.

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 modeling 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 are as follows:

Product	31 December 2021 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)	(126)	(292)
Card	(112)	(632)	(744)
Personal Loans	(43)	372	329
Transactions and Deposits	(11)	134	123
Total	(166)	(941)	(1 107)

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

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

1.1.3 Basis of presentation

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out as follows. These policies have been consistently applied, except for accounting policy amendments as explained further in note 1.20. The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of Rand (Rm), which is the presentation and the functional currency of the Bank.

1.2 Process of determination, and use of estimates, assumptions and judgements

Impact of COVID-19

Consideration of the financial statements and further disclosures

The Bank has carefully considered the impact of COIVD-19 in preparing its financial statements for the year ended 31 December 2021. They key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

- Impact of COVID-19 (Page 16);
- Approach to credit risk and impairment of loans and advances (note 1.2.1);
- Assessment of impairment of non-financial assets (note 1.2.2); and
- Credit Risk disclosures (note 51)

1.2.1 Approach to credit risk and impairment of loans and advances

The Bank has an established framework, and related processes, which govern its approach to credit risk management and any resultant impairment of financial assets. Where models are used in quantifying the impairments, the governance process is focused around the Absa Bank Limited Models Committee (MC) (a board committee) and Business Unit level model approval forums whose remit includes:

- oversight of the development, implementation and evaluation of risk and impairment models;
- oversight of the inception and periodic independent model validations (the frequency of the periodic validation being dependent on model type, materiality and model risk rating);
- the approval of new models, changes to existing models or continued use of models, in line with the Group Model Risk Policy and supporting Standards; and
- approval of overlays to mitigate model deficiencies (post-model adjustments).

Retail impairment allowances are subject to quarterly impairment adequacy reviews and approval by the Retail Impairment Adequacy Forum. Wholesale impairment allowances are subject to monthly impairment adequacy reviews and approval by the Wholesale Impairment Governance Forum.

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment under IFRS 9.

1.2.1.1 Approach to credit modeling/internal ratings

The key objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Bank is exposed. Integral to this is the calculation of parameters which are used for credit risk management purposes and in the calculation of regulatory capital, economic capital and the determination of impairment in terms of IFRS.

The key credit parameters used in this process are:

- probability of default (PD): the likelihood of a customer defaulting on its obligations within the appropriate outcome period;
- exposure at default (EAD): an estimate of the level of credit exposure should the customer default during the appropriate outcome period; and
- loss given default (LGD): an estimate of the percentage of EAD that will not be recovered on a particular credit facility should the customer default during the outcome period. LGD recognises credit risk mitigation, such as collateral or credit derivatives, unless this mitigation has been recognised at fair value.

Whilst there is a close interaction and clear overlaps between the regulatory expected loss methodology and the accounting credit models, there are key departures which impact how the key risk parameters are modelled and applied. These are discussed further in sections 1.2.1.4 and 1.2.1.5. Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The Bank uses different modeling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications.

For example, PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a point-in-time (PIT) basis, reflecting the predicted default frequency in the next 12 months for a particular period in the credit cycle. EAD and LGD estimates can be calculated as downturn measures, reflecting behaviour observed under stressed economic conditions, or as business-as-usual measures, reflecting behaviour under normal conditions.

These parameters are used for the following credit risk management purposes:

- Credit approval: PD models are used in the approval process in both Retail and Wholesale portfolios. In high-volume Retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In Wholesale and certain Retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: Regulatory capital, economic capital and earnings volatility measures are used in the Bank's risk appetite framework.
- Economic capital calculations: Credit economic capital calculations use PD, LGD and EAD inputs.
- Risk profile reporting: Credit risk reports for senior management make use of model outputs to describe the Bank's credit risk profile.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.2 Validation of models

Models undergo independent validation when new models have been developed (initial validation) and on a periodic basis (ongoing validation). Models are approved by the respective Chief Risk Officers supported by the Business Unit level model approval forums. Where a model is expected to have a material impact on the financial results, this is approved by the Group's Models Committee (MC).

The Bank uses two types of PDs, namely:

- The Through-the-Cycle (TTC) PD, which reflects the Bank's assessment of the borrower's long-run average propensity to default in the next year; and
- The Point-in-Time (PIT) PD, which calculated factoring the current economic, industry and borrower circumstances.

Both types of PDs are used extensively in the Bank's decision-making processes. For communication and comparison purposes, the Bank's 21 default grades (DGs), were mapped to external agency rating equivalents as well as the South African Reserve Bank's (SARB) 26 grade PD scale used for regulatory reporting purposes.

DG grading represents a TTC view of the distribution of the book at a specific point in time. The indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described below:

- **DG 1 – 9:** assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BBB- rating or better.
- **DG 10 – 19:** financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Assets in this category, although credit protection may exist for them, are potentially weaker credits. These assets contain some credit deficiencies. When converted to a rating agency equivalent, these ratings correspond to a BB+ to B- rating.
- **DG 20 – 21:** the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review, or are classified within default. Assets so classified must have well defined weaknesses that exacerbate the PD.
- **Default:** assets classified as in default are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Bank will sustain some loss when default occurs.

1.2.1.4 Approach to impairment of credit exposures

The accounting policy for the impairment of financial assets held at amortised cost or fair value through other comprehensive income applied by the Bank is described in note 1.7.4.

The measurement of ECL involves a significant level of complexity and judgement, including estimation of probabilities of default, LGD, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of EAD and assessing significant increases in credit risk.

The purpose of estimating ECL is neither to estimate a worst-case scenario nor to estimate the best-case scenario. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modeling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

Under IFRS 9, the Bank recognises ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12 month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2 is based on whether there has been a significant deterioration in credit risk. This is a relative measure, where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument. Exposures are classified within stage 3 if they are credit impaired.

For IFRS 9 purposes, two distinct PD estimates are required:

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

For the purposes of credit modeling under IFRS 9, the PD is calculated on a PIT basis and reflects the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default. PIT PDs do not equate to a long-run average. This is a key distinction between the IFRS 9 ECL models and the Bank's Basel III models. Under Basel III, the PD is the average of default within the next 12 months, calculated based on the long-run historical average over the full economic cycle (that is, TTC).

IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when the Bank believes there to be no reasonable expectation of recovery. The Bank has well-governed internal policies, which define how an individual account should be assessed for write-off, and which ensure that post write-off recoveries remain insignificant over the long-run. Further, the policies are recalibrated over time, as and when actual recovery experience changes. Whilst the Bank's write-off policy determines the point of derecognition at an individual account level, it also impacts the level of recoveries modelled on a collective basis for the purposes of determining LGDs to be applied at a portfolio level. Under IFRS 9, the Bank applies the write-off assumptions consistently at both an individual account level and on a collective modeling basis. This means that the Bank's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries which are therefore forecast to be received post the point of write-off are excluded from the LGD model. Recoveries of amounts previously written off are recognised as an ECL gain in the statement of comprehensive income as and when the cash is received.

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

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

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.4 Approach to impairment of credit exposures (continued)

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

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital, economic capital and IFRS 9 ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are based on historical experience and are reliant on historical data.
- PDs are assigned at account level, and consist of three elements, namely:
  - a term structure, capturing typical default behaviour by the months since observation;
  - a behavioural model which incorporates client level risk characteristics; and
  - a macroeconomic model that incorporates forward-looking macroeconomic scenarios.
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Wholesale portfolio

The Wholesale rating process relies both on internally developed PD, EAD and LGD rating models and vendor provided solutions. The Wholesale rating process relies on quantitative and qualitative assessments that could be manual or automated. Wholesale PDs and LGDs are modelled using the parameters from regulatory models as starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

- PD ratings are assigned on a customer level. Information used in the calculation of customer PD ratings includes financial statements, projected cash flows, equity price information, behavioural information as well as quality assessments on strength of support. In converting Basel III compliant PDs to PDs appropriate for the purposes of IFRS 9, the main adjustments effected comprise:
  - a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions, thereby adjusting the PD from a seven-year historical average to a PD reflective of the macro-economic environment at the reporting date; and
  - an adjustment to the regulatory PD to convert it from a PD over 12 months, to a PD over the lifetime of an exposure, to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.
- LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process. LGD models are based on internal and external loss data and the judgement of credit experts. The main adjustments to LGD comprise a macro-economic adjustment that changes the long-run LGD to reflect a given macro-economic scenario as well as the exclusion of forecast recoveries expected beyond the point of write-off. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default, as well as the value of associated collateral at that point in time.
- EAD models aim to replicate the expected utilisation of a customer's facility should a default occur. EADs are assigned for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

COVID-19 considerations

- Please refer to the detail under the 'Impairment losses pre- and post-management adjustments' section included in the '*Impact of COVID-19*' section on page 16.

1.2.1.5 Critical areas of judgement with regards to IFRS 9

Definition of a significant increase in credit risk:

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

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition. The Bank considers the impact of changes in the quality of credit enhancements (e.g. guarantees) it holds on the borrower's probability of default if a shareholder or parent has provided a guarantee, and has an incentive and the financial ability to prevent default by capital or cash infusion;
- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. one day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria; and
- The Bank's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

The impact of COVID-19 on PDs and LGDs, as well as the provision of payment relief, are considered to determine whether a SICR event, which would result in a shift in the exposure from stage 1 (12-month expected losses) to stage 2 (full lifetime expected losses), has taken place. Where payment relief has been provided, deferred or reduced payments could not be considered in determining whether a SICR has occurred. All available information is considered, including, whether a client is experiencing a short-term liquidity constraint, the respective industry and the anticipated arrears in a COVID-19 environment.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.5 Critical areas of judgement with regards to IFRS 9 (continued)

Definition of credit impaired:

Assets classified within stage 3 are considered to be credit impaired, which, as discussed in 1.2.1 applies when an exposure is in default. Important to the Bank's definition of default is the treatment of exposures which are classified as within forbearance. Forbearance is a concession granted to a counterparty for reasons of financial difficulty that would not otherwise be considered by the Bank. The definition of forbearance is not limited to measures that give rise to an economic loss (that is, a reduction in the counterparty's financial obligation).

Wholesale, Retail and assets are classified as defaulted when:

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

In addition, within the Retail portfolios:

- The Group requires an exposure to reflect a non-credit impaired status after 12 months of being placed into credit impaired, before being considered to have cured from stage 3. This probation period applies to all exposures, including those that have been classified as credit impaired for reasons other than forbearance with a diminished financial obligation and debt review (e.g. owing to the fact that they become more than 90 days due).
- The application of the policy of credit impaired in the Retail portfolio has changed in the 2021 financial year. Please refer to the change in estimates note 1.1.2 for an explanation of the change.

Determination of the lifetime of a credit exposure:

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

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

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

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

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

Incorporation of forward-looking information into the IFRS 9 modeling:

The Bank's IFRS 9 impairment models consume macroeconomic information to enable the models to provide an output that is based on forward-looking information. The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

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 has 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 Bank'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.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.5 Critical areas of judgement with regards to IFRS 9 (continued)

Incorporation of forward-looking information into the IFRS 9 modeling: (continued)

The following table shows the key forecast assumptions used for South Africa to calculate the Bank'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 policy 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 Bank'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 policy 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

Baseline scenarios 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 modeling, 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 modeling, the Bank 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 modeling 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.

1.2.2 Capitalisation, amortisation and impairment of internally generated intangible assets, and impairment of goodwill

Capitalisation

The determination of which expenditures can be capitalised in the development phase may involve judgement, as it may be necessary to determine whether an inefficiency has been identified, as the cost thereof may not be capitalised. Management considers scope changes, complexity of the project, as well as the effect of any delays in the delivery of a project, in order to ascertain the appropriateness of capitalisation of development costs. This includes the determination as to whether, and by how much, cost incurred on a project is considered inefficient and needs to be expensed rather than capitalised.

Amortisation

For intangible assets with a finite useful life, the depreciable amount of the asset is required to be allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Management applies judgement in determining when the intangible asset is considered to be in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation of an asset commences once the asset group as a whole is ready to commence operations, and determination of this stage in the project delivery involves management judgement.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.2 Capitalisation, amortisation and impairment of internally generated intangible assets, and impairment of goodwill (continued)

Impairment

The recoverable amount for intangible assets and goodwill is determined to be the higher of the asset's fair value less costs to sell and its value-in-use.

The value-in-use calculation incorporates a number of variables which are determined and/or validated through the exercise of management judgement. These include, inter alia, an estimate of the amount and timing of future cash flows that the entity expects to derive, the time value of money represented by an appropriate discount rate, as well as other factors that market participants would reflect in pricing the future cash flows that the entity expects to derive.

The Bank uses approved projected cash flow forecasts for a period of three to five years, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations were revised from 8.1% as at 31 December 2020 to 6% as at 31 December 2021. The discount rates used have been adjusted from 13.5% as at 31 December 2020 to 14% as at 31 December 2021. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised.

Note 11 includes details of the amount recognised by the Bank as goodwill and intangible assets.

1.2.3 Fair value measurements

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available in the market. Only where these are unavailable should fair value techniques be applied which employ less observable inputs. Unobservable inputs may only be used where observable inputs or less observable inputs are unavailable. IFRS 13 *Fair Value Measurement* (IFRS 13) does not mandate the use of a particular valuation technique but rather sets out a principle requiring an entity to determine a valuation technique that is appropriate in the circumstances for which sufficient data is available and for which the use of relevant observable inputs can be maximised. Where management is required to place greater reliance on unobservable inputs, the fair values may be more sensitive to assumption changes and different valuation methodologies that may be applied. For this reason, there is a direct correlation between the extent of disclosures required by IFRS 13 and the degree to which data applied in the valuation is unobservable.

Valuation inputs

IFRS 13 requires an entity to classify fair values according to a hierarchy that reflects the significance of observable market inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input which is considered to be significant to the entire measurement. The three levels of the fair value hierarchy are specifically defined as follows:

- **Quoted market prices – Level 1**
  Fair values are classified as Level 1 if they have been determined using unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent 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**
  Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. 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 (that is, they are unobservable inputs). An input is deemed to be 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 as well through employing other analytical techniques.

Financial assets and financial liabilities

The Bank has an established control framework with respect to the measurement of fair values. The framework includes a Traded Risk and Valuation Committee and an Independent Valuation Control team (IVC), which is independent from the front office. The Traded Risk and Valuation 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 GACC. The Traded Risk and Valuation 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 independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from independent external 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 independent external sources to measure the fair value which supports conclusions that valuations are performed in accordance with IFRS and internal valuation policies.

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 with reference to quoted market prices for similar instruments or, in the case of certain instruments, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.3 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments (continued)

- ***Equity instruments***
  Equity instruments are valued based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined with 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, depending on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price to earnings comparisons. The relevant methodology for each investment 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 pricing models.
- ***Loans and advances***
  The fair value of loans and advances to banks and customers is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.
- ***Deposits, debt securities in issue and borrowed funds***
  Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives.

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.

Fair value adjustments

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

- ***Bid-offer valuation adjustments***
  For assets and liabilities where the Bank is not a market maker, mid-prices are adjusted to bid and offer prices respectively unless the relevant mid-prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. 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 the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Bank 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.
- ***Uncollateralised derivative adjustments***
  A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, as well as the cost of funding across all asset classes.
- ***Model valuation adjustments***
  Valuation models are reviewed under the Bank's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review at least annually.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.3 Fair value measurements (continued)

Measurement of assets and liabilities 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
Derivative assets		
Commodity derivatives	Discounted cash flow techniques, option pricing models such as the Black Scholes model, 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 option pricing models, such as the Black Scholes model	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot share prices, market interest rates, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Interest rate curves, repurchase agreements, money market curves and/or volatilities
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances	Discounted cash flow models	Interest rates and/or money market curves
Investment securities	Discounted cash flow models	Underlying price of market traded instruments and/or interest rate curves
Deposits	Discounted cash flow models	Interest rates and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments and/or interest rate curves

1. Summary of significant accounting policies (continued)
1.2 Process of determination, and use of estimates, assumptions and judgements (continued)
1.2.3 Fair value measurements (continued)

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 unobservable inputs applied	2020 Range of unobservable inputs applied
Loans and advances	Discounted cash flow and/or dividend yield models	Credit spreads	**1.4% to 3.7%**	0.07% to 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 comparator multiples	**Discount rate of 8.5%**	Discount rate of 7.75% to 8%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.04% to 4.55%**	0.2% to 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% to 4.502%, 15% to 93.2%, 54% to 100%**	0.03% to 26.5%, 15% to 93%, 60% to 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**17.77% to 68.49%**	16.9% to 58.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**0.88% to 20%**	0.56% to 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% to 7.3%**	0.25% to 4.15%
Deposits	Discounted cash flow models	Absa Africa Group Limited's funding spreads (greater than 5 years)	**1.15% to 1.6%**	1.075% to 1.550%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.15% tp 1.6%**	1.075% to 1.550%

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 applied. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. Where instruments mature in less than five years, these inputs may be 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, refer to note 50.7.

The sensitivity of a fair value measurement is correlated with the extent of reliance which is required to be placed on 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).

1. Summary of significant accounting policies (continued)
1.2 Process of determination, and use of estimates, assumptions and judgements (continued)
1.2.4 Consolidation of structured or sponsored entities

The Bank consolidates entities over which it has control. This is considered to be the case when the Bank is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In some cases, judgement has been applied in determining first, whether an entity meets the definition of a structured or sponsored entity, and second, whether the Bank controls such entity. The key judgements are set out as follows:

Definition of a structured entity (SE)

SEs are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. These SEs are consolidated when they are controlled by the Bank. Judgement is required in assessing whether an entity is an SE, as well as in determining whether the Bank controls the SE. Refer to note 1.3.3 where the factors considered when assessing whether an SE is to be consolidated are outlined.

Assessment of agent versus principal

Acting as an agent, the Bank is primarily engaged to act on behalf and for the benefit of other parties. When assessing whether the Bank is acting as a principal or as an agent for an investee the judgement is made based on the following factors:

- scope of our decision-making authority over the investee;
- any rights held by other parties such as kick out rights;
- exposure to variability from returns of an interest more than 20%; and
- the remuneration to which the Bank is entitled.

Assessment of sponsored entities

In addition to the unconsolidated SEs in which the Bank has an interest, it also sponsors some unconsolidated SEs in which it has no interest, generally to facilitate client transactions. For the purposes of these disclosures, the Bank sponsors an entity when:

- it is the majority user of the entity;
- its name appears in the name of the entity or on the products issued by the entity;
- it provides implicit or explicit guarantees of the entity's performances; or
- it led the formation of the entity.

Refer to notes 39 and 42.

1.2.5 Post-retirement benefits

The valuations of and contributions towards the defined benefit pension plan is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

Exposure to actuarial risks

The defined benefit fund exposes the Bank to the risk that the benefits promised in the various funds cost more than the accumulated assets set aside to meet such benefits, and ultimately will require additional funding from the Bank.

This risk can be categorised into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The actuarial funding valuations make assumptions about the returns that may be available on invested assets. If the return on pension plan assets is below this rate, it may lead to a strain on the fund, which over time, may result in a pension plan deficit. Typically the funds have a relatively balanced investment in equity securities, debt securities, cash and real estate to mitigate any concentration risk. Due to the long-term nature of the pension plan liabilities, the boards of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to improve the return generated by the fund. This may in turn result in improved discretionary benefits to members or reduced costs for the sponsoring entity.

Inflation/pension increase risk

Benefits in these plans are to some extent tied to inflation, so increased inflation levels represent a risk that could increase the costs of paying the funds' promised benefits. However, the risk is mitigated by ceilings on mandatory benefit increases in most cases and subject to affordability in cases where the mandatory ceiling does not apply.

Longevity risk

If pensioners live longer than expected then that will, all else equal, increase the funds' liabilities as benefits are paid for a longer term.

Salary risk

An increase in the salary of the plan participants will increase the plan's liability. This risk has been limited with the closure of the defined benefit part of the plans and the introduction of the defined contribution element. There are now a limited number of active defined benefit members.

Although the Absa Pension Fund has in its entirety been disclosed as a defined benefit plan, the defined contribution portion thereof does not retain salary risk.

Measurement risk

The IAS 19 *Employee Benefits* (IAS 19) liabilities are determined using various assumptions about future experience.

One of the most important assumptions is the discount rate derived from prevailing bond yields where these are available (where these are not available, the inflation rate plus a reasonable risk-free real return is used as a proxy). A decrease in the discount rate will, with all else equal, increase the plan liability; this may be partially offset by an increase in the value of assets, to the extent that the funds' investments are matched against its liabilities. Other important assumptions are the inflation assumption, pension increase assumption and the longevity assumption and changes in those could affect the measured value of liabilities significantly. Changes in other assumptions used could also affect the measured liabilities.

Regulatory risk

The funds' benefits are governed by the rules of those funds, operating within the regulatory framework within South Africa. In particular, regulations introducing issues like minimum benefits or minimum pension increases may result in higher benefits to members and a higher associated cost.

Refer to note 37 for the specific assumptions used and carrying amounts of post-retirement benefits.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.6 Provisions

In terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), a provision is recognised when the Bank has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made. Various assumptions are therefore required in order to determine if a provision is required to be recognised, and further, the carrying amount thereof. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the Bank's legal counsel.

Refer to note 16 for details of provisions recognised and refer to note 44 for details of contingencies disclosed.

1.2.7 Income taxes

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

The Bank periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes tax liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The carrying amount of any resulting liabilities will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Bank in order to utilise the deferred tax assets in the medium term.

1.2.8 Share-based payments

The initial fair value of awards is determined at grant date, and is measured after taking into account all terms and conditions of the share incentive scheme, excluding non-market vesting conditions. In the case of certain schemes, options are granted to employees with a zero strike price. In this case the Bank may consider the share price on the grant date to be the best indication of the grant date fair value. Where management determines this valuation approach to be less appropriate, based on the specific terms and conditions, then a Black Scholes option pricing model is applied. Significant inputs into this pricing model include the risk-free discount rate, share price volatility, as well as an expectation of future dividends.

The cumulative expense recognised at each reporting date will reflect the extent to which the vesting period has expired as well as the Bank's best estimate of the number of equity instruments that will ultimately vest. A key assumption applied is staff turnover and expected forfeitures. Management calibrates this assumption based on historical data.

In the case of cash-settled share-based payment schemes, where fair value is required to be determined at each reporting date, a consistent fair value methodology is applied. The fair value of the awards at each reporting date will impact the expense recognised over each reporting period.

Note 46 includes details of the Bank's share awards. Refer to note 15 for the carrying amount of liabilities arising from cash-settled arrangements.

1.2.9 Offsetting financial assets and financial liabilities

The Bank offsets certain financial assets and liabilities, when it has a legal right to offset and there is an intention to settle these financial instruments on a net basis. When determining whether it is appropriate to offset financial assets and liabilities, the following judgement is applied:

- In determining whether the Bank has a legally enforceable right to offset financial assets and financial liabilities, the Bank considers the terms of the contractual arrangement as well as the applicable common law principles. The application of these common law principles is sometimes subject to a significant degree of interpretation. In these instances, management will seek the advice of legal counsel.
- Management carefully considers past practice in determining whether there is an intention to settle a financial asset and a financial liability on a net basis. For example, customer accounts could be offset before the customer enters into a process of liquidation or customer accounts could be offset when the customer exceeds the limit of the facility granted. Management also evaluates whether the customer's accounts are managed on a net basis which would support the view that there is an intention to settle on a net basis.

The above are considered to ensure the Bank's financial assets and liabilities are presented accurately in accordance with the characteristics of the items in question as resources or obligations of the entity. Refer to note 40.

1. Summary of significant accounting policies (continued)

1.3 Consolidated financial statements of the Bank

1.3.1 Subsidiaries

The Bank controls and hence consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power exists where the Bank has existing rights that give it the current ability to direct the relevant activities of the investee (i.e. the activities that most significantly affect the entity's returns). These requirements apply to all entities, including voting right entities (also commonly known as operating entities) and structured entities.

Only substantive rights, and not protective rights, are considered when assessing power. For rights to be substantive, the party must have the practical ability to exercise those rights, and such rights must not be protective in nature. Protective rights are designed at inception to protect the interests of the holder against future risks without giving that party participative power over the entity, and hence that party cannot at inception have power or prevent another party from having power over the entity.

The Bank does consolidate a number of investees in which it holds less than majority of the voting rights, owing to the fact that voting rights are not the dominant factor in determining who controls the entity. These consolidated investees are typically structured entities. Factors that have been considered by the Bank in reaching this decision are
as follows:

- The commercial rationale for the inclusion of the structured entity within the given transaction structure;
- Risks to which the entity was designed to be exposed;
- Risks the entity was designed to pass on to the parties involved with the entity; and
- Whether the Bank is exposed to some or all of those risks.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control included above.

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Bank for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the investor.

1.3.2 Investments in associates and joint ventures

Associates are entities in which the Bank has significant influence, but not control, over its operating and financial policies. Generally the Bank holds more than 20%, but less than 50%, of the voting rights in associates. A joint arrangement is a contractual agreement between two or more parties to undertake an economic activity that is under joint control. Joint ventures are joint arrangements whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the entity.

The Bank's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each reporting period by the Bank's share of the post-acquisition profit (or loss). In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

Investments in associates and joint ventures are accounted for at cost less impairment in the separate financial statements of the investor.

1.3.3 Structured entities

An interest in a structured entity is any form of investment or arrangement which creates variability in returns arising from the performance of the structured entity for the Bank. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Bank, and in some cases financial guarantees and investment management fee agreements. At market, plain-vanilla interest rate swaps and derivatives that are determined to introduce risk to a structured entity are not considered to be an interest in an entity.

Depending on the Bank's power over the activities of the entity and its exposure to and ability to influence its returns from it, it may consolidate the entity. To the extent that the Bank has an interest in a structured entity that it does not consolidate, it provides the disclosures as required by IFRS 12 *Disclosures of Interests in Other Entities* (IFRS 12).

1.3.4 Common control

Common control transactions are considered as transactions between entities under common control. That is to say, the Bank controls the transferee and the transferor both before and after the business combination. Common control transactions may therefore include the following:

- Transferring businesses, including net assets, from one Group entity to another.
- Transferring investments in subsidiaries from one Group entity to another.
- Transferring assets and liabilities that do not constitute a business from one Group entity to another.
- Combinations of the above.

Common control transactions are scoped out of the requirements of IFRS 3 *Business Combinations* (IFRS 3). The Bank has therefore made a policy election to apply the predecessor accounting methodology when accounting for common control transactions. The assets and liabilities of the combining entities are not adjusted to fair value (as would be required under IFRS 3), but are reflected at their carrying amounts at the date of the transaction. The acquiring entity accounts for any difference between the consideration paid/transferred and the net asset value acquired as an adjustment to equity. No goodwill will be recognised as a result of the common control transaction.

The comparative statement of financial position and statement of comprehensive income are restated as if the entities had always been combined, regardless of the date of the transaction.

1.4 Segment reporting

The Bank's segmental reporting is in accordance with IFRS 8 *Operating Segments* (IFRS 8). Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Operating Decision Maker (CODM). All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office and inter-segment eliminations. Income and expenses directly associated with each segment are included in determining business segment performance.

1. Summary of significant accounting policies (continued)

1.5 Foreign currencies

1.5.1 Foreign currency translations

The Bank has foreign operations that are based outside of South Africa, and in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21), have a functional currency that is different from the Bank's presentation currency (that is, the Rand). A foreign operation is a subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity. In accordance with IAS 21, the functional currency is the currency of the primary economic environment in which an entity operates.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Rand operations are translated at the closing rate and items of income, expense and OCI are translated into Rand at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the Bank loses control, joint control or significant influence over the foreign operation or upon partial disposal of the operation.

1.5.2 Foreign currency transactions

A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction. The application of average exchange rates are permitted if they provide a reasonable approximation of the actual exchange rate (for example, in the case of foreign denominated interest income).

At each subsequent reporting date:

- foreign currency monetary amounts are reported using the closing rate;
- non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction;
- non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined.

1.6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

1.7 Financial instruments

1.7.1 Initial recognition

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date. All financial instruments are measured initially at fair value plus/minus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, where transaction costs are expensed upfront.

1.7.2 Day one profits or losses

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data. Any difference between the transaction price and a market observable fair value is recognised immediately in profit or loss.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

1.7.3 Classification and measurement of financial instruments

On initial recognition, the Bank classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent 'solely payments of principal and interest').

Business model assessment

The business model reflects how the Bank manages the financial assets in order to generate cash flows and returns. The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include (i) how the financial assets' performance is evaluated and reported to management, (ii) how the risks within the portfolio are assessed and managed and (iii) the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Bank considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the Bank considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3.1 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The Bank classifies its debt instruments into one of the following three categories:

- **Amortised cost** – Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as 'Effective interest' within 'Interest and similar income' using the EIR method. The carrying amount is adjusted by the cumulative ECL recognised.
- **Fair value through other comprehensive income** – This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, ECL and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to 'Gains and losses from banking and trading activities' in profit or loss. Interest income from these financial assets is included as 'Effective interest' within 'Interest and similar income' using the EIR method.
- **Fair value through profit or loss** – Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in 'Gains and losses from banking and trading activities' in profit or loss. The Bank may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as 'Gains and losses from banking and trading activities' or 'Gains and losses from investment activities' in profit or loss.

1.7.3.2 Equity instruments

IFRS 9 provides that at initial recognition, an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument in other comprehensive income, provided that the instrument is neither held for trading nor constitutes contingent consideration recognised in a business combination. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends, when representing a return on investment, continue to be recognised in profit or loss when the Bank's right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are required to be recognised at fair value through profit or loss. Gains and losses on equity instruments at fair value through profit or loss are recognised as 'Gains and losses from banking and trading activities' in profit or loss.

1.7.3.3 Financial liabilities

A financial liability may be designated at fair value through profit or loss if (i) measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) if the instrument belongs to a group of financial assets or financial liabilities that are managed on a fair value basis, in accordance with a documented risk management or investment strategy. The fair value designation is voluntary, but may only be applied at initial recognition and once applied cannot be reversed. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income, unless doing so would create or enlarge an accounting mismatch in profit or loss. In this case, own credit gains or losses are recognised in profit or loss. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss.

Where a financial liability has not been classified as held for trading or designated at fair value through profit or loss, it is held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the EIR of the liability. Interest expense is recognised as 'Interest expense and similar charges.' Terms included in a financial liability contract (the host) which, had it been a standalone contract, would have met the definition of a derivative are either separated from the host and accounted for in the same way as a derivative, or the entire contract is designated at fair value through profit or loss.

1.7.3.4 Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the statement of financial position. Derivatives are subsequently measured at fair value through profit or loss, with changes in their fair values recognised as 'Gains and losses from banking and trading activities' in profit or loss, except for changes in the fair value of derivatives used to economically hedge the Bank's interest rate risk which are recognised as 'Other interest income', or 'Other interest expense' in profit or loss.

1.7.4 Expected credit losses on financial assets

The Bank recognises ECL based on unbiased forward-looking information. ECL is recognised on all financial assets measured at amortised cost, lease receivables, debt instruments measured at fair value through other comprehensive income, loan commitments not measured at fair value and financial guarantee contracts not measured at fair value.

The Bank uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography or credit risk ratings, Credit losses are the present value of the difference between:

- all contractual cash flows that are due to an entity in accordance with the contract; and
- all the cash flows that the entity expects to receive.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3.3 Financial liabilities (continued)

Three-stage approach to ECL

IFRS 9 requires entities to recognise ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (hereafter referred to as 12 month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (hereafter referred to as lifetime ECL). In determining the forecast credit losses over the duration of an exposure, recoveries expected to be received post the designated point of write-off are excluded.

Interest is calculated on stage 1 and stage 2 assets based on the gross carrying amount of the asset, whilst interest income on stage 3 assets is calculated based on the net carrying value (that is, net of the allowance for impairment losses).

The stage allocation is required to be performed as follows:

- **Stage 1:** This stage comprises exposures which are performing in line with the Bank's credit expectations as at the date of origination. That is to say, the credit exposures which are assigned to stage 1 have not experienced a significant increase in credit risk since the date of initial recognition. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1. Exposures which were previously classified within stage 2 or stage 3, may also cure back to stage 1 in line with the Bank's credit risk management cure criteria. Whilst the standard does permit an accounting policy election to classify low credit risk assets within stage 1, such election has not been made by the Bank.
- **Stage 2:** Exposures are required to be classified within stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Bank's credit risk management practices. These factors have been set out in section 1.2.1.5. stage 2 assets are considered to be cured (i.e. reclassified back into stage 1), when there is no longer evidence of a significant increase in credit risk, and in accordance with the Bank's credit risk management cure criteria. The definition of high risk is, from a credit management perspective, central to controlling the flow of exposures back to stage 1 and gives effect to any cure periods deemed necessary.
- **Stage 3:** Credit exposures are classified within stage 3 when they are credit impaired, which is defined in alignment to the Bank's regulatory definition of default. An instrument is credit impaired when there is objective evidence of impairment at the reporting date. Purchased or originated credit impaired lending facilities are classified on origination within stage 3. Defaulted assets are considered to be cured once the original event triggering default no longer applies, and the defined probation period (that is, the required consecutive months of performance) have been met. In the Retail portfolio, the cure definition applied is quite stringent, and assets will typically only cure from stage 3 to stage 2, but won't move directly from stage 3 to stage 1. In the Wholesale portfolio assets can move from stage 3 directly to stage 1.

Expected credit loss calculation

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money (represented by the EIR); and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As noted ECL comprises the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECL is calculated (for both 12 months ECL and lifetime ECL) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible within the next 12 months, or over the remaining life, depending on the stage allocation of the exposure.
- LGD is calculated based on the difference between the contractual cash flows due and the cash flows expected to be received up until the designated point of write-off. These forecast losses are discounted to the reporting date based on the EIR, or, in the case of financial guarantee contracts or loan commitments for which the EIR cannot be determined, a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Lifetime of financial instruments

For exposures in stage 2 and stage 3, the maximum lifetime over which ECL should be measured, is the maximum contractual period over which the Bank is exposed to credit risk. The Bank estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Bank uses the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, ECL is measured over the period that the Bank is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Bank, this applies to overdrafts, credit cards and other revolving products. These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3.3 Financial liabilities (continued)

Forward-looking information

Forward-looking information is factored into the measurement of ECL through the use of multiple expected macro-economic scenarios that are either reflected in estimates of PD and LGD for material portfolios, or adjusted through expert credit judgement where the effects could not be statistically modelled.

Write-off

The gross carrying amount of a financial asset shall be directly reduced (that is, written off)) when the entity has no reasonable expectations of recovering it in its entirety, or a portion thereof. A write-off constitutes a derecognition event for accounting purposes. Depending on the nature of the account, balances are written off when:

- There has been less than one qualifying payment received within the last 12 months; or
- It is no longer economically viable to keep the debt on the statement of financial position.

A qualifying payment, for use in the write-off assessment, is defined as the minimum monthly contractual payment due.

Indicators which suggest that an account is not economically viable to retain on the statement of financial position are as follows (but do not represent an exhaustive list):

- The exposure is unsecured, i.e. there is no tangible security the Bank can claim against (excluding suretyships);
- The debt has prescribed;
- The exposure would attract reputational risk should the Bank pursue further legal action due to the valuation/exposure ratio, for example where the exposure is low and the valuation is very high in relation to the low exposure;
- Where the cost to recover is high in relation to the valuation of the asset, for example legal, realisation and safe-guarding cost and rates and taxes.

Under IFRS 9, the Bank applies the write-off assumptions consistently at both an individual account level and on a collective modeling basis. This means that the Bank's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries of amounts previously written off are recognised as an ECL gain in the statement of comprehensive income as and when the cash is received.

1.7.5.1 Derecognition of financial assets

In the course of its normal banking activities, the Bank makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Bank transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

1.7.5 Derecognition of financial assets and financial liabilities

1.7.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.7.6 Modification of financial assets and financial liabilities

1.7.6.1 Modification of financial assets

Modifications to financial assets are assessed as follows:

A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depend on whether the modification is done for commercial reasons or because of financial difficulty of the borrower.

- Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.
- When the Bank modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and any gain or loss is recognised in profit or loss as part of the total impairment loss.

1.7.6.2 Modification of financial liabilities

Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.7.7 Offsetting of financial assets and financial liabilities

In accordance with IAS 32, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.8 Hedge accounting

The Bank applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures as well as exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting and cash flow hedge accounting as appropriate to the risks being hedged. The Bank assesses on an ongoing basis whether the hedge has been highly effective. A hedge is regarded as highly effective only when offsetting changes in fair value or cash flows attributable to the hedged risk during the period are within a range of between 80% and 125%.

Hedge accounting is discontinued when a derivative is not highly effective as a hedge, is sold, terminated, exercised or where the forecast transaction is no longer highly probable to occur. The same applies if the hedged item is sold or repaid. Instruments that have been designated as hedging instruments are reported in a separate line on the statements of financial position at each reporting date.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. Prospective testing is based on the estimation of certain parameters to assess whether the hedging relationship will be effective or not. The estimation of these parameters is performed using best practice statistical forecasting and simulation methodologies based on current and historical market data. Resultant simulated hedging relationships are assessed by calculating a statistically based hedge effectiveness test criterion.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued prospectively. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss on the hedging instrument associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to profit or loss in the reporting periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

1.7.9 Equity instruments

Equity instruments are instruments that represent a residual interest in the Bank's net assets. The key feature which distinguishes an equity instrument from a financial liability is whether there is a contractual obligation of the issuer to deliver cash or another financial asset to the holder of the instrument.

1.7.10 Compound financial instruments

The Bank applies IAS 32 to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument. Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

1.7.11 Subordinated debt

The majority of subordinated debt is measured at amortised cost using the EIR method except where hedge accounting is applied.

1.7.12 Repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Bank obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Bank purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Bank may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability.

1.7.13 Loan commitments

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions.

Under IFRS 9, loan commitments are measured with reference to the quantum of ECL required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument. Financial guarantees are initially recognised at fair value on the date that the guarantee was given. Other than where the fair value option is applied subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss any fee income earned over the reporting period, and the amount of the loss allowance expected from the guarantee at the reporting date. Any increase in the liability relating to guarantees is recognised in profit or loss. For financial guarantee contracts the cash shortfalls are future payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity would expect to receive from the holder, the debtor or any other party.

1.8 Share capital

1.8.1 Ordinary share capital

Proceeds received upon the issuance of shares are included in equity, net of directly attributable transaction costs. Dividends and other distributions made to equity holders are recognised as a reduction in equity when they are appropriately authorised and are no longer at the discretion of the entity.

1.8.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the entity's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific future date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends which are therefore paid on these instruments are included in the cash flows applied in determining the EIR of the instrument. The accrual of dividends is presented as an interest expense in profit or loss.

1.9 Revenue recognition

1.9.1 Net interest income

Interest revenue which is calculated using the effective interest method is separately presented on the face of the statement of comprehensive income. Effective interest is calculated on loans and advances which are classified at amortised cost and debt instruments at fair value through other comprehensive income. Further, an effective interest expense is calculated on financial liabilities held at amortised cost. Application of the EIR methodology results in the recognition of interest, together with direct and incremental fees and costs, on a time portion basis over the expected lives of the assets and liabilities. The expected life of an instrument or a portfolio of instruments may be modelled as being shorter than the contractual tenor where historical experience suggests that customer prepayment behaviour impacts the forecasted cash flow profile.

The Bank also presents as part of net interest income, other interest income and other interest charges, which are not calculated on the effective interest method.

Impact of IFRS 9 ECL on interest recognition

IFRS 9 requires interest income to be calculated on stage 1 or stage 2 financial assets by multiplying the EIR by the gross carrying amount of such assets. Dissimilar to stage 1 and stage 2 assets, IFRS 9 requires interest income on stage 3 financial assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. In order to practically give effect to this requirement, the Bank first suspends the recognition of contractual interest, and second, multiplies the net carrying value by the EIR. Unrecognised interest (which is referred to as interest in suspense (IIS)) is the difference between the interest calculated on the gross carrying amount of the financial asset (that is, the interest charged), and the net interest amount, calculated based on the net carrying amount of the financial asset. In some instances, an entity may recover cash flows which are in excess of the cumulative interest previously suspended over the life of the instrument. The IIS recovered is presented as a gain within ECL.

1.9.2 Net trading income

In accordance with IFRS 9 trading positions are measured at fair value, with fair value gains and losses being recognised within profit or loss as part of 'gains and losses from banking and trading activities'. Interest and dividends which are received or paid as a consequence of issuing or holding instruments that are managed as part of the Bank's trading activities are presented together with the fair value gains and losses on such instruments. Fair value gains or losses may be caused by movements in interest and exchange rates, equity prices and other market variables.

Gains and losses on derivatives linked to investment contracts are recognised in 'gains and losses from investment activities'.

1.9.3 Net fee and commission income

Net fee and commission income is calculated by subtracting fee and commission charges from fee and commission income. Fee and commission income relates to revenue earned for the rendering of services and is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties, such as sales taxes, goods and service taxes and value added taxes. When the Bank is acting as an agent, amounts collected on behalf of the principal are not income. Only the net commission retained by the Bank is, in this case, recognised as income.

Fees and commission income earned in respect of services rendered are recognised on an accrual basis when the service is rendered, which is either over the period over which the performance obligation is discharged; or at a point in time, should the performance obligation be discharged at a point in time. For example, fees earned on the execution of a significant act are recognised when the significant act has been completed.

Fee and commission expenses are expenses which are direct and incremental to the generation of fee and commission income.

1.10 Commodities

The Bank may actively buy and sell metals, for both physical and financial settlement. Positions are principally acquired or incurred for the purpose of selling or repurchasing in the near term and for short-term profit taking. When dealing activities are executed in this manner the Bank is considered to be a broker-trader of commodities. Inventories held by broker-traders are outside the measurement scope of IAS 2 *Inventories* (IAS 2) and are accordingly measured at fair value less cost to sell (with any changes in fair value less cost to sell recognised in profit or loss). Commodities held under this business model are presented within trading and hedging portfolio assets, and fair value measurement changes are presented within gains and losses from banking and trading activities.

The fair value for commodities is determined primarily using data derived from markets in which the underlying commodities are traded.

1. Summary of significant accounting policies (continued)

1.11 Intangible assets

1.11.1 Goodwill

Goodwill recognised in a business combination under IFRS 3 is an asset which represents the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised. Goodwill does not generate cash flows independently of other assets or groups of assets, and often contributes to the cash flows of multiple cash-generating units.

Goodwill arises on the acquisition of subsidiaries and is measured on initial recognition as the excess of (a) over (b) below:

- The aggregate of:
  - the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value;
  - the amount of any non-controlling interest in the acquiree, also measured in accordance with IFRS 3; and
  - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

In accordance with the requirements of IAS 36, goodwill is tested for impairment on an annual basis, or more frequently when there are indications that impairment may have occurred. Impairment is tested by comparing the carrying amount of the cash-generating unit (CGU), including the goodwill, with the recoverable amount of the cash-generating unit. If the recoverable amount of the unit exceeds its carrying amount, the cash-generating unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognise an impairment loss.

1.11.2 Intangible assets other than goodwill

Intangible assets include brands, customer lists, internally generated software, and licences and are accounted for in accordance with IAS 38 *Intangible Assets* (IAS 38). Intangible assets may only be recognised when all of the requirements under IAS 38 are met. The asset, which is controlled by the entity, must be separately identifiable, reliably measurable, and it should be probable that future economic benefits will be derived from the asset. The asset is identifiable when it is either separable (that is, it is capable of being sold, transferred, licensed, rented or exchanged) or the asset should arise from contractual or other legal rights.

Development expenditure is capitalised only if development costs can be measured reliably, completion of development is technically and commercially feasible, the generation of future economic benefits is probable and the asset's capability of use can be demonstrated. Further, the Bank should have sufficient resources to complete development. The expenditure capitalised includes the cost of materials, staff costs, professional fees and overhead costs that are directly attributable to preparing the asset for intended use. Other development expenditure which does not meet the above requirements is recognised in profit or loss when the Bank has right of access to the goods or as the services are received.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the fair value at acquisition date) less amortisation and any provision for impairment. The assets are amortised over their useful lives in a manner that reflects the pattern in which they contribute to future cash flows, as set out in the following table.

Intangible assets are reviewed for impairment when there are indicators that impairment may have occurred. Should such an indicator exist, or in the instance that an intangible asset is not yet available for use, the asset is tested for impairment by comparing its carrying value with its recoverable amount. Any impairment loss identified is recognised immediately in profit or loss.

	Customer lists and relationships	Computer software development costs	Other
Useful lives	Finite	Finite	Finite
Amortisation method used	Amortised over the period of the expected use on a straight-line basis	Amortised over the period of the expected use from the related project on a straight-line basis	Amortised over the period of the expected use on a straight-line basis
Internally generated or acquired	Acquired	Internally generated	Acquired
Annual amortisation rate (%)	8 – 20	10 – 33	10

1.12 Property and equipment

1.12.1 Property and equipment not subject to lease agreements

Property and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are kept under review to take account of any change in circumstances. The Bank uses the following annual rates in calculating depreciation:

Item	Annual depreciation rate (%)
Computer equipment	14 – 25
Freehold property	2
Furniture and other equipment	10 – 15
Motor vehicles	25
Leasehold improvements	10 – 15

1. Summary of significant accounting policies (continued)

1.12 Property and equipment

1.12.1 Property and equipment not subject to lease agreements

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss within 'other operating expenses' in the reporting period that the asset is derecognised.

1.12.2 Property and equipment subject to lease agreements

1.12.2.1 Property and equipment subject to lease agreements

As lessee

Where the Bank is a lessee, a right-of-use asset and corresponding lease liability are recognised at the lease commencement date. The right-of-use asset is initially and subsequently measured at cost with depreciation recognised on a straight-line basis over the lease term. The right-of-use asset is included within 'property and equipment' in the statement of financial position. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if readily determinable, or the lessee's incremental borrowing rate. After the commencement date, a lessee shall measure the lease liability by increasing the carrying amount to reflect interest on the lease liability determined and reducing the carrying amount to reflect the lease payments made. Any revisions to in-substance fixed lease payments, reassessment or lease modifications will be reflected by re-measuring the carrying amount. Interest is recognised within net interest income and the lease liability is included within 'other liabilities' in the statement of financial position.

The lease payments in relation to short-term leases (leases with a lease term of 12 months or less at commencement date) and leases in which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

As lessor

Finance leases

A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Bank is the lessor, the leased asset is not held on the statement of financial position; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Finance income on the receivable is allocated over the lease term on a systematic basis so as to reflect a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Bank is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Bank recognises leased assets on the statement of financial position within property and equipment.

1.12.3 Investment properties

IAS 40 *Investment Property* applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation (or both). The Bank initially recognises investment properties at cost, and subsequently at fair value at each reporting date reflecting market conditions at the reporting date. Gains and losses on measurement are included in profit or loss, and presented within 'other operating income'.

1.13 Repossessed properties

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in 'other assets' as inventory as it is held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Bank. The corresponding loans are derecognised when the Bank becomes the holder of the title deed.

The properties acquired are initially recorded at cost, which is the lower of their fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. They are subsequently measured at the lower of the carrying amount or net realisable value. No depreciation is charged in respect of these properties. Any subsequent write-down of the acquired properties to net realisable value is recognised in the statement of comprehensive income, in operating income. Any subsequent increase in net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in 'other impairments'.

Gains or losses on disposal of repossessed properties are reported in 'other operating income' or 'operating expenses', as the case may be.

1.14 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Bank's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties, insurance assets and employee benefit assets, which continue to be measured in accordance with the Bank's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold.

Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

1.15 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises coins and notes, as well as demand deposits, while cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

1.16 Provisions, contingent liabilities and commitments

A provision is recognised to reflect a present obligation (legal or constructive) arising from a past event where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation. Further, the expected transfer of economic benefits must be reliably estimable.

A provision is recognised by the Bank to reflect the anticipated cost of restructuring when the general recognition criteria for a provision are met. In assessing whether a constructive obligation to restructure might exist the Bank assesses whether there is a detailed formal plan to execute the restructuring and the Bank has raised a valid expectation amongst those affected that such restructuring will be implemented.

1. Summary of significant accounting policies (continued)

1.16 Provisions, contingent liabilities and commitments (continued)

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

Under IFRS 9, the ECL calculated on financial guarantees and letters of credit are presented as provisions on the statement of financial position. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

1.17 Employee benefits

1.17.1 Post-retirement benefits

The Bank operates a number of pension schemes including defined contribution and defined benefit schemes.

Defined contribution schemes

The Bank recognises contributions due in respect of the reporting period in profit or loss. Any contributions unpaid at the reporting date are included as a liability.

Defined benefit schemes

The Bank recognises its obligation (determined using the projected unit credit method) to members of the scheme at the reporting date, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting date.

Costs arising from regular pension cost, interest on net defined benefit liability or asset, past service cost settlements are recognised in profit or loss.

All actuarial gains and losses are recognised immediately through OCI in order for the net defined benefit scheme asset or liability recognised in the statement of financial position to reflect the full value of the plan surplus or deficit, taking into account the asset ceiling.

Remeasurements of the net defined benefit liability (or asset, as the case may be) comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Interest is calculated by applying the discount rate to the opening net defined liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contribution and benefit payments.

Gains and losses on curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

Post-employment medical aid plans

The cost of providing healthcare benefits to retired employees is accrued as a liability in the financial statements over the reporting period that the employees provide services to the Bank, using a methodology similar to that for defined benefit pension schemes.

1.17.2 Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

Termination benefits result from either an entity's decision to terminate the employment or an employee's decision to accept an entity's offer of benefits in exchange for termination of employment.

1.17.3 Share-based payments

The Bank operates equity-settled and cash-settled share-based payment plans.

Employee services settled in equity instruments

The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

Recharge arrangements that exist between entities within the Bank do not impact the nature of the share-based payment transaction, and therefore do not affect the classification as either equity-settled or cash-settled. Bank entities account for intergroup recharges within equity.

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition.

1. Summary of significant accounting policies (continued)

1.18 Tax

1.18.1 Current tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the reporting period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period.

Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.18.2 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the reporting date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

1.18.3 Dividends withholding tax

The South African tax legislation provides that dividends are taxed at 20% in the hands of certain qualifying shareholders, rather than in the hands of the entity which declares such dividend. As such, where dividends are declared and paid by the Bank, the Bank does not recognise dividends tax.

1.18.4 Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the asset or expense; and
- receivables and payables that are stated with the amount of VAT included.

Non-recoverable VAT on operating expenditure is disclosed separately in 'other expenses' in profit or loss.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19 Reporting changes overview

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

1.19.1 Implementation of IFRS 16 *Leases* (IFRS 16)
1.19.2 Changes to reportable segments and business portfolios

1.19.1 Correction of prior period error and reclassifications

The Bank 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) 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) 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 Bank 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 Bank 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 Bank's comparability and relevance to its peers in the market. The impact of the restatement and combining the afore-mentioned items are disclosed below. The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to notes 7 and 16.

1. Summary of significant accounting policies (continued)

1.19 Reporting changes overview (continued)

	As previously reported	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
	31 December 2020			
Assets				
Loans and advances to banks	66 113	(14 612)	(51 501)	—
Loans and advances to customers	811 162	14 612	(825 774)	—
Loans and advances	—	—	877 275	877 275
Liabilities				
Deposits from banks	96 033	(6 536)	(89 497)	—
Deposits due to customers	794 887	6 536	(801 423)	—
Deposits	—	—	890 920	890 920

	As previously reported	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
	1 January 2020			
Assets				
Loans and advances to banks	44 993	(7 483)	(37 510)	—
Loans and advances to customers	794 382	7 483	(801 865)	—
Loans and advances	—	—	839 375	839 375
Liabilities				
Deposits from banks	119 477	(1 278)	(118 199)	—
Deposits due to customers	677 809	1 278	(679 087)	—
Deposits	—	—	797 286	797 286

1.19.2 Changes to reportable segments and business portfolios

- The Bank continued refining its cost allocation methodology, resulting in the below restatement of operating expenses between and within segments.
  - RBB changed to **R23 078m** (previously reported: R23 513m).
  - CIB changed to **R6 268m** (previously reported: R6 429m).
  - Head Office and Treasury operations changed to **R2 208m** (previously reported: R1 612m).
- 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 a reclassification from wholesale overdrafts to mortgages to align to the product offering of the respective segments
- The Bank restructured some of the business units within RBBSA, which had a resultant impact on the consolidation stripe reported within Head Office and Other operations. This resulted in a change in other assets and other liabilities, specifically loans to and from group companies between these two segments, with no change at a Bank 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 Bank. Refer to note 39.

1.20 New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but not yet effective for the reporting period and have not been applied in preparing these annual financial statements. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the Bank.

1.20.1 Amendment to IAS 16 *Property, Plant and Equipment* for proceeds received before intended use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

1.20.2 Amendment to IAS 37 *Onerous Contracts* – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

1.20.3 Amendments to IFRS 3 *Business Combinations* regarding the definition of a business

The Amendments to IFRS 3 intends to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework). The amendments are effective for annualreporting periods beginning on or after 1 January 2022, with earlier application permitted to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

1.20.4 Amendments resulting from annual improvements 2018 – 2020 Cycle for the following standards

The following changes are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

1.20.5 Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

1.20.6 Amendments to IAS 1 *Classification of liabilities as current or non-current*

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

1.20.7 Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 01 January 2023.

1.20.8 Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS *Practice Statement 2*. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

1.20.9 Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

	Bank 2021 Rm	Bank 2020 Rm
2. Cash, cash balances and balances with central banks		
Balances with the SARB	27 684	25 460
Coins and bank notes	6 067	8 352
	33 751	33 812

The minimum reserve balance to be held in cash with the SARB is calculated under the provision of Regulation 27 and cannot be utilised in the normal course of business. The balance is 2.5% of the adjusted liabilities as set out in Regulation 27. The required average daily minimum reserve balance must be held with the SARB from the fifteenth business day of the month, up to and including the fourteenth business day of the following month based on the latest BA 310 return submitted to the SARB.

	Bank 2021 Rm	Bank 2020 Rm
3. Investment securities		
Government bonds[1]	75 007	73 579
Listed equity instruments	1 158	535
Other debt securities[1]	9 100	15 264
Treasury bills	29 936	9 546
Unlisted equity and hybrid instruments	1 065	572
Gross investment securities	116 266	99 496
Impairment losses	(1)	(7)
	116 265	99 489

Government bonds of **R8 281m** (2020: R4 074m) which relate to repurchase agreements have been pledged with the SARB and other central banks.

Impairment losses relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R222m** (2020: R36m) has been recognised on investment securities at FVOCI.

	Bank 2021 Rm	Bank 2020 Rm
4. Trading and hedging portfolio assets		
Commodities	642	1 082
Debt instruments	68 725	57 102
Derivative assets (refer to note 48.3 and 48.4)	54 239	98 139
Commodity derivatives	920	627
Credit derivatives	142	159
Equity derivatives	8 581	4 994
Foreign exchange derivatives	10 090	22 534
Interest rate derivatives	34 506	69 825
Equity instruments	3 877	890
Money market assets	14 332	8 935
Total trading portfolio assets	141 815	166 148
Hedging portfolio assets (refer to note 48.3)	5 157	10 998
	146 972	177 146

Trading portfolio assets with carrying values of **R37 907m** (2020: R13 407m) and **R2 810m** (2020: R1 837m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers' acceptance notes.

[1] In December 2020, the Bank inadvertently disclosed some government bonds in other debt securities. As a result, government bonds have been restated from R65 157m to R73 579m and other debt securities have been restated from R23 686m to R15 264m.

Notes to the consolidated financial statements
for the reporting period ended 31 December

	Bank 2021 Rm	Bank 2020 Rm
5. Other assets		
Accounts receivable and prepayments	10 271	8 714
Deferred costs	154	179
Inventories	50	43
Cost	50	43
Write-down	—	—
Retirement benefit fund surplus (refer to note 34)	465	393
Settlement accounts	5 797	5 490
Gross other assets	16 737	14 819
Impairment losses	0	0
	16 737	14 819

	Bank 2021 Rm	Bank 2020 Rm
6. Non-current assets and non-current liabilities held for sale		
Non-current assets held for sale		
Balance at the beginning of the reporting period	136	3 706
Disposals	(93)	(3 685)
Impairment of an NCAHFS (refer to 29)	(1)	(17)
Transfer from property and equipment (refer to note 10)	15	132
Balance at the end of the reporting period	57	136

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R93m**.
- 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.

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

- RBB disposed of the Edcon loan book with a carrying amount of R3 685m.
- 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.

	Bank 2021 Rm	Bank 2020 Rm
7. Loans and advances		
Corporate overdrafts and specialised finance loans	20 479	13 778
Credit cards	34 694	34 060
Foreign currency loans	37 953	39 274
Instalment credit agreements	109 457	99 651
Finance lease receivables (refer to note 7.1)	3 529	3 892
Loans to associates and joint ventures (refer to note 38.5)	25 909	26 869
Micro loans	3 448	4 241
Mortgages[1]	353 272	327 090
Other advances	12 700	13 552
Overdrafts	43 542	43 845
Overnight finance[2]	26 579	29 652
Personal and term loans	58 950	54 497
Preference shares	27 450	25 100
Reverse repurchase agreements (carries)[2]	60 208	43 247
Wholesale overdrafts[1]	95 618	100 978
Gross loans and advances to customers[2]	913 788	859 726
Gross loans and advances to banks[2]	50 424	51 523
Gross loans and advances	964 212	911 249
Impairment losses	(31 437)	(33 974)
Impairment losses for loans and advances to customers	(31 387)	(33 952)
Impairment losses for loans and advances to banks	(50)	(22)
Net loans and advances	932 775	877 275

The Bank has securitised certain loans and advances to customers, the total value of these securitised assets is **R6 933m** (2020: R6 545m). Included above are collateralised loans of **R1 673m** (2020: R1 376m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly. The financial assets pledged under terms that usual and customary to such arrangements.

Other advances include working capital solutions and collateralised loans.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R3 277m** (2020: R4 091m).

Included above in Gross loans and advances to banks are reverse repurchase agreements of **R19 453m** (2020: R27 323m[1]) and other collateralised loans of **R24m** (2020: R59m) relating to securities borrowed.

	Bank 2021 Gross advances Rm	2021 Unearned finance charges Rm	2021 Net advances Rm	2020 Gross advances Rm	2020 Unearned finance charges Rm	2020 Net advances Rm
7.1 Finance lease receivables						
Maturity analysis						
Less than one year	169	(15)	154	1 007	(15)	992
Between one and five years	2 876	(176)	2 700	3 153	(312)	2 841
More than five years	817	(142)	675	86	(27)	59
Gross carrying amount	3 862	(333)	3 529	4 246	(354)	3 892

The Bank enters into finance lease contracts in respect of motor vehicles, equipment and medical equipment.

The majority of these agreements are denominated in South African Rand and the average term entered into is five years.

Under the terms of the agreements, no contingent rentals are payable.

Unguaranteed residual values of finance leases are **R1 781m** (2020: R1 972m).

[1] These numbers have been restated, refer to note 1.19.2.
[2] These numbers have been restated, refer to note 1.19.1.

Notes to the consolidated financial statements
for the reporting period ended 31 December

	Bank 2021 Rm	Bank 2020 Rm
8. Loans to group companies		
Gross loans to group companies	76 979	56 347
Impairment losses	(246)	(202)
	76 733	56 145

Refer to Related parties, note 38 for further details on the gross loans to Group companies.

	Bank 2021 Rm	Bank 2020 Rm
9. Investments in associates and joint ventures		
Unlisted investments	1 593	1 601
9.1 Movement in carrying value of associates and joint ventures accounted for under the equity method		
Balance at the beginning of the reporting period	1 601	1 648
Share of current reporting period post-tax results	132	(36)
Share of current reporting period results before taxation	183	(44)
Taxation on reporting period results	(51)	8
Disposal of investment	(11)	—
Dividends received	(140)	—
Reversal/(impairment) in investments (refer to note 29)	11	(11)
Balance at the end of the reporting period	1 593	1 601

9.2 Associates and joint ventures

The following information is presented in respect of associates and joint ventures accounted for under the equity method:

Bank share	Associates 2021 Rm	Associates 2020 Rm	Joint ventures 2021 Rm	Joint ventures 2020 Rm
Post-tax profit/(losses) from continuing operations	21	25	111	(61)
Total comprehensive income	21	25	111	(61)

	Bank 2021 Rm	Bank 2020 Rm
9.3 Analysis of carrying value of associates and joint ventures accounted for under the equity method		
Unlisted investments		
Shares at cost less impairments	89	89
Share of post-acquisition reserves	1 387	1 395
Additional capital contribution	117	117
	1 593	1 601

9. Investments in associates and joint ventures (continued)

	Bank					
	2021			2020		
	Associates Rm	Joint ventures Rm	Total Rm	Associates Rm	Joint ventures Rm	Total Rm
9.4 Carrying value of associates and joint ventures						
Equity accounted	422	1 171	1 593	402	1 199	1 601
Designated at fair value through profit or loss	—	209	209	—	275	275
	422	1 380	1 802	402	1 474	1 876

The investments in associates and joint ventures designated at fair value through profit and loss are presented within unlisted equity instruments under 'Investment Securities' (note 3).

Refer to note 38.5 for additional disclosure of the Bank's investments in associates and joint ventures.

	Bank					
	2021			2020		
	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm
10. Property and equipment						
Computer equipment	6 726	(5 098)	1 628	7 580	(5 286)	2 294
Freehold property	4 713	(308)	4 405	4 875	(337)	4 538
Furniture and other equipment	8 636	(4 713)	3 923	8 973	(4 412)	4 561
Motor vehicles	6	(3)	3	4	(3)	1
Right-of-use assets	5 064	(2 641)	2 423	4 297	(1 768)	2 529
	25 145	(12 763)	12 382	25 729	(11 806)	13 923

10. Property and equipment (continued)

Bank

2021

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers to/(from) intangible assets Rm	Transfer to non-current assets held for sale Rm	Foreign exchange move-ments Rm	Depre-ciation Rm	Impairment Rm	Closing balance Rm
Computer equipment	2 294	417	(32)	(16)	—	—	—	(980)	(55)	1 628
Freehold property	4 538	293	(14)	(388)	—	(15)	—	(9)	—	4 405
Furniture and other equipment	4 561	173	(30)	404	—	—	—	(1 048)	(137)	3 923
Motor vehicles	1	3	—	—	—	—	—	(1)	—	3
Right-of-use assets	2 529	769	—	—	—	—	—	(875)	—	2 423
	13 923	1 655	(76)	—	—	(15)	—	(2 913)	(192)	12 382
Note		33			11	6		28	29	

2020

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers to/(from) intangible assets Rm	Transfer to non-current assets held for sale Rm	Foreign exchange move-ments Rm	Depre-ciation Rm	Impairment Rm	Closing balance Rm
Computer equipment	3 151	535	(9)	(1)	40	—	—	(1 271)	(151)	2 294
Freehold property	5 130	230	(109)	(559)	—	(124)	—	(9)	(21)	4 538
Furniture and other equipment	4 783	283	(4)	560	—	(8)	1	(1 008)	(46)	4 561
Motor vehicles	2	—	(1)	—	—	—	—	—	—	1
Right-of-use assets	2 522	885	—	—	—	—	—	(878)	—	2 529
	15 588	1 933	(123)	—	40	(132)	1	(3 166)	(218)	13 923
Note		33			11	6		28	29	

Included in the above additions is **R283m** (2020: R226m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

R388m (2020: R559m) of assets under construction relating to computer equipment and furniture and other equipment was brought into use during the reporting period. There were no assets under construction relating to freehold property were brought into use during the reporting period (2020: R2m).

R15m (2020: R132m) of certain property and equipment was transferred to non-current assets held for sale due to a change in the use of the assets.

During the prior reporting period, a decision was made to dispose of certain property and equipment.

	Bank 2021 Cost Rm	2021 Accumulated amortisation and/or impairments Rm	2021 Carrying value Rm	2020 Cost Rm	2020 Accumulated amortisation and/or impairments Rm	2020 Carrying value Rm
11. Goodwill and intangible assets						
Computer software development costs	14 358	(4 072)	10 286	12 296	(2 807)	9 489
Goodwill	149	(37)	112	149	(37)	112
Other	30	(22)	8	70	(45)	25
	14 537	(4 131)	10 406	12 515	(2 889)	9 626

Bank

2021

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers (to)/from PPE Rm	Closing balance Rm
Computer software development costs	9 489	3 172	—	(10)	(2 221)	(144)	—	10 286
Goodwill	112	—	—	—	—	—	—	112
Other	25	—	—	(11)	(6)	—	—	8
	9 626	3 172	—	(21)	(2 227)	(144)	—	10 406
Note					28	29	10	

2020

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers (to)/from PPE Rm	Closing balance Rm
Computer software development costs	8 722	2 774	35	(10)	(1 798)	(191)	(43)	9 489
Goodwill	112	—	—	—	—	—	—	112
Other	29	—	—	—	(7)	—	3	25
	8 863	2 774	35	(10)	(1 805)	(191)	(40)	9 626
Note					28	29	10	

The majority of computer software development costs were internally generated with the remainder externally acquired of **R177m**. Included in computer software development costs is **R4 135m** (2020: R3 171m) relating to assets under construction.

R1 531m (2020: R3 788m) of assets under construction relating to computer software was brought into use during the reporting period.

Included in 'Other' intangible assets is brands and licences.

	Bank 2021 Rm	2020 Rm
Composition of goodwill		
Absa Vehicle and Management Solutions Proprietary Limited	112	112
	112	112

12. Deferred tax

12.1 Reconciliation of net deferred tax (asset)/liability

	Bank 2021 Rm	2020 Rm
Balance at the beginning of the reporting period	(2 022)	(1 556)
Deferred tax on amounts charged directly to other comprehensive income and equity	(1 376)	1 077
Charge to profit and loss (refer to note 31)	117	(1 549)
Tax effect of translation and other differences	39	6
Balance at the end of the reporting period	(3 242)	(2 022)

12.2 Deferred tax (asset)/liability

Tax effects of temporary differences between tax and book value for:

	Bank 2021 Rm	2020 Rm
Deferred tax liability	19	8
Prepayments, accruals and other provisions	19	8
Deferred tax asset	(3 261)	(2 030)
Prepayments, accruals and other provisions	(1 178)	(1 101)
Capital allowances	1 122	966
Cash flow hedge and financial assets at fair value through other comprehensive income reserve	122	1 449
Own credit risk	(122)	(112)
Impairment of loans and advances	(2 966)	(3 203)
Lease and rental debtor allowances	(130)	(98)
Property allowances	257	234
Retirement benefit fund asset and liabilities	64	99
Fair value adjustments on financial instruments	(178)	(129)
Share-based payments	(252)	(135)
Net deferred tax (asset)/liability	(3 242)	(2 022)

13. Trading and hedging portfolio liabilities

	Bank 2021 Rm	2020 Rm
Derivative liabilities (refer to notes 48.3 and 48.4)	46 208	86 761
Commodity derivatives	824	765
Credit derivatives	93	141
Equity derivatives	2 682	3 152
Foreign exchange derivatives	11 490	19 921
Interest rate derivatives	31 119	62 782
Short positions	21 146	19 206
Total trading portfolio liabilities	67 354	105 967
Hedging portfolio liabilities (refer to note 48.3)	3 659	4 868
	71 013	110 835

14. Other liabilities

	Bank 2021 Rm	2020 Rm
Accruals	1 993	2 189
Audit fee accrual	130	120
Cash-settled share-based payment liability (refer to note 46)	94	138
Creditors	8 541	8 141
Deferred income	260	293
Lease liabilities	3 006	3 147
Settlement balances	21 809	8 447
	35 833	22 475

	Bank 2021 Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
15. Provisions				
Balance at the beginning of the reporting period	932	1 320	603	2 855
Additions	1 813	750	—	2 563
Amounts used	(598)	(822)	—	(1 420)
Reversals	—	(183)	—	(183)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 52)	—	—	132	132
Balance at the end of the reporting period	2 147	1 065	735	3 947

Provisions have been raised on financial guarantees, letters of credit and undrawn committed facilities, which is in line with the requirement of IFRS 9 (refer to note 52.2 for detailed reconciliations of the expected credit losses).

Provisions expected to be recovered or settled within 12 months after the reporting date amount to **R2 443m** (2020: R1 572m).

Sundry provisions include amounts with respect to fraud cases and litigation, claims and card incentive schemes.

	Bank 2021 Rm	2020 Rm
16. Deposits		
Customers		
Call deposits[1]	90 398	82 316
Cheque account deposits	229 531	218 268
Credit card deposits	2 137	2 033
Fixed deposits	210 135	198 861
Foreign currency deposits[1]	33 429	30 011
Notice deposits	70 148	74 139
Other deposits	935	936
Repurchase agreements[1]	21 863	11 007
Savings and transmission deposits	225 300	183 852
Total deposits due to customers[1]	883 876	801 423
Banks		
Call deposits[1]	9 322	16 663
Fixed deposits	12 957	13 423
Foreign currency deposits[1]	12 928	18 415
Other deposits	2 871	2 185
Repurchase agreements[1]	51 667	38 811
Savings and transmission deposits	500	—
Total deposits due to banks[1]	90 245	89 497
Total deposits	974 121	890 920

'Other deposits' due to customers include deposits on structured deals, preference investments on behalf of customers, and unclaimed deposits.

[1] These numbers have been restated, refer to note 1.19.2.

Notes to the consolidated financial statements
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	Bank 2021 Rm	2020 Rm
17. Debt securities in issue		
Commercial paper	1 913	4 504
Credit linked notes	15 165	11 151
Floating rate notes	34 693	48 722
Negotiable certificates of deposit	36 117	40 868
Other	2 480	1 616
Promissory notes	2	49
Senior notes	38 100	37 149
Structured notes and bonds	101	100
	128 571	144 159

			Bank 2021 Rm	2020 Rm
18. Borrowed funds				
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**	**Note**		
Consumer Price Index linked notes fixed at 5.50%	7 December 2028	i	1 500	1 500
11.74%	20 August 2026	ii	—	140
11.81%	3 September 2027	iii	737	737
12.43%	5 May 2026	iv	—	200
Three-month JIBAR + 2.13%	17 May 2030	v	2 676	2 676
Three-month JIBAR + 2.40%	11 April 2029	vi	1 580	1 580
Three-month JIBAR + 2.45%	29 November 2028	vii	1 500	1 500
Three-month JIBAR + 3.60%	3 September 2027	viii	30	30
Three-month JIBAR + 4.00%	5 May 2026	ix	—	31
Three-month JIBAR + 4.00%	20 August 2026	x	—	1 510
Three-month JIBAR + 4.00%	3 November 2026	xi	—	500
Three-month JIBAR + 3.78%	17 March 2027	xii	642	642
Three-month JIBAR + 3.85%	25 May 2027	xiii	500	500
Three-month JIBAR + 3.85%	14 August 2029	xiv	390	390
Three-month JIBAR + 3.15%	30 September 2027	xv	295	295
Three-month JIBAR + 3.45%	29 September 2029	xvi	1 014	1 014
USD 6.25%	25 April 2028	xvii	4 952	4 952
USD 6.375%	n/a	xviii	6 866	—
Other				
Accrued interest			1 195	1 104
Fair value adjustments			60	418
Foreign exchange movements			2 522	902
			26 459	20 621

i The 5.50% CPI linked notes may be redeemed in full at the option of Absa Bank Limited on 7 December 2023. Interest is paid semi-annually in arrears on 7 June and 7 December of each year, provided that the last day of payment shall be 7 December 2028. If Absa Bank Limited does not exercise the redemption option, a coupon step up of 150 basis points (bps) shall apply.

ii. The 11.74% fixed rate notes were redeemed in full on 20 August 2021.

iii. The 11.81% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 3 September 2022. Interest is paid semi-annually in arrears on 3 March and 3 September. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 3 September 2022. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

iv. The 12.43% fixed rate notes were redeemed in full on 5 May 2021.

18. Borrowed funds (continued)

v. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 17 May 2025. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 17 May 2025. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

vi. The three-month JIBAR plus 2.40% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 11 April 2024. Interest is paid quarterly in arrears on 11 January, 11 April, 11 July and 11 October. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 11 April 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

vii. The three-month JIBAR plus 2.45% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 29 November 2023. Interest is paid quarterly in arrears on 28 February, 29 May, 29 August and 29 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 29 November 2023. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

viii. The three-month JIBAR plus 3.60% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 3 September 2022. Interest is paid quarterly in arrears on 3 March, 3 June, 3 September and 3 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 3 September 2022. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

ix. The three-month JIBAR plus 4.00% floating rate notes were redeemed in full on 5 May 2021.

x. The three-month JIBAR plus 4.00% floating rate notes were redeemed in full on 20 August 2021.

xi. The three-month JIBAR plus 4.00% floating rate notes were redeemed in full on 3 November 2021.

xii. The three-month JIBAR plus 3.78% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 17 March 2022. Interest is paid quarterly in arrears on 17 March, 17 June, 17 September and 17 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 17 March 2022. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xiii. The three-month JIBAR plus 3.85% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 25 May 2022. Interest is paid quarterly in arrears on 25 February, 25 May, 25 August and 25 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 25 May 2022. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xiv. The three-month JIBAR plus 3.85% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 14 August 2024. Interest is paid quarterly in arrears on 14 February, 14 May, 14 August and 14 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 14 August 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xv. The three-month JIBAR plus 3.15% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 30 September 2022. Interest is paid quarterly in arrears on 30 March, 30 June, 30 September and 30 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 30 September 2022. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xvi. The three-month JIBAR plus 3.45% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 29 September 2024. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 29 September 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xvii. The 6.25% fixed rate reset callable USD notes with a nominal amount of USD 400m may be redeemed in full at the option of Absa Bank Limited on 25 April 2023. Interest is payable semi-annually in arrears on 25 April and 25 October of each year. Absa Bank Limited has the option to exercise the redemption on 25 April 2023. If Absa Bank Limited does not exercise the redemption option from (and including) 25 April 2023, the interest rate per annum will be equal to the reset interest rate which shall be determined by the calculation agent on 27 April 2023. The reset margin is 3.523% per annum.

xviii. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Bank. The Bank 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. The 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 5 years. The interest rate is 6.375% 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.

Note i is listed on the Johannesburg Stock Exchange Debt Market.

Notes ii to xviii have been issued to Absa Group Limited.

In accordance with its memorandum of incorporation, the borrowing powers of Absa Bank Limited are unlimited.

Notes to the consolidated financial statements
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19. Share capital and premium

19.1 Ordinary share capital

	Bank 2021 Rm	Bank 2020 Rm
Authorised		
320 000 000 (2020: 320 000 000) ordinary shares of R1.00 each	320	320
250 000 000 (2020: 250 000 000) 'A' ordinary shares of R0.01 each	3	3
	323	323
Issued		
302 609 369 (2020: 302 609 369) ordinary shares of R1.00 each	303	303
145 691 959 (2020: 145 691 959) 'A' ordinary shares of R0.01 each	1	1
	304	304
Total issued capital		
Share capital	304	304
Share premium	36 879	36 879
	37 183	37 183

Authorised shares
There were no changes to the authorised share capital during the current reporting period.

Unissued shares
The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming annual general meeting.

Shares issued
There were no shares issued during the current and prior reporting periods. All shares issued by the Bank were paid in full.

19.2 Preference share capital and premium

	Bank 2021 Rm	Bank 2020 Rm
Authorised		
30 000 000 (2020: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Issued		
4 944 839 (2020: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Total issued capital		
Share capital	1	1
Share premium	4 643	4 643
	4 644	4 644

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of such shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or a resolution is proposed by the Company which directly affects the rights attracted to the preference shares or the interest of the holders thereof.

19.3 Directors' interests in Absa Bank Limited preference shares
As at the reporting date, no director held any preference shares of Absa Bank Limited.

19. Share capital and premium (continued)

19.4 Additional tier 1 capital

Subordinated callable notes issued by Absa Bank Limited		Bank 2021 Rm	Bank 2020 Rm
Interest rate	**Date of issue**		
Three-month JIBAR + 5.65%	11 September 2017	1 500	1 500
Three-month JIBAR + 4.75%	9 October 2018	1 241	1 241
Three-month JIBAR + 4.50%	28 May 2019	1 678	1 678
Three-month JIBAR + 4.25%	5 December 2019	1 376	1 376
Three-month JIBAR + 4.55%	26 October 2020	1 209	1 209
		7 004	7 004

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the issuer) on 12 September 2022, 10 October 2023, 28 November 2024, 5 June 2025 and 27 October 2025 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments.

20. Other reserves

20.1 Fair value through other comprehensive income reserve

The fair value reserve comprises only the cumulative net change in the fair value of debt instruments measured at FVOCI, until such time as they are derecognised. Upon derecognition of debt instruments at FVOCI, the cumulative amount recognised in other comprehensive income is released to profit or loss. Since the cumulative net change in the fair value of equity instruments designated as at FVOCI is not recycled to profit or loss upon derecognition, the Bank recognises the cumulative net change in fair value in retained earnings..

20.2 Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20.3 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.4 Capital reserve

The capital reserve arose on the amalgamation of the founding banks of Absa Bank Limited.

20.5 Share-based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised or if the options lapse after vesting, the reserve related to the specific options is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

20.6 Associates' and joint ventures' reserve

The associates' and joint ventures' reserve comprises the Bank's share of its associates' and/or joint ventures' reserves.

20.7 Retained earnings

The retained earnings comprises of the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries and including changes in OCI with respect to the following:

- movement in the fair value of equity instruments measured at FVOCI;
- movement in own credit risk on liabilities designated at FVTPL;
- movement in the actuarial valuation of retirement benefit fund assets and liabilities; and
- direct shareholder contributions.

21. Interest and similar income

	Bank 2021 Rm	Bank 2020 Rm
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	2	1
Interest on hedging instruments	2 270	1 557
Investment securities	7 993	6 900
Loans and advances[1]	60 331	64 403
Corporate overdrafts and specialised finance loans	961	767
Credit cards	4 021	4 389
Foreign currency loans	1 059	760
Instalment credit agreements and finance lease receivables	8 627	8 640
Loans to associates and joint ventures	1 376	1 662
Microloans	432	726
Mortgages	21 455	22 854
Other advances	917	1 040
Overdrafts	3 614	4 711
Overnight finance	964	1 180
Personal and term loans	7 544	5 732
Preference shares	1 608	1 453
Reverse repurchase agreements	8	—
Wholesale overdrafts	5 874	8 192
Banking	1 871	2 297
Other interest	1 548	1 025
	72 144	73 886
Classification of interest and similar income		
Interest on hedging instruments	2 270	1 557
Cash flow hedges (refer to note 48.6)	3 985	2 705
Fair value hedges	(1 715)	(1 148)
Interest on financial assets held at amortised cost	66 148	68 134
Interest on financial assets measured at FVOCI	2 072	2 422
Interest on financial assets measured at FVTPL	1 654	1 773
Investment securities	156	43
Loans and advances	1 498	1 730
	72 144	73 886

Interest income on 'other advances' includes items such as interest on factored debtors' books. Other interest includes items such as overnight interest on contracts for difference.

[1] These numbers have been restated, refer to note 1.19.2.

22. Interest expense and similar charges

	Bank 2021 Rm	Bank 2020 Rm
Interest expense and similar charges are paid on:		
Borrowed funds	2 540	2 159
Debt securities in issue	6 271	11 376
Deposits	26 404	27 516
Deposits due to customers	25 664	26 427
Call deposits	4 961	3 898
Cheque account deposits	3 447	3 361
Credit card deposits	6	6
Fixed deposits	6 876	7 825
Foreign currency deposits	164	87
Notice deposits	3 118	3 485
Other deposits	605	39
Savings and transmission deposits	6 487	7 726
Deposits from banks	740	1 089
Call deposits	186	55
Fixed deposits	444	856
Foreign currency deposits	110	178
Interest on hedging instruments	(1 739)	(738)
Interest incurred on finance leases	243	274
Other	124	115
	33 843	40 702
Classification of interest expense and similar charges		
Interest on hedging instruments	(1 739)	(738)
Cash flow hedges (refer to note 48.6)	(321)	(471)
Fair value hedges	(1 418)	(267)
Interest on financial liabilities held at amortised cost	35 582	41 440
	33 843	40 702

Other interest and similar charges include items such as overnight interest on contracts for difference.

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23. Net fee and commission income

	Bank 2021 Rm	Bank 2020 Rm
Consulting and administration fees	343	414
Insurance commission received	631	612
Investment, markets execution and investment banking fees	391	382
Merchant income	2 101	1 925
Other	197	146
Transactional fees and commissions	16 035	15 921
Cheque accounts	4 681	5 079
Credit cards	1 820	1 712
Electronic banking	5 593	5 200
Other	2 439	2 296
Savings accounts	1 502	1 634
Trust and other fiduciary services	79	86
Portfolio and other management fees	77	79
Trust and estate income	2	7
Fee and commission income	19 777	19 486
Fee and commission expense	(1 704)	(1 796)
Cheque processing fees	(13)	(90)
Clearing and settlement charges	(890)	(921)
Notification fees	(235)	(250)
Other	(446)	(449)
Valuation fees	(120)	(86)
	18 073	17 690

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care.

23.1 Included above are net fees and commissions linked to financial instruments not at fair value

	Bank 2021 Rm	Bank 2020 Rm
Cheque accounts	4 681	5 079
Credit cards	1 820	1 712
Electronic banking	5 593	5 200
Other	2 439	2 296
Savings accounts	1 502	1 634
Fee and commission income	16 035	15 921
Fee and commission expense	(1 470)	(1 477)
	14 565	14 444

Credit cards include acquiring and issuing fees.

Other transactional fees and commissions income include service and credit-related fees of **R644m** (2020: R681m) and exchange commission of **R680m** (2020: R603m).

	Bank 2021 Rm	Bank 2020 Rm
24. Gains and losses from banking and trading activities		
Net gains/(losses) on investments	147	(264)
Debt instruments held at FVTPL	—	1
Equity instruments mandatorily held at FVTPL	27	(297)
Unwind from reserves for debt instruments at FVOCI	120	32
Net trading result	1 585	2 684
Net trading income excluding the impact of hedge accounting	2 090	2 107
Ineffective portion of hedges	(505)	577
Cash flow hedges (refer to note 51.6.2)	(539)	566
Fair value hedges (refer to note 51.6.1)	34	11
Other losses	(10)	(136)
	1 722	2 284
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	2 090	2 107
(Losses)/gains on financial instruments designated at FVTPL	(2 423)	10 039
Net (losses)/gains on financial assets designated at FVTPL	(853)	3 543
Net (losses)/gains on financial liabilities designated at FVTPL	(1 570)	6 496
Gains/(losses) on financial instruments mandatorily measured at FVTPL	4 513	(7 932)
Other losses	(10)	(136)
(Losses)/gains on financial instruments designated at FVTPL	(769)	842
Gains/(losses) on financial instruments mandatorily measured at FVTPL	759	(978)

	Bank 2021 Rm	Bank 2020 Rm
25. Gains and losses from investment activities		
Other gains	1	3

	Bank 2021 Rm	Bank 2020 Rm
26. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	(3)	30
Income arising from contracts with customers	39	94
Income from maintenance contracts	37	36
Profit on disposal of property and equipment	(2)	54
Profit on sale of repossessed properties	4	4
Gross sales	18	22
Cost of sales	(14)	(18)
Insurance proceeds received related to property and equipment[1]	96	—
Rental income	10	16
Sundry income[2]	253	386
	395	526

[1] Insurance proceeds received related to property and equipment amounted to R121m of which R96m is reflected in other operating income and R25m was recovered against the impairment raised (refer to note 29).

[2] Sundry income includes profit on disposal of non-core assets and non-interest income.

	Bank 2021 Rm	Bank 2020 Rm
27. Impairment losses		
Impairment losses raised during the reporting period	6 603	16 094
Stage 1 expected losses	(1 727)	1 659
Stage 2 expected losses	(171)	3 749
Stage 3 expected losses	8 501	10 686
Losses on modifications	365	33
Recoveries of loans and advances previously written off	(573)	(298)
	6 395	15 829

Refer to COVID-19 section for further detail on impairments

	Bank 2021 Rm	Bank 2020 Rm
28. Operating expenses		
Administration fees	149	453
Amortisation of intangible assets (refer to note 11)	2 227	1 805
Auditors' remuneration	333	310
Audit fees – current reporting period	273	280
Audit fees – underprovision	3	—
Audit-related fees	23	20
Other services	34	10
Cash transportation	1 024	1 071
Depreciation (refer to note 10)	2 913	3 166
Equipment costs	196	163
Maintenance	115	94
Rentals	81	69
Information technology	4 032	3 664
Marketing costs	1 006	1 046
Other	927	(333)
Printing and stationery	159	161
Professional fees	1 892	2 194
Property costs	1 480	1 432
Staff costs	18 032	17 179
Bonuses	2 063	1 015
Deferred cash and share-based payments (refer to note 46)	514	402
Other	218	215
Salaries and current service costs on post-retirement benefit funds	14 911	15 176
Training costs	326	371
Straight line lease expenses on short-term leases and low value assets	127	95
Telephone and postage	735	683
TSA direct costs	—	113
	35 232	33 202

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Professional fees include research and development costs totaling **R193m** (2020: R250m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs. Transitional Services Agreements (TSA) costs relate to costs incurred to Barclays PLC as a result of separation activities.

'Other' includes fraud losses, travel, entertainment costs and recoveries from fellow subsidiaries.

	Bank 2021 Rm	Bank 2020 Rm
29. Other impairments		
Intangible assets (refer to note 11)[1]	144	191
Investments in associates and joint ventures (refer to note 9)[2]	(11)	11
Non-current asset held for sale (refer to note 6)[3]	1	17
Property and equipment (refer to note 10)[4]	192	218
	326	437

	Bank 2021 Rm	Bank 2020 Rm
30. Indirect taxation		
Training levy	146	105
VAT net of input credits	989	1 256
	1 135	1 361

	Bank 2021 Rm	Bank 2020 Rm
31. Taxation expense		
Current		
Foreign and other taxation	172	177
South African current tax	3 967	1 681
South African current tax – previous reporting period	(117)	441
	4 022	2 299
Deferred		
Deferred tax (refer to note 12)	117	(1 549)
Capital allowances	180	161
Expected credit losses/allowances for loan losses	255	(1 081)
Provisions	(270)	(207)
Movements in prepayments, accruals and other provisions	115	(483)
Fair value and similar adjustments through profit and loss	(88)	(49)
Fair value and similar adjustments in relation to prior year	(30)	(74)
Share-based payments	(45)	184
	4 139	750

[1] The Bank has impaired certain software assets totalling **R144m** (2020: R191m) for which the value-in-use is determined to be zero.
[2] 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.
[3] The Bank has impaired certain assets totalling **R1m** (2020: R17m) which have been classified as held for sale under IFRS 5.
[4] The Bank 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: R199m) was impaired without a related transfer to non-current assets held for sale. Included in the R192m, is a **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.

31. Taxation expense (continued)

	Bank 2021 Rm	Bank 2020 Rm
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	15 536	2 822
Share of post-tax results of associates and joint ventures (refer to note 9)	(132)	36
	15 404	2 858
Tax calculated at a tax rate of 28%	4 313	800
Effect of different tax rates in other countries	136	133
Expenses not deductible for tax purposes[1]	240	256
Dividend income	(475)	(440)
Non-taxable interest[2]	(164)	(165)
Other income not subject to tax	(14)	(14)
Non-taxable portion of capital gain	79	108
Other	24	72
	4 139	750

	Bank 2021 Gross Rm	Bank 2021 Net Rm	Bank 2020 Gross Rm	Bank 2020 Net Rm
32. Headline earnings				
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Bank		10 573		1 176
Total headline earnings adjustment:		153		226
IFRS 3 – Gain on bargain purchase (refer to note 29)	—	—	(86)	(86)
IFRS 5 – Gains and losses on disposal of non-current assets held for sale (refer to note 26)	(20)	(16)	—	—
IFRS 5 – Remeasurement of non-current assets held for sale (refer to note 6)	1	1	17	13
IAS 16 – Loss/(profit) on disposal of property and equipment (refer to note 26)	2	—	(54)	(42)
IAS 16 and IAS 36 – Insurance recovery of property and equipment damaged during riots (refer to note 26 and 29)	(121)	(87)	—	—
IAS 28 – (Reversal)/impairment of investments in associates and joint ventures (refer to note 29)	(11)	(11)	11	11
IAS 28 – Profit on disposal of associates and joint ventures	(1)	(1)	—	—
IAS 36 – Impairment of property and equipment (refer to note 29)	217	157	218	158
IAS 36 – Impairment of intangible assets (refer to note 29)	144	110	191	172
Headline earnings/diluted headline earnings		10 726		1 402
Headline earnings per ordinary share/diluted headline earnings per ordinary share (cents)		2 392.6		312.7

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

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.
[2] This relates to interest earned on certain capital instruments, which is exempt from tax.

	Bank 2021 Rm	Bank 2020 Rm
33. Leases		
The following amounts have been recognised in the statement of comprehensive income in respect of leases in which the Bank is the lessee:		
Depreciation charge for right-of-use assets (refer to note 10)	875	878
Property	875	878
Interest expense on lease liabilities (refer to note 22)	243	274
Expense related to short-term leases	179	154
Expense related to low-value assets	8	9
Variable lease payments	16	—
Right-of-use assets recognised in the statement of financial position relate to the following classes of assets:		
Right-of-use assets (refer to note 10)	2 423	2 529
Property	2 423	2 529
Total additions to right-of-use assets recognised during the year (refer to note 10)	769	885
Total cash outflow included in the statement of cash flows related to leases	1 227	1 249
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	1 026	1 063
Between one and five years	2 093	2 107
More than five years	524	730
Total undiscounted lease liabilities	3 643	3 900
Lease liabilities included in the statement of financial position (refer to note 14)	3 006	3 147

The Bank's leases consist mostly of property leases including branches, head offices, ATM sites and other administrative buildings. None of these leases are considered individually significant to the Bank. Leases are negotiated for an average term of three to five years although this differs depending on the type of property. Some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the Bank will exercise the extension option. Most leases in the Bank have fixed escalations.

34. Retirement benefit fund obligations

34.1 Absa Pension Fund

The Absa Pension Fund (the Fund) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of the Fund be carried out at least once every three years. The most recent statutory valuation of the Fund was effected on 31 March 2021 and confirmed that the Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (the PF Act).

The valuation has been performed using the projected unit credit method in respect of the defined benefit portion. The asset ceiling of the Fund is limited to the Employer Surplus Account (ESA). According to the Fund rules and the PF Act, the ESA can be used for a number of purposes including funding a deficit in the Fund, enhancing benefits of the Fund or enabling a contribution holiday.

Refer to the 'Impact of COVID-19' section of the financial statements for a discussion of the effect of COVID-19 on the retirement benefit fund obligations of the Bank.

In terms of Section 7 of the PF Act, notwithstanding the rules of a fund, every fund must have a board of trustees consisting of at least four Board members, at least 50% of whom the members of the Fund have the right to elect. The objective of the board is to direct, control and oversee the operations of a fund in accordance with the applicable laws and the rules of the Fund. In carrying out this objective, the Board must take all reasonable steps to ensure that the interests of members in terms of the rules of the Fund and the provisions of this Act are protected at all times that they act with due care, diligence and good faith; and avoid conflicts of interest. The Board must act independently and with impartiality in respect of all members and beneficiaries. The members of the board have a fiduciary duty to members and beneficiaries in respect of accrued benefits or any amount accrued to provide a benefit, as well as a fiduciary duty to the Fund, to ensure that The Fund is financially sound and is responsibly managed and governed in accordance with the rules and the PF Act.

The rules of the Fund were amended in July 2015 to allow a retiring member who had joined the Fund before 1 July 2015 the choice to receive either a conventional annuity or a living annuity from the Fund (as was previously the case) or to purchase a pension from a registered insurer (new option). Members joining the Fund on or after 1 July 2015 have the choice to receive a living annuity from the Fund or to purchase a pension from a registered insurer.

Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. The conventional annuity is calculated based on the defined contribution plan assets at the retirement date. The Bank is therefore not exposed to any asset return risk prior to the election of this option i.e. the retirement date. The classification rules within IAS 19 require that, where the employer is exposed to any actuarial risk, the entire fund be classified as a defined benefit plan. The valuation of the option is included in the defined benefit obligation. The assets and liabilities of the defined contribution active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on/after 1 July 2015 have been excluded from the IAS 19 disclosures as the employer is not exposed to any longevity or other actuarial risk in respect of these members. Net defined benefit plans assets relating to these pensioners that have elected to receive a living annuity, amount to **R4 180m** (2020: R3 541m).

34. Retirement benefit fund obligations (continued)

	Bank Absa Pension Fund 2021	Bank Absa Pension Fund 2020
Categories of the Fund		
Defined benefit active members	13	14
Defined benefit deferred pensioners	1	2
Defined benefit pensioners	8 084	8 225
Defined contribution active members	18 405	19 544
Defined contribution pensioners	2 963	2 942
Duration of the scheme – defined benefit (years)	8.3	9.0
Duration of the scheme – defined contribution (years)	18.9	19.6
Duration of the scheme – defined contribution option (years)	—	15.2
Expected contributions to the Fund for the next 12 months (Rm)	1 121.6	1 162.0

The benefits provided by the defined benefit portion of the Fund are based on a formula, taking into account years of membership and remuneration levels. The benefits provided by the defined contribution portion of the Fund are determined by accumulated contributions and return on investments.

While the Fund as a whole has been classified as a defined benefit fund for IAS 19 purposes, the defined contribution portion provides its members with an asset-based return. The Bank has measured the liability for the defined contribution portion of the Fund at the fair value of the assets upon which the benefits are based.

The Fund is financed by employer and employee contributions and investment income. Employer contributions in respect of the defined benefit portion are based on actuarial advice. The expense or income recorded in profit or loss includes the current service cost, interest income on plan assets as well as interest expense on the defined benefit obligation and the irrecoverable surplus. It is the Bank's policy to ensure that The Fund is adequately funded to provide for the benefits due to members, and particularly to ensure that any shortfall with regard to the defined benefit portion will be met by way of additional contributions.

Over the year, the investment strategy of the Trustee Portfolio moved to a fully matching strategy with the objective of matching the investment strategy for these assets to the nature, term and cashflows of the current pensions in payment, together with the future targeted pension increases (as a percentage of inflation).

The abovementioned strategy is known as a Liability Driven Investment (LDI) strategy. The portion of the assets in the Trustee Portfolio not invested in the liability matching strategy or reserve accounts are invested in growth assets to create some possible upside for funding increases above the policy increase. The assets in the liability matching strategy will mainly be invested in South African nominal and inflation-linked government bonds. This strategy aims to fully match the reasonable benefit expectations of the pensioners to receive annual pension increases in line with the inflation target chosen by a pensioner at retirement.

	Bank 2021 Rm	Bank 2020 Rm
34.1.1 Reconciliation of the net defined benefit plan surplus		
Reconciliation of the net surplus		
Present value of funded obligations	(30 870)	(26 100)
Defined benefit portion	(7 648)	(7 319)
Defined contribution portion	(23 222)	(18 781)
Fair value of the plan assets	33 155	27 124
Defined benefit portion	9 933	8 343
Defined contribution portion	23 222	18 781
Funded status	2 285	1 024
Irrecoverable surplus (effect of asset ceiling)	(1 820)	(631)
Net surplus arising from the defined benefit obligation	465	393

34. Retirement benefit fund obligations (continued)
34.1 Absa Pension Fund (continued)

	Bank 2021 Rm	Bank 2020 Rm
34.1.2 Reconciliation of movement in the funded obligation		
Balance at the beginning of the reporting period	**(26 100)**	(26 710)
Defined benefit portion	**(7 319)**	(7 149)
Defined contribution portion	**(18 781)**	(19 561)
Reconciling items – defined benefit portion	**(329)**	(170)
Actuarial (losses)/gains – financial	**(11)**	22
Actuarial gains – experience adjustments	**233**	137
Benefits paid	**748**	794
Current service costs	**(13)**	(13)
Past service costs	**(54)**	—
Interest expense	**(755)**	(667)
Defined contribution member transfers	**(477)**	(443)
Reconciling items – defined contribution portion	**(4 441)**	780
Increase in obligation linked to plan assets return	**(6 562)**	(1 213)
Employer contributions	**(657)**	(692)
Employee contributions	**(524)**	(546)
Disbursements and member transfers	**3 302**	3 231
Balance at the end of the reporting period	**(30 870)**	(26 100)

	Bank 2021 Rm	Bank 2020 Rm
34.1.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	**27 124**	28 832
Defined benefit portion	**8 343**	9 271
Defined contribution portion	**18 781**	19 561
Reconciling items – defined benefit portion	**1 590**	(928)
Benefits paid	**(748)**	(794)
Employer contributions	**1**	1
Interest income	**862**	867
Return on plan assets in excess of interest	**998**	(1 445)
Defined contribution member transfers	**477**	443
Reconciling items – defined contribution portion	**4 441**	(780)
Return on plan assets	**6 562**	1 213
Employer contributions	**657**	692
Employee contributions	**524**	546
Disbursements and member transfers	**(3 302)**	(3 231)
Balance at the end of the reporting period	**33 155**	27 124
37.1.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	**(631)**	(1 656)
Interest on irrecoverable surplus	**(67)**	(157)
Changes in the irrecoverable surplus in excess of interest	**(1 122)**	1 182
Balance at the end of the reporting period	**(1 820)**	(631)

34. Retirement benefit fund obligations (continued)
34.1 Absa Pension Fund (continued)

	Bank 2021 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
34.1.5 Nature of the pension fund assets				
Plan assets relating to the defined benefit plan				
Defined benefit portion	**8 230**	**1 293**	**410**	**9 933**
Quoted fair value	**7 762**	**1 272**	**89**	**9 123**
Unquoted fair value	**367**	**5**	**272**	**644**
Own transferable financial instruments	**101**	**16**	**2**	**119**
Investments in listed property entities/funds	**—**	**—**	**47**	**47**
Defined contribution portion	**6 807**	**15 277**	**1 138**	**23 222**
Quoted fair value	**6 091**	**15 099**	**401**	**21 591**
Unquoted fair value	**577**	**4**	**300**	**881**
Own transferable financial instruments	**139**	**174**	**—**	**313**
Investments in listed property entities/funds	**—**	**—**	**437**	**437**
	15 037	**16 570**	**1 548**	**33 155**

	2020 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Defined benefit portion	3 014	4 993	336	8 343
Quoted fair value	2 771	4 982	71	7 824
Unquoted fair value	174	7	151	332
Own transferable financial instruments	69	4	39	112
Investments in listed property entities/funds	—	—	75	75
Defined contribution portion	5 583	11 777	1 421	18 781
Quoted fair value	5 006	11 679	105	16 790
Unquoted fair value	314	8	903	1 225
Own transferable financial instruments	263	90	117	470
Investments in listed property entities/funds	—	—	296	296
	8 597	16 770	1 757	27 124

34. Retirement benefit fund obligations (continued)
34.1 Absa Pension Fund (continued)

	Bank 2021 Rm	Bank 2020 Rm
34.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest income	**(42)**	(43)
Current service cost	**13**	13
Past service cost	**54**	—
	25	(30)
Recognised in other comprehensive income:		
Actuarial losses/(gains) – financial	**11**	(22)
Actuarial adjustments (gains) - experience	**(233)**	(137)
Return on plan assets in excess of interest	**(998)**	1 445
Changes in the irrecoverable surplus in excess of interest	**1 122**	(1 182)
	(98)	104
34.1.7 Actuarial assumptions used:		
Discount rate (%) p.a.	**10.7**	10.5
Inflation rate (%) p.a.	**6.0**	5.2
Expected rate on the plan assets (%) p.a.	**10.0**	9.2
Future salary increases (%) p.a.	**7.0**	6.2
Average life expectancy in years of pensioner retiring at 60 – male	**21.9**	21.8
Average life expectancy in years of pensioner retiring at 60 – female	**26.8**	26.7

	Bank 2021 Reasonable possible change	Bank 2021 Increase/(decrease) on defined benefit obligation Rm
34.1.8 Sensitivity analysis of the significant actuarial assumptions		
Increase in discount rate (%)	**0.5**	**(296)**
Increase in inflation (%)	**0.5**	**276**
Increase in life expectancy (years)	**1**	**219**

	2020 Reasonable possible change	2020 Increase/(decrease) on defined benefit obligation Rm
Increase in discount rate (%)	0.5	(278)
Increase in inflation (%)	0.5	305
Increase in life expectancy (years)	1	209

34.1.9 Sensitivity analysis of the significant assumptions

Sensitivity analysis

The aforementioned sensitivity analysis indicates how changes in significant actuarial assumptions would affect the defined benefit portion of **R7 648m** (2020: R7 319m).

The sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e. certain pension increases and salary growth. In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period. The defined contribution obligation of **R23 222m** (2020: R18 781m) does not give rise to any actuarial risks as the measurement is derived from the defined contribution plan assets.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

35. Dividends per share

	Bank 2021 Rm	Bank 2020 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(2021: 0 cents per share (cps))** (2020: 0 cps)	—	—
Final dividend **(14 March 2022: 446.12851 cps)** (15 March 2021: 0 cps)	2 000	—
	2 000	—
Dividends declared to preference equity holders		
Interim dividend **(16 August 2021: 2 470.13699 cps)** (31 August 2020: 2 741.02740 cps)	122	135
Final dividend **(14 March 2022: 2 494.10959 cps)** (15 March 2021: 2 429.86301 cps)	123	120
	245	255
Distributions declared to Additional Tier 1 capital note holder		
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; 14 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 Sepetmber 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		
Final dividend **(2021: 0 cps)** (20 April 2020: 446.129 cps)	—	2 000
Interim dividend **(2021: 0 cps)** (2020: 0 cps)	—	—
	—	2 000
Dividends paid to preference equity holders		
Final dividend **(19 April 2021: 2 429.86301 cps)** (20 April 2020: 3 469.31507)	120	172
Interim dividend **(20 September 2021: 2 470.13699 cps)** (21 September 2020: 2 741.02740 cps)	122	135
	242	307

36. Securities borrowed/lent and repurchase/reverse repurchase agreements

36.1 Reverse repurchase agreements and securities borrowed

As part of the reverse repurchase agreements and securities borrowing agreements, the Bank has received securities as collateral that are allowed to be sold or repledged. The fair value of these securities at the reporting date amounts to **R118 782m** (2020: R97 274m) of which **R47 016m** (2020: R55 577m) have been sold or repledged.

36.2 Repurchase agreements and securities lent

The following table shows the carrying amount of transferred assets that have not resulted in any derecognition, together with the associated liabilities.

	Bank 2021 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	45 856	(45 636)	45 856	(45 636)	220
Equity instruments	2 810	(1 553)	2 810	(1 553)	1 257
2020	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	17 480	(17 412)	17 480	(17 412)	68
Equity instruments	1 837	(1 245)	1 837	(1 245)	592

The transferred assets are presented in the 'Trading portfolio assets' and 'Investment securities' lines on the statement of financial position.

37. Transfer of financial assets

37.1 Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Bank transfers financial assets to SEs, either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

37.2 Transfer of financial assets that does not result in derecognition

	Bank 2021 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 716	(1 195)	1 716	(1 195)	521
Loans and advances to customers	7 924	(4 514)	7 924	(4 514)	3 410
2020	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	2 740	(1 923)	2 740	(1 923)	817
Loans and advances to customers	5 393	(3 786)	5 393	(3 786)	1 607

Balances included within loans and advances to customers represent instances where substantially all the risks and rewards (credit risk and prepayment risk) of the financial asset have been retained by the Bank.

The relationship between the transferred assets and the associated liabilities is that holders of the associated liabilities may only look to cash flows from the transferred assets for payments due to them, although the contractual terms may differ from those of the transferred assets.

37. Transfer of financial assets (continued)

37.3 Continuing involvement in financial assets that have been derecognised in their entirety

The instance may arise where the Bank transfers a financial asset to an SE in its entirety but may have continuing involvement in it. Continuing involvement largely arises from providing financing to the SE in the form of retained notes, which do not bear first losses as they are not considered equity instruments of the SE. As at 31 December 2021, the Bank had no continuing involvement where financial assets have been derecognised in their entirety (2020: None).

38. Related parties

38.1 Transactions with key management personnel

IAS 24 Related Party Disclosures (IAS 24), requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee (Exco). A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with other employees. These include loans, deposits and foreign currency transactions. The outstanding balances at the reporting date with related parties and related party transactions conducted during the reporting period are as follows:

	Bank 2021 Rm	2020 Rm
Key management personnel compensation		
Directors		
Deferred cash payments	1	2
Non-deferred cash payments	15	—
Post-employment benefit contributions	1	1
Salaries and other short-term benefits	43	16
Share-based payments	16	14
	76	33
Other key management personnel		
Deferred cash payments	3	3
Non-deferred cash payments	31	3
Post-employment benefit contributions	1	2
Salaries and other short-term benefits	40	55
Share-based payments	30	27
	105	90

38. Related parties (continued)

38.1 Transactions with key management personnel (continued)

	Bank			
	2021		2020	
	Transactions with key management Rm	Transactions with entities controlled by key management Rm	Transactions with key management Rm	Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	37	16	44	11
Inception/(discontinuance) of related-party relationships[1]	9	(1)	(7)	7
Loans issued and interest earned	44	1	35	1
Loans repaid	(42)	(11)	(35)	(3)
Balance at the end of the reporting period	48	5	37	16
Interest income	(9)	(3)	(3)	(1)
Deposits				
Balance at the beginning of the reporting period	22	—	2	—
Inception/(discontinuance) of related-party relationships[1]	2	1	—	—
Deposits received	152	3	158	8
Deposits repaid and interest paid	(153)	(3)	(138)	(8)
Balance at the end of the reporting period	23	1	22	—
Interest expense	—	—	1	—
Guarantees	92	20	92	24
Other investments				
Balance at the beginning of the reporting period	90	35	54	42
(Discontinuance)/inception of related-party relationships[1]	—	—	6	—
Value of new investments/contributions	3	—	3	1
Value of withdrawals/disinvestments	(7)	—	(3)	(8)
Fees and charges	—	—	—	—
Investment returns	28	8	30	—
Balance at the end of the reporting period	114	43	90	35

Loans include mortgages, asset finance transactions, overdrafts and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Bank, including interest rates and collateral requirements. No loans to key management personnel or entities controlled by key management personnel were written off as irrecoverable.

In addition to the specific guarantees, a number of key management personnel and entities controlled by key management personnel have unlimited surety with the Bank.

Insurance premiums paid and claims received

Key management personnel paid insurance premiums of **R0m** (2020: R1.3m) and received claims of **R0m** (2020: R0m)

[1] Includes balances relating to key management personnel who resigned during the reporting periods.

38. Related parties (continued)

38.2 Balances and transactions with the parent company, fellow subsidiaries, and associates and joint ventures of the parent company

	Bank[1]			
	2021		2020	
	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent Rm	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent Rm
Balances				
Cash and cash balances with central banks	—	—	—	—
Loans and advances to banks	—	200	—	401
Trading portfolio assets	—	349	—	(116)
Other assets	—	1 217	—	1 057
Loans to Absa group companies	—	76 978	—	56 346
Deposits from banks	—	(807)	—	(6 303)
Other liabilities	—	(351)	—	(60)
Borrowed funds	—	(23 845)	—	(17 756)
Transactions				
Dividends paid	—	—	2 000	—
Distributions paid to Tier 1 capital holders	585	—	589	—
Interest and similar income	—	(1 555)	—	(884)
Interest expense and similar charges	—	1 684	—	1 684
Fee and commission income	—	(587)	—	(575)
Fee and commission expense	—	3	—	3
Gains and losses from banking and trading activities	—	(7 867)	—	1 355
Gains and losses from investing activities	—	3	—	(2)
Other operating income	—	(2)	—	(2)
Operating expenditure/(recovered expenses)	—	(934)	—	(1 391)
Equity Distribution[2]	—	—	—	(42)

[1] Debit amounts are shown as positive, credit amounts are shown as negative.

[2] This relates to an equity distribution to a subsidiary of Absa Group Limited.

38. Related parties (continued)

38.3 Subsidiaries and consolidated structured entities

The following information provided is in respect of the Bank's main subsidiaries. The main subsidiaries are those entities whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank's subsidiaries, on the figures shown in the consolidated financial statements. The significance of this impact is judged from both a qualitative and a quantitative perspective and is assessed on a half yearly basis.

Name	Nature of business	Country of incorporation	Bank 2021 % holding	Bank 2020 % holding
Absa Representative Office Nigeria Limited	Representative office to facilitate trade and obtain market share in Nigeria.	Nigeria	**100**	100
Absa Technology Prague s.r.o	Provides infromation technology services for Absa Group.	Czech Republic	**100**	100
Absa Vehicle and Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	**100**	100
Home Obligors Mortgage Enhanced Securities (RF) Proprietary Limited	Securitisation vehicle for Absa Home Loans Division.	South Africa	**100**	100
United Towers Proprietary Limited	Investment in and issuance of preference shares.	South Africa	**100**	100
Structured entities				
Absa Foundation Trust	Fund used to invest in unit trusts. Provides funding for community upliftment. It receives a percentage of the Group's dividends which it distributes to identified community-related projects.	South Africa	**n/a**	n/a
NewFunds Collective Investment Scheme	Collective Investment Scheme.	South Africa	**n/a**	n/a
iMpumelelo CP Note Programme 1 (RF) Limited	Special purpose, bankruptcy-remote company incorporated for the purpose of issuing Absa Bank guaranteed Commercial		**n/a**	n/a
Absa Home Loans 101 (RF) Limited	Securitisation vehicle.	South Africa	**n/a**	n/a
Commissioner Street No 10 (RF) Proprietary Limited	Securitisation vehicle.	South Africa	**n/a**	n/a
AB Finco 1 (RF) Limited	Securitisation vehicle.	South Africa	**n/a**	n/a

A full list of subsidiaries and consolidated Structured Entities (SE's) is available, on request, at the registered address of the Bank.

38.4 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Bank to require distributions of capital, access the assets, or repay the liabilities of members of its group arising from regulatory and contractual requirements and from the protective rights of non-controlling interests.

Regulatory requirements

The Bank's banking and insurance subsidiaries are subject to the regulatory capital (RC) requirements of the countries in which they operate. These require, inter alia, that these entities maintain minimum capital ratios which restrict the ability of these entities to make distributions to the parent company. Distributions are also restricted by leverage constraints, large exposure limits and local legal licence requirements.

The requirements to maintain capital also affect certain equity and non-equity instruments in these subsidiaries such as Tier 1 and Tier 2 capital instruments and other subordinated liabilities which enable subsidiaries to meet their ratios. To the extent that these are retired, they must be replaced with instruments of similar terms.

The minimum amount of RC required to be maintained by the Bank was **R76.8bn** (2020: R69.2bn).

Contractual requirements

Certain of the Bank's securitisation and SEs hold assets or interests in assets that are only available to meet the liabilities of those entities and may have issued public debt securities. The Bank has the ability to wind up these structures and repay the notes, but only on the occurrence of certain contingencies, such as changes in tax laws or regulatory requirements. The carrying amount of the assets and liabilities of the entities to which these restrictions apply as at 31 December 2021 was **R14bn** and **R12bn** respectively (2020: R10.5bn and R10.4bn respectively).

38. Related parties (continued)

38.5 Associates, joint ventures and retirement benefit fund

The Bank provides certain banking and financial services to associates and joint ventures. The Bank also provides a number of current and interest-bearing cash accounts to the Absa Pension Fund. These transactions are generally conducted on the same terms as third-party transactions.

In aggregate, the amounts included in the Bank's consolidated financial statements are as follows:

	Bank 2021 Associates and joint ventures Rm
Statement of financial position	
Other assets	**9**
Loans and advances (refer to note 7)	**25 918**
Other liabilities	**(9)**
Deposits	**(107)**
Statement of comprehensive income	
Interest income from joint ventures and associates and on plan assets	**1 371**
Interest expense on defined benefit obligations	**(5)**
Fee and commission income	**—**
Fee and commission expense	**(3)**
Operating expenses	**1 305**
Operating income	**—**

	2020 Associates and joint ventures Rm
Statement of financial position	
Other assets	6
Loans and advances to customers (refer to note 7)	26 885
Other liabilities	(12)
Deposits	(211)
Statement of comprehensive income	
Interest income from joint ventures and associates and on plan assets	1 614
Interest expense on defined benefit obligations	(14)
Fee and commission income	73
Fee and commission expense	(3)
Operating expenses	(1 182)
Operating income	1

The information provided below is in respect of the Bank's main associates and joint ventures. The main associates and joint ventures are those arrangements whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank's associates and joint ventures, on the Bank's consolidated financial statements. Despite these investments having the most significant impact relative to all the Bank's associates and joint ventures, none of the Bank's associates or joint ventures are considered to have an impact that is individually material. Materiality and the relative significance of the Bank's associates and joint ventures are judged from a qualitative and quantitative perspective and is assessed half-yearly.

38. Related parties (continued)

38.5 Associates, joint ventures and retirement benefit fund (continued)

Name	Nature of business	Bank 2021 Ownership %	Bank 2020 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	25	25
Document Exchange Association (DEA)	Facilitates the electronic exchange of documents between the banks.	25	25
South African Bankers Services Company Proprietary Limited	Automatic clearing house.	23	23
Equity-accounted joint ventures			
FFS Finance South Africa (RF) Proprietary Limited	Provides financing solutions to Ford Motor Company customers.	50	50
Integrated Processing Solutions Proprietary Limited	Joint venture with Standard Bank Group Limited involved in cheque processing activities.	—	50
MAN Financial Services (SA) (RF) Proprietary Limited	Joint venture with MAN Financial Services GmbH for financing of trucks and buses.	50	55
Zeerust Joint Venture	Engages in property investment.	55	55
John Deere Financial (Pty) Ltd	Undertakes marketing activities for asset financing of John Deere products.	50	—
Associates and joint ventures designated at fair value through profit or loss	Various	Various	Various

All associates and joint ventures are incorporated in South Africa.

A full list of associates and joint ventures is available, on request, at the registered address of the Bank.

SBV Services Proprietary Limited and The South Africa Bankers Services Company Proprietary Limted have a reporting period of 30 June.

39. Segment report

39.1 Summary of segments

The Bank 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 Bank's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

The following summary describes the operations in each of the Bank's key divisions:

- **RBB:** offers retail and business banking products.
- **CIB:** offers corporate and investment banking solutions.
- **Head Office, Treasury and other operations:** consists of various non-banking activities and includes investment income earned by the Bank, as well as income earned by Corporate Real Estate Services.
- **Barclay's separation effects:** Barclays PLC contributed R12.1 billion to the Bank in June 2017, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. This contribution was invested primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time. The Separation Programme was completed within agreed timelines.The separation process has had a significant impact on the Group's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use.The afore-mentioned results show a disconnect between the underlying business performance and the IFRS financial results. Normalised results have therefore been disclosed to reflect the underlying business performance.

The reportable segments identified are broken down into smaller components to provide additional information of each. Discrete financial information is available for the following:

Reportable segments:

RBB:

- RBB offers a comprehensive suite of banking and insurance products and services to individual, enterprise and commercial customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistent superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Key business areas:

- **Home Loans:** offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF):** offers funding solutions for passenger and light commercial vehicles to individual customers through the branch network, approved dealerships, and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers;

Everyday Banking: offers the day-to-day banking services for the retail customer and includes:

- **Card:** offers credit cards via a mix of Absa-branded and co-branded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
- **Personal Loans:** offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels
- **Transactional and Deposits:** offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.

Relationship Banking: consists of business units and associated products, where a name relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points within the Bank. The businesses consolidated into Relationship banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth and Financial Advisory. Relationship Banking also includes an Equity Portfolio which is being reduced in an orderly manner.

Retail and Business Banking Other (RBB Other): includes investment spend, cost associated with the restructure, holding companies and related consolidation entries, as well as allocated shareholder overhead expenses.

CIB: CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this we will create shared growth for clients, employees and communities.

Key business areas:

Client Engagement integrates client coverage to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB across the business areas below. This includes the Growth Capital solutions team, which focuses on offering B-BBEE financing to clients with the aim of creating sustainable local and regional economies.

Corporate: provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our institutional, corporate and public sector client base. The new Absa Investor Services business provides a full suite of custody and trustee services, further building out our services and client value proposition.

Investment Banking comprising:

- Global Markets – engages in trading, sales and research activities across all major asset classes and products, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
- Investment Banking Division – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
- Commercial Property Finance (CPF) – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
- Private Equity and Infrastructure Investments (PEII) – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

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39. Segment report (continued)

	RBB		CIB		Head Office, Treasury and other operations		Total before Barclays separation effects		Barclays separation effects		Bank	
	2021 Rm	2020[1] Rm	2021 Rm	2020[1] Rm	2021 Rm	2020[1] Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Statement of comprehensive income												
Net interest income	26 896	25 763	8 873	8 272	2 507	(919)	38 276	33 116	25	68	38 301	33 184
Non-interest income	16 953	16 794	3 981	3 501	(742)	53	20 192	20 348	(1)	155	20 191	20 503
Total income	43 849	42 557	12 854	11 773	1 765	(866)	58 468	53 464	24	223	58 492	53 687
Impairment losses	(5 737)	(13 880)	(657)	(1 946)	(2)	(3)	(6 396)	(15 829)	1	—	(6 395)	(15 829)
Operating expenses	(24 102)	(23 078)	(7 301)	(6 268)	(2 822)	(2 209)	(34 225)	(31 555)	(1 007)	(1 647)	(35 232)	(33 202)
Depreciation and amortisation	(1 783)	(1 817)	(225)	(157)	(2 058)	(2 157)	(4 066)	(4 131)	(1 074)	(840)	(5 140)	(4 971)
Other operating expenses	(22 319)	(21 261)	(7 076)	(6 111)	(764)	(52)	(30 159)	(27 424)	67	(807)	(30 092)	(28 231)
Other	(579)	(522)	(249)	(118)	(694)	(956)	(1 522)	(1 596)	61	(202)	(1 461)	(1 798)
Other impairments	(149)	(118)	(54)	—	(87)	(205)	(290)	(323)	(36)	(114)	(326)	(437)
Indirect taxation	(430)	(404)	(195)	(118)	(607)	(751)	(1 232)	(1 273)	97	(88)	(1 135)	(1 361)
Share of post-tax results of associates and joint ventures	111	(61)	9	(3)	12	28	132	(36)	—	—	132	(36)
Operating profit before income tax	13 542	5 016	4 656	3 438	(1 741)	(4 006)	16 457	4 448	(921)	(1 626)	15 536	2 822
Tax expense	(3 673)	(1 382)	(868)	(455)	148	815	(4 393)	(1 022)	254	272	(4 139)	(750)
Profit for the reporting period	9 869	3 634	3 788	2 983	(1 593)	(3 191)	12 064	3 426	(667)	(1 354)	11 397	2 072
Profit attributable to:												
Ordinary equity holders	9 372	3 096	3 457	2 625	(1 589)	(3 191)	11 240	2 530	(667)	(1 354)	10 573	1 176
Non-controlling interest – ordinary shares	—	—	—	—	(3)	—	(3)	—	—	—	(3)	—
Non-controlling interest – preference shares	146	185	97	122	(1)	—	242	307	—	—	242	307
Non-controlling interest – Additional Tier 1 capital	351	353	234	236	—	—	585	589	—	—	585	589
	9 869	3 634	3 788	2 983	(1 593)	(3 191)	12 064	3 426	(667)	(1 354)	11 397	2 072
Headline earnings	9 402	3 183	3 497	2 539	(1 544)	(3 068)	11 355	2 654	(629)	(1 252)	10 726	1 402
Statement of financial position												
Loans and advances[1]	557 260	519 717	379 355	361 457	(3 840)	(3 900)	932 775	877 274	—	1	932 775	877 275
Loans and advances to customers	543 698	506 120	338 008	318 681	695	972	882 401	825 773	—	1	882 401	825 774
Loans and advances to banks	13 562	13 597	41 347	42 776	(4 535)	(4 872)	50 374	51 501	—	—	50 374	51 501
Investment securities	28 175	26 315	40 503	41 712	47 587	31 462	116 265	99 489	—	—	116 265	99 489
Other assets[1]	436 416	371 181	404 719	403 739	(542 400)	(470 197)	298 735	304 723	3 223	4 788	301 958	309 511
Total assets	1 021 851	917 213	824 577	806 908	(498 653)	(442 635)	1 347 775	1 281 486	3 223	4 789	1 350 998	1 286 275
Deposits[1]	468 644	416 413	392 985	349 443	112 492	125 064	974 121	890 920	—	—	974 121	890 920
Deposits due to customers	468 640	416 395	320 689	289 309	94 547	95 719	883 876	801 423	—	—	883 876	801 423
Deposits due to banks	4	18	72 296	60 134	17 945	29 345	90 245	89 497	—	—	90 245	89 497
Debt securities in issue	—	—	19 728	18 574	108 843	125 585	128 571	144 159	—	—	128 571	144 159
Other liabilities[1]	541 230	494 674	407 499	435 636	(801 328)	(772 867)	147 401	157 443	(814)	(646)	146 587	156 797
Total liabilities	1 009 874	911 087	820 212	803 653	(579 993)	(522 218)	1 250 093	1 192 522	(814)	(646)	1 249 279	1 191 876

[1] 1These numbers have been restated, refer to note 1.19.

39. Segment report (continued)

RBBSA	Home Loans 2021 Rm	Home Loans 2020[1] Rm	Vehicle and Asset Finance 2021 Rm	Vehicle and Asset Finance 2020[1] Rm	Everyday Banking 2021 Rm	Everyday Banking 2020[1] Rm	Relationship Banking 2021 Rm	Relationship Banking 2020[1] Rm	Retail Other 2021 Rm	Retail Other 2020[1] Rm	Retail SA 2021 Rm	Retail SA 2020[1] Rm
Statement of comprehensive income												
Net interest income	4 999	4 478	3 047	2 603	11 094	11 246	8 309	8 017	(553)	(581)	26 896	25 763
Non-interest income	459	457	602	540	10 100	10 453	4 917	4 755	875	589	16 953	16 794
Total income	5 458	4 935	3 649	3 143	21 194	21 699	13 226	12 772	322	8	43 849	42 557
Impairment losses	134	(2 189)	(1 426)	(3 062)	(3 569)	(6 584)	(876)	(2 044)	—	(1)	(5 737)	(13 880)
Operating expenses	(1 882)	(1 827)	(1 402)	(1 244)	(12 080)	(11 748)	(7 504)	(7 312)	(1 234)	(947)	(24 102)	(23 078)
Depreciation and amortisation	(13)	(10)	(17)	(13)	(94)	(105)	(283)	(323)	(1 376)	(1 366)	(1 783)	(1 817)
Other operating expenses	(1 869)	(1 817)	(1 385)	(1 231)	(11 986)	(11 643)	(7 221)	(6 989)	142	419	(22 319)	(21 261)
Other	(76)	(46)	(37)	(31)	(71)	(102)	(51)	(110)	(344)	(233)	(579)	(522)
Other impairments	(25)	(1)	—	(3)	—	(14)	(4)	(75)	(120)	(25)	(149)	(118)
Indirect taxation	(51)	(45)	(37)	(28)	(71)	(88)	(47)	(35)	(224)	(208)	(430)	(404)
Share of post-tax results of associates and joint ventures	—	—	90	(17)	—	—	22	(45)	(1)	1	111	(61)
Operating profit before income tax	3 634	873	874	(1 211)	5 474	3 265	4 817	3 261	(1 257)	(1 172)	13 542	5 016
Tax expenses	(999)	(213)	(208)	346	(1 511)	(901)	(1 313)	(943)	358	329	(3 673)	(1 382)
Profit for the reporting period	2 635	660	666	(865)	3 963	2 364	3 504	2 318	(899)	(843)	9 869	3 634
Profit attributable to:												
Ordinary equity holders	2 506	526	604	(929)	3 854	2 240	3 318	2 113	(910)	(854)	9 372	3 096
Non-controlling interest – preference shares	38	46	18	22	32	43	55	71	3	3	146	185
Other equity: Additional Tier 1 Capital	91	88	44	42	77	81	131	134	8	8	351	353
	2 635	660	666	(865)	3 963	2 364	3 504	2 318	(899)	(843)	9 869	3 634
Headline earnings	2 531	526	605	(927)	3 854	2 254	3 319	2 180	(907)	(850)	9 402	3 183
Statement of financial position												
Loans and advances[1]	270 571	248 320	98 077	89 129	61 921	60 183	126 280	121 663	411	422	557 260	519 717
Loans and advances to customers	270 275	247 679	98 077	89 129	49 672	47 727	125 674	121 583	—	2	543 698	506 120
Loans and advances to banks	296	641	—	—	12 249	12 456	606	80	411	420	13 562	13 597
Investment securities	13 785	12 369	4 742	4 284	3 383	3 395	6 148	6 201	117	66	28 175	26 315
Other assets[1]	25 850	19 049	3 666	3 531	278 992	247 924	115 171	88 746	12 737	11 931	436 416	371 181
Total assets	310 206	279 738	106 485	96 944	344 296	311 502	247 599	216 610	13 265	12 419	1 021 851	917 213
Deposits[1]	1 915	1 833	—	—	278 323	247 328	188 394	167 241	12	11	468 644	416 413
Deposits due to customers	1 915	1 833	—	—	278 323	247 328	188 390	167 223	12	11	468 640	416 395
Deposits due to banks	—	—	—	—	—	—	4	18	—	—	4	18
Other liabilities[1]	304 604	276 544	104 816	96 797	62 104	61 927	55 591	46 182	14 115	13 224	541 230	494 674
Total liabilities	306 519	278 377	104 816	96 797	340 427	309 255	243 985	213 423	14 127	13 235	1 009 874	911 087

[1] These numbers have been restated, refer to note 1.19.

39. Segment report (continued)

39.2 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	17 388	2 477	(88)	—	19 777
Consulting and administration fees	300	24	20	—	344
Transactional fees and commissions	14 198	1 857	(20)	—	16 035
Cheque accounts	4 546	135	—	—	4 681
Credit cards	1 820	—	—	—	1 820
Electronic banking	4 510	1 083	—	—	5 593
Other[1]	1 820	639	(20)	—	2 439
Savings accounts	1 502	—	—	—	1 502
Merchant income	2 101	—	—	—	2 101
Trust and other fiduciary services fees	61	18	—	—	79
Other fees and commissions	61	223	(88)	—	196
Insurance commissions received	631	—	—	—	631
Investment banking fees	36	355	—	—	391
Other income from contracts with customers	151	—	(1)	(15)	135
Other non-interest income, net of expenses	(585)	1 505	(656)	15	279
Total non-interest income	**16 954**	**3 982**	**(745)**	**—**	**20 191**

	2020				
	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	17 221	2 272	(7)	—	19 486
Consulting and administration fees	307	15	92	—	414
Transactional fees and commissions	14 262	1 667	(8)	—	15 921
Cheque accounts	4 945	134	—	—	5 079
Credit cards	1 712	—	—	—	1 712
Electronic banking	4 185	1 015	—	—	5 200
Other[2]	1 787	516	(7)	—	2 296
Savings accounts	1 633	2	(1)	—	1 634
Merchant income	1 925	—	—	—	1 925
Trust and other fiduciary services fees	53	33	—	—	86
Other fees and commissions	45	193	(93)	—	145
Insurance commissions received	612	—	—	—	612
Investment banking fees	17	364	2	—	383
Other income from contracts with customers	60	—	35	—	95
Other non-interest income, net of expenses	(486)	1 228	25	155	922
Total non-interest income	**16 795**	**3 500**	**53**	**155**	**20 503**

[1] Other transactional fees and commissions income include service and credit-related fees of **R644m** (2020: R681m), exchange commission of **R680m** (2020: R603m).

[2] Other transactional fees and commissions income include service and credit-related fees of **R681m** (2019: R631m), exchange commission of **R603m** (2019: R531m).

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40. Offsetting financial assets and financial liabilities

Where relevant the Bank reports derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and financial liabilities that are reported net on the statement of financial position. Also presented are derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the IAS 32 netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Bank's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Bank 2021							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position[1] Rm	Offsetting financial instruments Rm	Financial collateral[2] Rm	Net amount Rm	Amounts not subject to enforceable netting arrangements[3] Rm	Total per statement of financial position[4] Rm
Derivative financial assets	66 431	(8 285)	58 146	(37 139)	(2 219)	18 788	1 249	59 395
Reverse repurchase agreements and other similar secured lending	81 358	—	81 358	—	(81 358)	—	—	81 358
Total assets	147 789	(8 285)	139 504	(37 139)	(83 577)	18 788	1 249	140 753
Derivative financial liabilities	(53 391)	7 924	(45 467)	37 139	—	(8 328)	(4 401)	(49 868)
Repurchase agreements and other similar secured borrowings	(75 555)	—	(75 555)	—	75 555	—	—	(75 555)
Total liabilities	(128 946)	7 924	(121 022)	37 139	75 555	(8 328)	(4 401)	(125 423)

[1] Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.

[2] Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[3] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[4] Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

40. Offsetting financial assets and financial liabilities (continued)

	Bank 2020							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position[1] Rm	Offsetting financial instruments Rm	Financial collateral[2] Rm	Net amount Rm	Amounts not subject to enforceable netting arrangements[3] Rm	Total per statement of financial position[4] Rm
Derivative financial assets	122 766	(24 381)	98 385	(74 288)	(3 169)	20 928	10 752	109 137
Reverse repurchase agreements and other similar secured lending	72 005	—	72 005	—	(72 005)	—	—	72 005
Total assets	194 771	(24 381)	170 390	(74 288)	(75 174)	20 928	10 752	181 142
Derivative financial liabilities	(114 965)	24 893	(90 072)	74 288	—	(15 784)	(1 558)	(91 630)
Repurchase agreements and other similar secured borrowings	(52 373)	—	(52 373)	—	52 373	—	—	(52 373)
Total liabilities	(167 338)	24 893	(142 445)	74 288	52 373	(15 784)	(1 558)	(144 003)

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association (ISDA) Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and the credit risk mitigation strategies used by the Bank are further explained in the Credit risk mitigation, collateral and other credit enhancements section of note 52.

[1] Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.
[2] Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.
[3] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.
[4] Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

41. Earnings per share

	Bank 2021 Rm	Bank 2020 Rm
Basic and diluted earnings per share		
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders, by the weighted average number of ordinary shares in issue during the reporting period.		
Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are no instruments that would have a dilutive impact.		
Basic and diluted earnings attributable to ordinary equity holders	10 573	1 176
Weighted average number and diluted number of ordinary shares in issue (millions)	448.3	448.3
Issued shares at the beginning of the reporting period	448.3	448.3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	2 358.5	262.3

42. Structured entities

Exchange-traded funds

Exchange Traded Funds (ETFs) are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of and/or gains a broad exposure to a particular index, sector or commodity for individual and institutional investors. All ETFs have a market maker to ensure that liquidity is always maintained, and in many instances, the Bank will act in this capacity. The Bank may therefore hold a direct interest in the fund, but the magnitude of such interest will vary with sufficient regularity. Whether the Bank consolidates any of the funds depends on the magnitude of the interest held therein, as well as on the Bank's ability to direct the relevant activities of the fund, either directly or indirectly. The Bank, through its contractual undertaking to act as market maker, ensures that liquidity is always maintained. The Bank earns management fee income from its involvement in the funds. To the extent that the Bank holds participatory units in the funds, the Bank will receive distributions recognised as investment income, as well as unrealised gains and losses on the revaluations thereof. ETFs are regulated by the Financial Sector Conduct Authority and the Collective Investment Schemes Control Act, No. 45 of 2002.

Securitisation vehicles

The Bank has used SEs in order to securitise loans that were originated by the Bank. These entities have minimal equity and therefore rely on funding in the form of notes in order to acquire the underlying loans. The Bank transfers the contractual right to receive cash flows on the underlying loans, but in many instances, does not relinquish exposure to substantially all the risks and rewards of ownership. Exposures to credit risk, prepayment risk and/or interest rate risk are retained when the Bank purchases either senior notes or junior notes and sells derivatives to the entity. When the securitisation vehicles are established to run entirely on autopilot or when the only relevant activity of the entity constitutes recovery of the securitised loans in the event of default, then provided such activity is not directed by the Bank, the Bank will not have power over the relevant activities of the vehicle. The Bank earns interest income on the notes issued by the vehicles, together with management fees from the Bank's ongoing involvement. To the extent that the notes are fair valued, unrealised gains and losses are generated, which are recognised by the Bank in profit or loss.

Structured investment vehicles

The Bank holds investments in a number of vehicles which were established and are managed by third-party fund managers. These vehicles are generally not consolidated by the Bank on the basis that the relevant activities of the vehicles are directed by the fund manager, and no substantive kick-out rights exist. The investments held in the vehicles are measured at fair value with changes therein being recognised in profit or loss. Distributions made by the vehicles will be recognised as investment income in profit or loss. The vehicles are funded through the commitment and provision of capital by investors.

Preference share funding vehicles

The Bank provides financing to a number of SEs, established and managed by clients, in the form of a subscription for cumulative redeemable preference shares. These instruments typically have the economic characteristics of vanilla debt instruments, and as such the Bank recognises interest income from its investments. Often the Bank subscribes for preference shares in these vehicles together with other financial institutions on a syndicated basis. The Bank does not have the ability to direct the relevant business activities in these vehicles and therefore in the absence of control, the vehicles are not consolidated. An entity which forms part of the same group of companies as the preference share funding vehicle, most commonly the parent company, writes the Bank a financial guarantee or a put option, so as to provide security in the event of default.

Funding vehicles

The Bank provides funding in the form of loans to bankruptcy remote SEs to enable them to purchase fixed assets, such as property. The loans are fully collateralised by the underlying asset, and the repayment of principal and interest is met through the receipt of lease income. The loans are subject to guarantees received from the parent company, or from other trading entities within the same group of companies. The Bank earns interest on the loans. The loans are either measured at amortised cost, or are designated as at fair value through profit or loss.

42. Structured entities (continued)
42.1 Consolidated structured entities
During the reporting period the Bank provided financial or other support to the following consolidated SEs despite not being contractually obliged to do so:

Name	Nature of support	Reason for providing support	Bank 2021 Rm	Bank 2020 Rm
The Absa Foundation Trust	Donation	The Trust was constituted to fund community upliftment and social welfare programmes.	9	46
Various ETF portfolios	Expense subsidy	Subsidising the fixed cost incurred by the new ETF funds as the funds cannot yet cover their own costs due to low levels of market capitalisation	0	3

The Bank has consolidated the Absa Foundation Trust since 2006 and new ETFs since 2017.

The Bank intends to provide financial support to the Absa Foundation Trust and any new ETFs in 2022.

42.2 Unconsolidated structured entities
The level of risk that the Bank is exposed to is determined by the nature and purpose of it holding an interest in the entity. Owing to the large number of SEs in which the Bank holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

Bank 2021	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Investment securities	—	234	—	4 225	—	4 459
Debt securities	—	234	—	—	—	234
Equity securities	—	—	—	4 225	—	4 225
Loans and advances to customers	26 632	—	593	—	15	27 240
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	240	—	—	240
	26 632	234	833	4 225	15	31 939
Liabilities						
Derivatives held for trading	—	—	—	—	—	—
Interest rate derivatives (carrying value)	—	—	—	—	—	—
Interest rate derivatives (notional value)	—	—	—	—	—	—
Deposits due to customers	—	—	—	—	—	—
Maximum exposure to loss[2]	26 632	234	833	4 225	15	31 939
Total size of entities[3]	120 168	234	1 631	28 999	15	151 047

[1] There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets.

[2] The Bank's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

[3] Total size of entities is measured relative to total assets.

42. Structured entities (continued)
42.2 Unconsolidated structured entities (continued)

Bank 2020	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Investment securities	—	213	—	3 374	—	3 587
Debt securities	—	213	—	—	—	213
Equity securities	—	—	—	3 374	—	3 374
Loans and advances to customers	23 745	—	707	—	37	24 489
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	272	—	—	272
	23 745	213	979	3 374	37	28 348
Liabilities						
Derivatives held for trading	—	—	—	—	—	—
Interest rate derivatives (carrying value)	—	—	—	—	—	—
Interest rate derivatives (notional value)	—	—	—	—	—	—
Deposits due to customers	—	—	—	—	—	—
Maximum exposure to loss[2]	23 745	213	979	3 374	37	28 348
Total size of entities[3]	117 510	213	1 840	31 214	37	150 814

The Bank did not incur any losses related to its interests in unconsolidated structured entities in the current financial reporting period (2020: Rnil).

42.3 Sponsored entities
The Bank did not earn material income from its involvement in the unconsolidated SEs which it sponsors.

Assets transferred to unconsolidated sponsored structured entities
The Bank did not transfer assets during the current reporting year (2020: Rnil) to its unconsolidated sponsored structured entities.

	Bank (unaudited) 2021 Rm	Bank (unaudited) 2020 Rm
43. Assets under management and administration		
Alternative asset management and exchange-traded funds	27 790	30 231
Other	285 401	251 031
Portfolio management	5 046	2 866
Unit trusts	1 589	1 613
	319 826	285 741

'Other' assets includes those for which custody and trustee services are provided. It includes assets managed on behalf of Absa Bank Limited.

[1] There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets.

[2] The Bank's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

[3] Total size of entities is measured relative to total assets.

	Bank 2021 Rm	Bank 2020 Rm
44. Contingencies, commitments and similar items		
Guarantees	36 293	34 327
Irrevocable debt facilities	144 832	144 975
Letters of credit	9 475	5 777
	190 600	185 079
Authorised capital expenditure		
Contracted but not provided for	509	427

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

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

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

Legal proceedings

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

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

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

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

Regulatory 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 Bank's control. We are also awaiting policy positions to be taken by Regulators. Some of these are likely to have an impact on the Bank's customers, business lines, systems and earnings.

The Bank is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to the same. The Bank 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 Bank 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.

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

Notes to the consolidated financial statements
for the reporting period ended 31 December

44. Contingencies, commitments and similar items (continued)

Income taxes

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

The Bank recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

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

	Bank 2021 Rm	Bank 2020 Rm
45. Cash and cash equivalents		
Cash, cash balances and balances with central banks[1]	6 067	8 352
Loans and advances to banks[2]	103	431
	6 170	8 783

	Bank 2021 Rm	Bank 2020 Rm
46. Deferred cash and share-based payments		
Share-based payments expense	473	341
Equity-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	309	146
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	12	17
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	129	195
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	10	0
Absa Group Limited Restricted Share Value Plan (RSVP)	—	5
Cash-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	9	(17)
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	2	1
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	2	(1)
Absa Group Limited Role Based Pay (RBP)	—	0
Absa Group Limited Restricted Share Value Plan (RSVP)	—	(5)
Deferred cash expense		
Absa Group Limited Cash Value Plan (CVP)	41	61
Total deferred cash and share-based payments (refer to note 28)	514	402
Total carrying amount of liabilities for cash-settled arrangements (refer to note 14)	94	138
Total carrying amount of equity-settled share-based payment arrangement (refer to the statement of changes in equity)	614	336

Cash-settled share-based payment schemes are measured with reference to the statement of financial position date and the Absa Group Limited share price.

During 2020, new Share Incentive Plan scheme rules replaced the previous Long-Term Incentive Plan and Share Value Plan rules, with awards from 2020 onwards made under the new scheme rules. The terms of awards granted prior to 2020 were not modified and as such there was no impact on the accounting treatment of such awards.

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

46. Deferred cash and share-based payments (continued)

Absa Group Limited Share Incentive Plan Performance Award (previously Long-Term Incentive Plan – LTIP)

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Absa Group Limited ordinary shares. The Bank retains the obligation to settle in cash certain SIPP awards that are prohibited from being equity-settled. The award will be issued by Absa Group Limited. In order for the participant to be entitled to these awards, the participant needs to render three years or five years (depending on the grant received) of service and the requisite performance conditions need to be met. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Retention Buyout Award (previously Joiners Share Value Plan - JSVP)

The Share Incentive Plan Retention Buyout Award (SIPRB) enables the Bank to attract and motivate new employees by buying out the 'in the money' portion of a participant's shares or options under their previous employers' share scheme by offering the employees Absa Group Limited awards. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends may accumulate and are reinvested over the vesting period, which will align with the vesting period of the previous employer.

Absa Group Limited Share Incentive Plan Deferred Award (previously Share Value Plan – SVP)

The Share Incentive Plan Deferred Award (SIPD) (and any associated notional dividends) are awarded at no cost to the participants. The awards typically vest in equal tranches after one to five years. The Bank retains the obligation to settle in cash certain SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Retention Award (previously Retention Share Value Plan – SVP Cliff)

The Share Incentive Plan Retention Award (SIPR) (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three to five years. The Bank retains the obligation to settle in cash certain SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Additional to Share Incentive Plan Retention Award: Individual Performance Conditions

Award will Vest on the Vesting Date(s), subject to achieving a performance rating in respect of the 2021, 2022 and 2023 performance years of 'Good or above' (or any other equivalent rating in force from time to time).

Absa Group Limited Restricted Share Value Plan

The Restricted Share Value Plan (RSVP) awards (and any associated notional dividends) are awarded at no cost to the participants. Vesting periods range from two to five years, with each tranche subject to its own independent non-market-related performance conditions on vesting. The Bank retains the obligation to settle in cash certain Restricted SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Role Base Pay

The Role Based Pay (RBP) is a cash settled share scheme for Code staff. It limits the maximum level of variable compensation that may be paid to certain employees to 1x fixed pay, or 2x fixed pay with shareholder approval. The cash element will be paid at the same time as the salaries and the share element will be delivered quarterly, with the shares subject to a holding period. Dividends accumulate and are reinvested over the vesting period.

46. Deferred cash and share-based payments (continued)

Number of awards '000

	2021					2020				
	Opening balance	Granted/ transferred	Forfeited	Exercised	Closing balance	Opening balance	Granted/ transferred	Forfeited	Exercised	Closing balance
Equity-settled:										
SIPP	12 610	3 144	(1 642)	(54)	14 058	12 872	7 207	(3 310)	(4 159)	12 610
SIPRB	204	148	(36)	(99)	217	228	160	(27)	(157)	204
SIPD	4 659	498	(364)	(1 950)	2 843	2 489	3 603	(301)	(1 132)	4 659
SIPR	—	833	(9)	—	824	—	—	—	—	—
RSVP	71	—	—	(19)	52	364	—	—	(293)	71
Cash-settled:										
SIPP	62	33	—	—	95	377	53	(143)	(225)	62
SIPRB	16	—	—	(10)	6	21	5	—	(10)	16
SIPD	14	4	—	(4)	14	18	15	(18)	(1)	14
RSVP	—	—	—	—	—	106	—	(35)	(71)	—
RBP	—	—	—	—	—	4	—	—	(4)	—

The terms and conditions of the above share-based payment arrangements dictate that awards be settled immediately on vesting and therefore there are no awards which have vested but have not yet been settled at any given time. Furthermore the awards outstanding in the aforementioned schemes have no exercise price.

	Weighted average share price at exercise date during the reporting period (Rands)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rands)	
	2021	2020	2021	2020	2021	2020
Equity-settled:						
SIPP	151.61	144.69	1.33	2.03	137.18	75.00
SIPRB	138.54	157.60	1.22	0.93	129.13	119.42
SIPD	117.40	173.76	0.72	1.08	124.17	75.12
SIPR	—	—	2.75	—	153.24	—
RSVP	138.43	142.00	0.09	0.30	—	—
Cash-settled:						
SIPP	—	80.48	1.40	2.01	124.17	75.00
SIPRB	147.06	82.27	0.54	0.90	—	80.14
SIPD	124.17	119.62	0.88	1.08	124.17	75.00
RSVP	—	102.10	—	—	—	—
RBP	—	105.12	—	—	—	—

46. Deferred cash and share-based payments (continued)

Future cash flow effects associated with equity-settled share-based payments

	Bank 2021			
	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	**228**	**513**	**—**	**741**

	2020			
	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	136	177	—	313

The estimates provided above indicate the amounts which are expected to be transferred to tax authorities relating to the employees' tax obligations on equity schemes which have been granted but which vest in future periods. The amounts were estimated based on the number of awards expected to vest, the share price as at year end and an estimate of the average applicable employee effective tax rate.

Deferred cash

Absa Group Limited Cash Value Plan

The Cash Value Plan (CVP) is a deferred cash settled payment arrangement. The award will vest in equal tranches over a period of three and five years, subject to the Rules which includes a 10% service credit for the final anniversary of the CVP award date. The service credit for awards granted in 2021 is **0%** (2020: 10%) of the initial value of the award that vests.

47. Acquisitions and disposals of businesses and other similar transactions

47.1 Acquisitions of businesses during the current reporting period

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

47.1.2 Disposals of businesses during the current reporting period

The Bank disposed of Card Issuing and Personal loan books on 30 June 2021. The bank received a cash consideration of **R94m** on disposal. The Bank disposed of the Integrated Processing Solution investment on 30 September 2021. The Bank received a cash consideration of **R12m** on disposal.

47.2.1 Acquisitions of businesses during the previous reporting period

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

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

47.2.2 Disposals of businesses during the previous reporting period

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

Notes to the consolidated financial statements
for the reporting period ended 31 December

48. Derivatives

48.1 Derivative financial instruments

Derivative financial instruments are entered into in the normal course of business to manage various financial risks.

The derivative instrument contract value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, net fee and commission income and derivative assets and liabilities.

Some derivative financial instruments have been designated as hedging instruments in fair value or cash flow hedging relationships or hedges of net investments in foreign operations. At the reporting date, the Bank did not have any compound financial instruments with multiple embedded derivatives in issue.

The Bank trades the following derivative instruments:

Foreign exchange derivatives

The Bank's principal exchange rate-related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Bank's principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount.

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers as well as investments in fixed rate debt securities held.

Credit derivatives

The Bank's principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer of the protection in return receives a predetermined amount.

Equity derivatives

The Bank's principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date. The Bank also enters into fund-linked derivatives, being swaps and options which include mutual funds, hedge funds, indices and multi-asset portfolios as underlying.

Commodity derivatives

The Bank's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are agricultural commodities and precious metals.

48.2 Notional amount

The gross notional amount is the sum of the absolute value of all contracts. The notional amount will not generally reflect the amount receivable or payable under a derivative contract. The notional amount should be viewed only as a means of assessing the Bank's participation in derivative contracts and not the market risk position nor the credit exposure arising on such contracts.

The absolute value of all contracts is also not indicative of the Bank's net exposure to, or position in any of the markets that the Bank trades in.

48. Derivatives (continued)

48.3 Derivative financial instruments

The Bank's total derivative asset and liability position as reported on the statement of financial position is as follows:

	Bank					
	2021			2020		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm	Liabilities Rm	Notional contract amounts Rm
Derivatives held for trading (refer to note 4 and note 13)	54 239	(46 208)	7 274 921	98 139	(86 761)	6 298 737
Derivatives designated as hedging instruments (refer to note 4 and note 13)	5 157	(3 659)	272 461	10 998	(4 868)	214 749
Total derivatives	59 396	(49 867)	7 547 382	109 137	(91 629)	6 513 486

48.4 Derivatives held for trading – detail by market and instrument type

Derivatives held for trading by the Bank related to the various markets and instrument types the Bank trades in are as follows:

	Bank					
	2021			2020		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm	Liabilities Rm	Notional contract amounts Rm
Foreign exchange derivatives	10 090	(11 490)	660 085	22 534	(19 921)	561 441
Forwards	2 092	(2 840)	116 229	2 771	(2 979)	81 809
Futures	—	—	14 099	—	—	7 065
Swaps	5 305	(8 378)	435 994	16 673	(15 869)	381 853
Options	2 693	(272)	93 763	3 090	(1 073)	90 714
Interest rate derivatives	34 506	(31 119)	6 454 779	69 825	(62 782)	5 592 093
Forwards	848	(1 195)	1 660 426	4 360	(4 897)	2 620 051
Futures	—	—	78 069	0	—	160 137
Swaps	33 624	(29 911)	4 713 504	65 362	(57 852)	2 808 935
Options	34	(13)	2 780	103	(33)	2 970
Equity derivatives	8 581	(2 682)	148 871	4 994	(3 152)	129 580
Forwards	177	(1 170)	23 275	1 630	(2 539)	27 597
Futures	—	—	22 408	0	—	31 577
Swaps	1 782	(1 319)	54 339	1 844	(524)	21 620
Options	6 622	(193)	36 062	1 520	(89)	34 694
Options – exchange traded	—	—	3 951	(0)	—	2 056
Other – OTC	—	—	8 836	0	—	12 036
Commodity derivatives	920	(824)	5 359	627	(765)	8 481
Forwards	85	(88)	4 792	294	(396)	8 318
Swaps	578	(540)	403	328	(367)	137
Options	257	(196)	164	5	(2)	26
Credit derivatives						
Default swaps	142	(93)	5 827	159	(141)	7 142
Derivatives held for trading	54 239	(46 208)	7 274 921	98 139	(86 761)	6 298 737
Note	4	13		4	13	

Forwards, swaps and options in the table above have been traded on a bilateral OTC basis, unless specified otherwise. Futures in the table above have been traded on authorised exchanges.

48. Derivatives (continued)

48.5 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R58 146m** (2020: R98 385m). Additionally, the Bank held **R2 219m** (2020: R3 169m) of collateral against the net derivative asset exposure.

OTC traded instruments are subject to counterparty credit risk as the related cash flows are not guaranteed by an independent third party. This risk is mitigated by means of netting agreements. The International Swaps and Derivatives Association (ISDA) Master Agreement is used by the Bank. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other.

48.6 Hedge accounting

Risk management strategy

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged. The assessment of the effectiveness of hedge relationships are performed on a cumulative life to date basis.

In order to hedge the risks to which the Bank is exposed, the hedging instruments employed are interest rate swaps, inflation swaps, cross currency swaps and forward foreign exchange contracts. The economic relationship between the hedge instrument and the hedged items is aligned since all hedging instruments are exposed to the same risks as the hedged items, being interest rate risk, inflation risk and/or foreign currency risk.

Interest rate derivatives designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate borrowed funds or debt securities held and highly probable forecast investment transactions.

Foreign exchange derivatives designated as cash flow hedge, primarily hedge the exposure to highly probable forecast foreign denominated expenditure.

Foreign exchange derivatives, designated as net investment hedge, primarily hedges the foreign currency exposure to a net investment in a foreign operation.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers as well as investments in fixed rate debt securities held.

In certain circumstances, items that are designated for hedge accounting purposes are different from the economic hedge owing to the existence of restrictions on the ability to apply hedge accounting to the economic hedge. Specifically, the Bank employs a governed interest rate risk management strategy (hedging programme) through the interest rate cycle to reduce volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).

The hedge ratio between the hedged item and the hedging instruments is typically determined with reference to the sensitivity of the hedged item, on designation, to the risk factor, compared to the hedging instrument. In many cases the hedge ratio is directly proportional to the hedged item.

In some hedging relationships, the Bank would designate risk components of hedged items as follows:

(i) Benchmark interest rate risk;
(ii) Inflation risk as a contractually specified component of a debt instrument;
(iii) Spot exchange rate risk for foreign currency denominated financial assets or financial liabilities;
(iv) Spot or forward exchange rate risk for highly probable forecast foreign denominated expenditure or a net investment in a foreign operation
(v) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument

Sources of ineffectiveness which may affect the Bank's designated hedge relationships are as follows:

(i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument;
(ii) Changes in credit risk of the hedging instruments.
(iii) If a hedge accounting relationship becomes overhedged. This might occur in hedges of net investments if the net asset value designated at the start of the period falls below the amount of the hedging instrument.

No other source of ineffectiveness has arisen during the period.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting

Fair value hedges are used by the Bank to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include investment securities, loans and advances, debt securities and borrowed funds. The profile and timing of hedging instruments designated in fair value hedge relationships based on notional amounts are as follows:

Bank

	2021						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	6 161	7 066	827	4 129	27 588	26 925	72 696
Hedge of investment securities	2 700	817	239	2 967	18 403	24 892	50 018
Hedge of loans and advances	1 867	823	546	570	141	366	4 313
Hedge of debt securities in issue	1 229	125	42	592	2 178	1 667	5 833
Hedge of borrowed funds	365	5 301	—	—	6 866	—	12 532
Interest rate risk – Cross currency swaps							
Hedge of investment securities at FVOCI	2 857	—	—	—	—	—	2 857
Inflation risk – Interest rate swaps							
Hedge of investment securities at FVOCI	736	200	155	100	—	379	1 570

	2020						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	1 519	3 225	6 903	646	3 595	42 743	58 631
Hedge of investment securities	199	—	67	220	2 580	38 451	41 517
Hedge of loans and advances	981	1 140	496	384	423	447	3 871
Hedge of debt securities in issue	—	1 720	125	42	592	3 845	6 324
Hedge of borrowed funds	339	365	6 215	—	—	—	6 919
Inflation risk – interest rate swaps							
Hedge of investment securities at FVOCI	60	736	200	155	100	379	1 630

The average rates or prices set out below relate to the hedging instruments designated in fair value hedging relationships:

Bank

	2021 Average price or rate %	2020 Average price or rate %
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	8%	8%
Inflation risk		
Interest rate swaps		
Average fixed interest rate	3%	3%

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting (continued)

The following amounts relate to items designated as hedging instruments in fair value hedge relationships:

Bank

	2021				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2021 Rm	Ineffectiveness recognised in profit or loss Rm
Total	77 123	1 300	(2 746)	1 508	(34)
Interest rate risk	75 553	1 285	(2 358)	1 503	1
Interest rate swaps – hedge of investment securities	50 018	647	(1 841)	2 078	11
Cross currency swaps – hedge of investment securities at FVOCI	2 857	—	(71)	(2)	
Interest rate swaps – hedge of loans and advances	4 313	—	(314)	183	1
Interest rate swaps – hedge of borrowed funds	12 532	242	(132)	(359)	1
Interest rate swaps – hedge of debt securities in issue	5 833	396	—	(397)	(12)
Inflation risk					
Inflation linked swaps – hedge of investment securities classified as FVOCI	1 570	15	(388)	5	(35)

	2020				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2020 Rm	Ineffectiveness recognised in profit or loss Rm
Total	60 261	1 543	(4 505)	(1 963)	(11)
Interest rate risk	58 631	1 531	(4 101)	(1 756)	6
Interest rate swaps – hedge of investment securities	41 517	247	(3 639)	(2 299)	1
Interest rate swaps – hedge of loans and advances	3 871	—	(462)	(204)	12
Interest rate swaps – hedge of borrowed funds	6 919	463	—	177	(4)
Interest rate swaps – hedge of debt securities in issue	6 324	821	—	570	(3)
Inflation risk					
Inflation linked swaps – hedge of investment securities classified as FVOCI	1 630	12	(404)	(207)	(17)

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the Statement of Comprehensive Income, and the hedging instruments of the Bank are presented within Hedging portfolio assets and liabilities on the Statement of Financial Position.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting (continued)

The following amounts relate to items that were designated as hedged items in a fair value hedge relationships:

Bank

Hedged item statement of financial position classification and risk category	2021 Carrying value Rm	2021 Accumulated fair value adjustment included in the carrying amount of the hedged item – Total Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	56 363	728	(6)	(2 057)
Interest rate risk	52 901	783	(14)	(2 087)
Inflation risk	3 462	(55)	8	30
Loans and advances				
Interest rate risk	3 975	71	(7)	(195)
Financial liabilities				
Debt securities in issue				
Interest rate risk	(6 503)	(337)	0	409
Borrowed funds				
Interest rate risk	(15 170)	(60)	—	358

Hedged item statement of financial position classification and risk category	2020 Carrying value Rm	2020 Accumulated fair value adjustment included in the carrying amount of the hedged item – Total Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	51 477	2 825	(13)	2 510
Interest rate risk	48 186	2 813	(13)	2 285
Inflation risk	3 291	12	0	225
Loans and advances				
Interest rate risk	3 327	246	(18)	200
Financial liabilities				
Debt securities in issue				
Interest rate risk	(7 024)	(773)	0	(567)
Borrowed funds				
Interest rate risk	(7 020)	(418)	—	(173)

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.2 Cash flow hedge accounting

Cash flow hedges are used by the Bank to protect against the potential cash flow variability arising from the Bank exposure to; interest rate and foreign currency risk. The financial instruments designated as hedged items include loans and advances, and highly probable forecast foreign denominated expenditure.

The profile and timing of hedging instruments designated in cash flow hedge relationships based on notional amounts are as follows:

Bank

2021	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	59 424	32 592	18 393	26 513	28 295	15 432	180 649
Foreign currency risk – Cross currency swaps	—	6 887	50	—	5 420	128	12 485
Hedge of investment securities	—	—	—	—	—	128	128
Hedge of debt securities	—	—	50	—	—	—	50
Hedge of borrowed funds	—	6 887	—	—	5 420	—	12 307
Foreign currency risk – Forwards							
Hedge of highly probable forecast expenditure	2 112	92	—	—	—	—	2 204

2020	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	35 035	37 503	29 932	13 420	25 005	10 198	151 093
Foreign currency risk – forwards	1 880	1 381	—	27	—	109	3 397
Hedge of loans and advances[1]	10	149	—	27	—	109	295
Hedge of highly probable forecast expenditure[1]	1 870	1 232	—	—	—	—	3 102

The average rates or prices set out below relate to the hedging instruments designated in cash flow hedging relationships:

Bank

	2021 Average price or rate	2020 Average price or rate
Interest rate risk		
Interest rate swaps	7%	7%
Foreign currency risk		
Currency swaps		
Average ZAR – EUR exchange rates	11.99	19.27
Average ZAR – GBP exchange rates	14.34	21.37
Average ZAR – USD exchange rates	17.04	16.28
Average ZAR – CZK exchange rates	0.00	1.36

[1] These numbers have been restated to provide a split between hedge of loans and advances and hedge of highly probable forecast expenditure under foreign currency risk forwards.

48. Derivatives (continued)
48.6 Hedge accounting (continued)
48.6.2 Cash flow hedge accounting (continued)

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship.

The following amounts relate to items designated as hedging instruments in cash flow hedge relationships:

	Bank					
	2021					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Interest rate risk						
Interest rate swaps – hedge of loans and advances	180 649	3 454	(898)	(6 688)	(1 802)	(535)
Foreign currency risk – cross currency swaps	12 485	355	—	183	262	1
Foreign currency swaps – hedge of investment securities	128	142	—	(1)	66	1
Foreign currency swaps – hedge of debt securities	50	20	—	(2)	10	—
Foreign currency swaps – hedge of borrowed funds	12 307	193	—	186	186	—
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	2 204	48	(15)	78	77	(5)

	2020					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Interest rate risk						
Interest rate swaps – hedge of loans and advances	151 093	9 300	(0)	6 231	8 860	(560)
Foreign currency risk – cross currency swaps						
Foreign currency swaps – Hedge of loans and advances[1]	294	151	(164)	(9)	145	(0)
Foreign currency risk – cross currency swaps						
Forwards – hedge of forecast expenditure[1]	3 103	4	(199)	32	34	(6)

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the Statement of Comprehensive Income.

[1] These numbers have been restated to provide a split between cross currency swaps and forwards under foreign currency risk disclosures.

48. Derivatives (continued)
48.6 Hedge accounting (continued)
48.6.2 Cash flow hedge accounting (continued)

The hedging instruments of the Bank are presented within Hedging portfolio assets/liabilities, on the statement of financial position.

Hedge accounting has not been applied to any forecast transactions that have not subsequently occurred.

Impact on the income statement and OCI of recycling amounts in respect of cash flow hedges during the period.

	Bank					
	2021			2020		
	Amount recycled from OCI to profit and loss due to continuing hedges Rm	Amount recycled from OCI due to discontinued hedges Rm	Total Rm	Amount recycled from OCI to profit and loss due to continuing hedges Rm	Amount recycled from OCI due to discontinued hedges Rm	Total Rm
Cash flow hedge of interest rate risk	4 211	27	4 238	3 072	104	3 176
Recycled to interest income	3 902	15	3 917	2 652	53	2 705
Recycled to interest expense	309	12	321	420	51	471
Cash flow hedge of currency risk	(75)	—	(75)	312	1	313
Recycled to interest income	68	—	68	—	—	—
Recycled to operating expenses	(143)	—	(143)	312	1	313
Total	4 136	27	4 163	3 384	105	3 489

The following amounts relate to items designated as hedged items in cash flow hedges:

	Bank					
	2021			2020		
	Change in value used for calculating hedge ineffectivness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm	Change in value used for calculating hedge ineffectiveness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm
Loans and advances to customers Interest rate risk	5 960	1 546	(22)	(5 755)	7 538	25
Highly probable forecast transactions Foreign currency risk	(78)	30	—	(942)	(185)	—
Highly probable forecast transactions Foreign currency risk	1	11	—	—	—	—
Highly probable forecast transactions Foreign currency risk	2	1	—	—	—	—
Highly probable forecast transactions Foreign currency risk	(186)	186	—	—	—	—

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.3 Reconciliation of equity

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (before tax) resulting from hedge accounting.

	Bank 2021 Cash flow hedge reserve Rm	Bank 2020 Cash flow hedge reserve Rm
Balance on 1 January		
Foreign currency translation movements	**7 381**	1 830
Hedging gains/losses for the reporting period	**(1 463)**	9 039
Interest rate risk	**(1 802)**	8 860
Foreign currency risk	**339**	179
Amounts reclassified to profit or loss		
In relation to cash flows affecting profit or loss	**(4 163)**	(3 488)
Balance on 31 December	**1 755**	7 381

48.7 Interest rate benchmark reform

Background

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

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

Fair value hedges are used by the Bank 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 Bank to protect against the potential cash flow variability arising from exposure to interest rate and foreign currency risk and are therefore also affected by the interest rate benchmark reform. The financial instruments designated as hedged items include variable rate loans and advances and 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 Bank 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 is expected to be discontinued post 30 June 2023.

The Bank'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 Bank (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 Bank'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 Banks to remain informed of the latest developments and to ensure consistency with the approaches of other market participants.

The main risks to which the Bank 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.

48. Derivatives (continued)

48.7 Interest rate benchmark reform (continued)

Background (continued)

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 Bank is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Bank 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 Bank is working proactively with all counterparties to minimise this risk from occurring.

Operational risk: Our Bank'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 Bank'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 Bank 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.

The Bank 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 Bank 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 Bank'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 Bank has elected to apply the Phase 2 amendments prospectively from effective date with no restatement of comparatives.

The Bank 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 Bank 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 Bank'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 Bank 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 Bank 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.

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 Bank 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.

48. Derivatives (continued)

48.7 Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

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

Bank

	Notional Designated Beyond 31 December 2021						
	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:

Bank

	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]	59 758	1 554	926	0	0	62 238
Non-derivative liabilities[1]	5 251	0	0	0	0	5 251
Derivative notionals[2]	867 998	4 001	2 212	63	0	874 274

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 Bank 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.

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Notes to the consolidated financial statements
for the reporting period ended 31 December

49. Consolidated statement of financial position summary – IFRS 9 classification

2021	Fair value through profit or loss				Fair value through other comprehensive income				Amortised cost				
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	33 751	—	33 751	—	33 751
Investment securities	5 752	281	—	6 033	40 180	408	36 744	77 332	13 281	19 619	32 900	—	116 265
Trading portfolio assets	141 173	—	—	141 173	—	—	—	—	—	—	—	642	141 815
Hedging portfolio assets[2]	—	—	5 157	5 157	—	—	—	—	—	—	—	—	5 157
Other assets	—	—	—	—	—	—	—	—	14 392	—	14 392	2 345	16 737
Loans and advances	82 362	29 514	—	111 876	—	—	—	—	816 924	3 975	820 899	—	932 775
Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—	—	57	57
Loans to Group companies	—	—	—	—	—	—	—	—	76 733	—	76 733	—	76 733
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	27 708	27 708
	229 287	29 795	5 157	264 239	40 180	408	36 744	77 332	955 081	23 594	978 675	30 752	1 350 998
Liabilities													
Trading portfolio liabilities	67 354	—	—	67 354	—	—	—	—	—	—	—	—	67 354
Hedging portfolio liabilities[3]	—	—	3 659	3 659	—	—	—	—	—	—	—	—	3 659
Other liabilities	—	—	—	—	—	—	—	—	33 357	—	33 357	2 476	35 833
Deposits	—	121 375	—	121 375	—	—	—	—	852 746	—	852 746	—	974 121
Debt securities in issue	—	25 177	—	25 177	—	—	—	—	96 891	6 503	103 394	—	128 571
Borrowed funds	—	—	—	—	—	—	—	—	11 289	15 170	26 459	—	26 459
Loans from Group companies	—	—	—	—	—	—	—	—	9 214	—	9 214	—	9 214
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	4 068	4 068
	67 354	146 552	3 659	217 565	—	—	—	—	1 003 497	21 673	1 025 170	6 544	1 249 279

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IFRS 9.

[2] Includes derivative assets to the amount of **R3 502m** (2020: R9 455m) and **R1 300m** (2020: R1 543m) that have been designated as cash flow and fair value hedging instruments respectively.

[3] Includes derivative liabilities to the amount of **R913m** (2020: R363m) and **R2 746m** (2020: R4 505m) that have been designated as cash flow and fair value hedging instruments respectively.

[4] Includes items designated as hedged items in fair value hedging relationships.

[5] Liabilities outside the scope of IFRS 9 includes **R735m** (2020: R603) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

[6] These numbers have been restated, refer to note 1.19.1.

Notes to the consolidated financial statements
for the reporting period ended 31 December

49. Consolidated statement of financial position summary – IFRS 9 classification (continued)

	2020 Fair value through profit or loss				Fair value through other comprehensive income				Amortised cost				
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	33 812	—	33 812	—	33 812
Investment securities	3 705	2 447	—	6 152	37 898	363	25 071	63 332	30 005	—	30 005	—	99 489
Trading portfolio assets	165 066	—	—	165 066	—	—	—	—	—	—	—	1 082	166 148
Hedging portfolio assets[2]	—	—	10 998	10 998	—	—		—	—	—	—	—	10 998
Other assets	—	—	—	—	—	—	—	—	12 230	—	12 230	2 589	14 819
Loans and advances[6]	69 597	26 133	—	95 730	—	—	—	—	778 218	3 327	781 545	—	877 275
Non-current assets held for sale	—	—	—	—	—		—	—	—	—	—	136	136
Loans to Group companies	—	—	—	—	—	—	—	—	56 145	—	56 145	—	56 145
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	27 453	27 453
	238 368	28 580	10 998	277 946	37 898	363	25 071	63 332	910 410	3 327	913 737	31 260	1 286 275
Liabilities													
Trading portfolio liabilities	105 967	—	—	105 967	—	—	—	—	—	—	—	—	105 967
Hedging portfolio liabilities[3]	—	—	4 868	4 868	—	—	—	—	—	—	—	—	4 868
Other liabilities	—	—	—	—	—	—	—	—	19 735	—	19 735	2 740	22 475
Deposits[6]	—	90 289	—	90 289	—	—	—	—	800 631	—	800 631	—	890 920
Debt securities in issue	—	24 401	—	24 401	—	—	—	—	112 734	7 024	119 758	—	144 159
Borrowed funds	—	—	—	—	—	—	—	—	13 601	7 020	20 621	—	20 621
Loans from Group companies	—	—	—	—	—	—	—	—	—	—	—	—	—
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	2 866	2 866
	105 967	114 690	4 868	225 525	—	—	—	—	946 701	14 044	960 745	5 606	1 191 876

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IFRS 9.
[2] Includes derivative assets to the amount of **R3 502m** (2020: R9 455m) and **R1 300m** (2020: R1 543m) that have been designated as cash flow and fair value hedging instruments respectively.
[3] Includes derivative liabilities to the amount of **R913m** (2020: R363m) and **R2 746m** (2020: R4 505m) that have been designated as cash flow and fair value hedging instruments respectively.
[4] Includes items designated as hedged items in fair value hedging relationships.
[5] Liabilities outside the scope of IFRS 9 includes **R735m** (2020: R603) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.
[6] These numbers have been restated, refer to note 1.19.1.

50. Fair value disclosures

50.1 Assets and liabilities held at fair value

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

	Bank							
	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	37 400	39 541	6 424	83 365	40 423	19 449	9 612	69 484
Trading and hedging portfolio assets	71 515	72 488	2 327	146 330	56 721	116 841	2 502	176 064
Debt instruments	66 545	2 058	122	68 725	55 269	1 738	95	57 102
Derivative assets	—	58 010	1 386	59 396	—	107 436	1 701	109 137
Commodity derivatives	—	907	13	920	—	622	5	627
Credit derivatives	—	2	140	142	—	—	159	159
Equity derivatives	—	7 349	1 232	8 581	—	3 507	1 487	4 994
Foreign exchange derivatives	—	10 089	1	10 090	—	22 534	—	22 534
Interest rate derivatives	—	39 663	—	39 663	—	80 773	50	80 823
Equity instruments	3 877	—	—	3 877	890	—	—	890
Money market assets	1 093	12 420	819	14 332	562	7 667	706	8 935
Loans and advances[2]	—	95 147	16 729	111 876	—	82 133	13 597	95 730
Total financial assets	108 915	207 176	25 480	341 571	97 144	218 423	25 711	341 278
Financial liabilities								
Trading and hedging portfolio liabilities	21 146	49 594	273	71 013	19 206	91 457	172	110 835
Derivative liabilities	—	49 594	273	49 867	—	91 457	172	91 629
Commodity derivatives	—	823	1	824	—	765	—	765
Credit derivatives	—	—	93	93	—	—	141	141
Equity derivatives	—	2 513	169	2 682	—	3 135	17	3 152
Foreign exchange derivatives	—	11 490	—	11 490	—	19 920	1	19 921
Interest rate derivatives	—	34 768	10	34 778	—	67 637	13	67 650
Short positions	21 146	—	—	21 146	19 206	—	—	19 206
Deposits[2]	156	119 245	1 974	121 375	128	86 599	3 562	90 289
Debt securities in issue	975	24 202	—	25 177	486	23 915	—	24 401
Total financial liabilities	22 277	193 041	2 247	217 565	19 820	201 971	3 734	225 525
Non-financial assets								
Commodities	642	—	—	642	1 082	—	—	1 082
Non-recurring fair value adjustments								
Non-current assets held for sale[3]	—	—	57	57	—	—	136	136

[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 note 1.19.1 for further details.

[3] Includes certain items classified in terms of the requirement of IFRS 5 which are measured at fair value in terms of their respective standards.

50. Fair value disclosures (continued)

50.2 Reconciliation of Level 3 assets and liabilities

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

	Bank 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
Opening balance at the beginning of the reporting period	2 502	13 597	9 612	25 711	172	3 562	3 734
Net interest income	—	180	47	227	—	—	—
Gains and losses from banking and trading activities	906	(96)	(5)	805	48	(118)	(70)
Purchases	626	6 009	916	7 551	—	—	—
Sales	(42)	(4 137)	(2 913)	(7 092)	—	—	—
Movement in other comprehensive income	—	—	21	21	—	—	—
Issues	—	—	—	—	55	373	428
Settlements	—	—	(60)	(60)	(1)	(1 692)	(1 693)
Transfer to Level 3	175	1 176	—	1 351	—	—	—
Transfer out of Level 3	(1 840)	—	(1 194)	(3 034)	(1)	(151)	(152)
Closing balance at the end of the reporting period	2 327	16 729	6 424	25 480	273	1 974	2 247

	Bank 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
Opening balance at the beginning of the reporting period	6 256	10 904	12 233	29 393	1 131	3 842	4 973
Net interest income	—	246	83	329	—	—	—
Gains and losses from banking and trading activities	(1 928)	523	(348)	(1 753)	(706)	306	(400)
Purchases	38	544	68	650	—	—	—
Sales	(176)	(931)	(2 843)	(3 950)	—	—	—
Movement in other comprehensive income	—	—	(165)	(165)	—	—	—
Issues	—	—	—	—	37	704	741
Settlements	—	—	—	—	(263)	(534)	(797)
Transfer to Level 3	142	2 807	1 979	4 928	—	—	—
Transfer out of Level 3	(1 830)	(496)	(1 395)	(3 721)	(27)	(756)	(783)
Closing balance at the end of the reporting period	2 502	13 597	9 612	25 711	172	3 562	3 734

50.2.1 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 between level 1 and level 2 are not considered significant for disclosure.

These transfers have been reflected as if they had taken place at the beginning of the year.

50. Fair value disclosures (continued)

50.3 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:

	Bank 2021 Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	147	1 833	45	2 025

	2020 Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	1 774	3 192	81	5 047

	Bank 2021 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	189	1 190	1 379

	2020 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(104)	(490)	(594)

50. Fair value disclosures (continued)

50.4 Sensitivity analysis of valuations using unobservable inputs

As part of the Bank's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, in order to determine the impact of reasonably possible alternative assumptions on the valuation of level 3 financial assets and liabilities. The assets and liabilities that mostly impact this sensitivity analysis are those with more illiquid and/or structured portfolios. The alternatives 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 reasonable range of possible outcomes:

	Significant unobservable parameters	2021 Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	126/(138)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(113)/116
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	—/—

50. Fair value disclosures (continued)

50.4 Sensitivity analysis of valuations using unobservable inputs (continued)

	Significant unobservable parameters	2020 Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	2020 Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	344/(394)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(146)/151
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	—/—

50.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

The amount that is 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 observable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Bank 2021 Rm	Bank 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)

50.6 Third-party credit enhancements

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

50. Fair value disclosures (continued)

50.7 Assets and liabilities not held at fair value

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

	Bank 2021 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	27 684	27 684	27 684	—	—
Coins and bank notes	6 067	6 067	6 067	—	—
Cash, cash balances and balances with central banks	33 751	33 751	33 751	—	—
Investment securities	32 900	33 919	33 919	—	—
Other assets	14 392	14 392	5 831	5 379	3 182
RBB	543 698	547 498	—	—	547 498
Home Loans	270 275	266 310	—	—	266 310
Vehicle and Asset Finance	98 077	100 807	—	—	100 807
Everyday Banking	49 672	49 845	—	—	49 845
Card	28 227	28 227	—	—	28 227
Personal Loans	18 611	18 784	—	—	18 784
Transactions and Deposits	2 834	2 834	—	—	2 834
Relationship Banking	125 674	130 536	—	—	130 536
CIB	248 020	249 043	—	—	249 043
Head Office, Treasury and other operations	695	695	—	—	695
Loans and advances to customers	792 413	797 236	—	—	797 236
Loans and advances to banks	28 486	28 486	10 262	18 224	—
Loans and advances	820 899	825 722	10 262	18 224	797 236
Loans to group companies	76 733	76 733	—	76 733	—
Total assets (not held at fair value)	978 675	984 517	83 763	100 336	800 418
Financial liabilities					
Other liabilities	33 357	33 357	21 810	11 547	—
Call deposits	90 398	90 398	90 398	—	—
Cheque account deposits	229 375	229 375	229 375	—	—
Credit card deposits	2 137	2 137	2 137	—	—
Fixed deposits	154 785	154 186	—	151 711	2 475
Foreign currency deposits	33 429	33 429	—	33 429	—
Notice deposits	70 148	70 148	33 623	36 525	—
Other deposits	935	935	—	935	—
Saving and transmission deposits	225 300	225 300	29 590	17 571	178 139
Deposits due to customers	806 507	805 908	385 123	240 171	180 614
Deposits from banks	46 239	46 229	9 164	37 065	—
Deposits	852 746	852 137	394 287	277 236	180 614
Debt securities in issue	103 394	102 718	—	102 718	—
Borrowed funds	26 459	26 282	—	26 282	—
Loans from group companies	9 214	9 214	—	9 214	—
Total liabilities (not held at fair value)	1 025 170	1 023 708	416 097	426 997	180 614

50. Fair value disclosures (continued)

50.7 Assets and liabilities not held at fair value (continued)

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

	2020				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	25 460	25 460	25 460	—	—
Coins and bank notes	8 352	8 352	8 352	—	—
Cash, cash balances and balances with central banks	33 812	33 812	33 812	—	—
Investment securities	30 005	32 479	32 479	—	—
Other assets	12 230	12 230	5 724	3 546	2 960
RBB[1]	506 120	501 069	—	—	501 069
Home Loans	247 679	245 702	—	—	245 702
Vehicle and Asset Finance	89 129	87 739	—	—	87 739
Everyday Banking	47 727	47 011	—	—	47 011
Card	26 110	26 110	—	—	26 110
Personal Loans	18 410	17 694	—	—	17 694
Transactions and Deposits	3 207	3 207	—	—	3 207
Relationship Banking[1]	121 585	120 617	—	—	120 617
CIB[2]	248 534	252 902	—	—	252 902
Head Office, Treasury and other operations	973	973	—	—	973
Loans and advances to customers[2]	755 627	754 944	—	—	754 944
Loans and advances to banks[2]	25 918	25 918	3 623	22 295	—
Loans and advances	781 545	780 862	3 623	22 295	754 944
Loans to group companies	56 145	56 145	—	56 145	—
Total assets (not held at fair value)	913 737	915 528	75 638	81 986	757 904
Financial liabilities					
Other liabilities	19 735	19 735	8 773	10 962	—
Call deposits[2]	82 316	82 315	82 315	—	—
Cheque account deposits	218 139	218 140	218 140	—	—
Credit card deposits	2 033	2 033	2 033	—	—
Fixed deposits	157 604	161 534	—	155 274	6 260
Foreign currency deposits[2]	30 012	30 002	—	30 002	—
Notice deposits	74 139	74 139	28 742	45 397	—
Other deposits	936	936	—	936	—
Saving and transmission deposits	183 852	183 852	29 019	7 870	146 963
Deposits due to customers[2]	749 031	752 951	360 249	239 479	153 223
Deposits from banks[2]	51 600	51 904	16 374	35 419	111
Deposits	800 631	804 855	376 623	274 898	153 334
Debt securities in issue	119 758	120 455	—	120 455	—
Borrowed funds	20 621	20 762	—	20 762	—
Total liabilities (not held at fair value)	960 745	965 807	385 396	427 077	153 334

[1] These numbers have been restated, refer note 1.19.2.
[2] These numbers have been restated, refer note 1.19.1.

51. Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial assets designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements:

	Bank		Credit risk mitigation	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Assets				
Investment securities	281	2 447	—	—
Loans and advances	29 514	26 133	—	1 448
Loans and advances to banks	—	121	—	121
Loans and advances to customers	29 514	26 012	—	1 327
	29 795	28 580	—	1 448

The Bank utilised credit derivatives and credit linked notes as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss. The value of collateral has been limited to the fair value of the instrument.

Contractual obligation at maturity of financial liabilities designated at fair value through profit and loss

The following table represents the carrying amount of financial liabilities designated at fair value through profit and loss and the amount that the Bank is contractually required to pay to the holder of the obligation at maturity:

	Bank			
	2021		2020	
	Carrying value Rm	Contractual obligation Rm	Carrying value Rm	Contractual obligation Rm
Liabilities				
Deposits	121 365	130 381	90 289	104 136
Deposits from banks[1]	44 006	44 664	37 897	41 066
Deposits due to customers[1]	77 359	85 717	52 392	63 070
Debt securities in issue	25 176	29 180	24 402	36 681
	146 541	159 561	114 691	140 817

(Increase)/decrease in fair value attributable to changes in own credit risk during the reporting period

	Bank	
	2021 Rm	2020 Rm
Liabilities		
Deposits from banks and customers	(36)	(116)

Cumulative adjustments in fair value attributable to changes in own risk

	Bank	
	2021 Rm	2020 Rm
Liabilities		
Deposits from banks and customers	510	474

The following approach is used in determining changes in fair value due to changes in credit risk for deposits from banks and customers designated at fair value through profit or loss:

- The carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as funding issued by the Bank. Most market parameters are either directly observable or are implied by instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

[1] These numbers have been restated, refer to note 1.19.1.

52. Risk management

52.1 Effective risk management and control are essential for sustainable and profitable growth

The Bank actively identifies and assesses risks arising from internal and external environments, while also proactively identifying emerging risks. To ensure effective implementation, this consolidated response is monitored as follows:

- An integrated and dynamic governance structure at Bank, country, business and enterprise core function levels, promoting a sound risk culture.
- Well-defined material risk categories, known as principal risks, for complete risk coverage.
- A combined assurance model with clear accountability for managing and overseeing the effective execution of assurance throughout the Bank.
- Comprehensive and structured processes for evaluating, responding to and monitoring risks.
- An entrenched risk culture underpinning an effective risk operating model and appropriate risk practices, tools and techniques to support the Bank's strategy.

The role of risk management is to evaluate, respond to and monitor risks in the execution of the Bank's strategy. The Bank's strategy is supported by an effective ERMF. The Bank's risk function performs conformance reviews; checks and challenges the risk profile; and retains independence in analysis and decision-making, underpinned by regular reporting to the Executive Committee and the Board. The GCRO assumes responsibility for the ERMF.

The ERMF:

- Outlines the approach to the management of risk and provides the basis for setting frameworks and policies, and establishing appropriate risk practices throughout the Bank;
- Defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure material risks can be identified and managed;
- Ensures appropriate responses are in place to protect the Bank and its stakeholders; and
- Sets out principal risks and assigns clear ownership and accountability for these risks.

The principal risks as defined in the ERMF are credit, traded market, treasury, insurance, business, model, operational, resilience, conduct, financial crime, reputational and sustainability. Risks are defined in recognition of their significance to the Bank's strategic ambitions.

The ERMF is reviewed and approved annually by the Board.

Strategy and risk appetite

The risk strategy is developed alongside the Bank's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Bank is willing to take to meet its strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within risk appetite, and risk information is considered in the organisation's decision-making and planning process.

The Bank's risk appetite:

- Specifies the level of risk the Bank is willing to take.
- Considers all principal and material risks individually and, where appropriate, in aggregate.
- Consistently measures, monitors and communicates the level of risk for different risk types, expressed in qualitative and quantitative terms.
- Describes agreed parameters for the Bank's performance under varying levels of financial stress relating to earnings, capital adequacy, leverage and liquidity ratios.
- Is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

The Bank's risk appetite is stated qualitatively in terms of risk principles and risk preferences, and refers to the types of risk the Bank actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Bank is prepared to accept to achieve its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, liquidity and leverage. These are cascaded to the level of principal risk, legal entity and business unit.

Strategy and risk appetite

Stress testing and scenario analyses are key elements of the Bank's integrated planning and risk management process. The use thereof allows the Bank to assess the performance and resilience of its business model in specific economic environments.

Stress tests provide a forward-looking view of risks under adverse circumstances to estimate the potential impact on the financial system and the Bank, including its subsidiaries and business lines/portfolios. This is supported by a framework, policies, procedures and consideration of international best practice and infrastructure platforms.

The Group Risk and Capital Management Committee is responsible for oversight of the stress testing results with senior management committees such as the Executive Risk Committee tasked with developing, reviewing and challenging the robustness of the process.

52. Risk management

52.1 Effective risk management and control are essential for sustainable and profitable growth

(continued)

Credit risk

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

Traded market risk

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

Liquidity risk

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

Capital risk

The risk that the Bank has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

Interest rate risk in the banking book

The risk that the Bank has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

52.2 Credit risk

The following table sets out information about the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable:

	Bank			
	2021			
		Stage 1[1]		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	27 684	27 684	—	—
Cash, cash balances and balances with central banks	27 684	27 684	—	—
Government bonds	74 992	74 992	—	—
Other	8 863	6 038	663	—
Treasury bills	25 970	25 970	—	—
Investment securities	109 825	107 000	663	—
Accounts receivable	8 595	4 493	4 101	—
Settlement accounts	5 797	5 771	26	—
Other assets	14 392	10 264	4 127	—
RBB	572 565	55 872	396 957	24 969
Home Loans	277 413	28 686	197 326	10 441
Vehicle and Asset Finance	104 093	10 384	68 021	8 746
Everyday Banking	60 096	3 632	35 949	5 782
Card	33 922	2 943	21 512	2 070
Personal Loans	22 571	444	12 593	3 417
Transactions and Deposits	3 603	245	1 844	295
Relationship Banking	130 910	13 170	95 661	—
RBB Other	53	—	—	—
CIB	250 896	135 003	81 059	200
Head Office, Treasury and other operations	339	266	9	—
Loans and advances to customers	823 800	191 141	478 025	25 169
Loans and advances to banks	28 537	23 396	4 048	—
Loans and advances	852 337	214 537	482 073	25 169
Loans and advances to group companies	76 978	76 978	—	—
Off-statement of financial position exposure				
Guarantees	36 293	26 414	8 233	11
Letters of credit	9 475	2 253	6 479	—
Revocable and irrevocable debt facilities[2]	194 942	53 167	137 493	749
Total off-statement of financial position exposure	240 710	81 834	152 205	760

[1] Refer to note 1.2.1.3 for DG bucket definitions.
[2] Includes revocable debt facilities with a risk of draw down.

52. Risk management (continued)
52.2 Credit risk (continued)

Maximum exposure to credit risk	Bank 2021 Stage 2[1] DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm	Stage 3[1] Default Rm
Balances with the SARB	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—
Government bonds	—	—	—	—
Other	253	1 038	—	871
Treasury bills	—	—	—	—
Investment securities	253	1 038	—	871
Accounts receivable	—	1	—	—
Settlement accounts	—	—	—	—
Other assets	—	1	—	—
RBB	921	29 570	20 189	44 087
Home Loans	526	9 959	10 606	19 869
Vehicle and Asset Finance	32	3 568	6 207	7 135
Everyday Banking	98	2 578	3 376	8 681
Card	21	1 120	1 477	4 779
Personal Loans	14	946	1 766	3 391
Transactions and Deposits	63	512	133	511
Relationship Banking	265	13 465	—	8 349
RBB Other	—	—	—	53
CIB	6 023	23 035	142	5 434
Head Office, Treasury and other operations	—	64	—	—
Loans and advances to customers	6 944	52 669	20 331	49 521
Loans and advances to banks	—	981	112	—
Loans and advances	6 944	53 650	20 443	49 521
Loans and advances to group companies	—	—	—	—
Off-statement of financial position exposure				
Guarantees	63	949	103	520
Letters of credit	—	659	82	2
Revocable and irrevocable debt facilities[2]	650	2 297	228	358
Total off-statement of financial position exposure	713	3 905	413	880

[1] Refer to note 1.2.1.3 for DG bucket definitions.
[2] Includes revocable debt facilities with a risk of draw down.

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for the reporting period ended 31 December

52. Risk management (continued)
52.2 Credit risk (continued)

Maximum exposure to credit risk	Bank 2020 Gross maximum exposure Rm	Stage 1[1] DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	25 460	25 460	—	—
Cash, cash balances and balances with central banks	25 460	25 460	—	—
Government bonds[2]	73 563	73 449	109	—
Other[2]	12 617	9 440	1 035	—
Treasury bills	6 801	6 801	—	—
Investment securities	92 981	89 690	1 144	—
Accounts receivable	6 740	6 574	165	—
Settlement accounts	5 490	4 709	781	—
Other assets	12 230	11 283	946	—
RBB[3]	537 661	32 009	375 384	23 210
Home Loans	255 130	10 111	191 811	8 815
Vehicle and Asset Finance	94 877	1 293	65 769	9 494
Everyday Banking	60 571	3 486	32 990	4 901
Card	32 714	3 004	19 201	2 053
Personal Loans	23 785	228	12 246	2 421
Transactions and Deposits	4 072	254	1 543	427
Relationship Banking[3]	127 030	17 119	84 814	—
RBB Other	53	—	—	—
CIB[3,4]	251 397	128 587	75 811	2
Head Office, Treasury and other operations	520	277	21	—
Loans and advances to customers[4]	789 578	160 873	451 216	23 212
Loans and advances to banks[4]	25 940	20 731	3 600	—
Loans and advances	815 518	181 604	454 816	23 212
Loans and advances to group companies	56 346	56 346	—	—
Off-statement of financial position exposure				
Guarantees	34 327	18 984	12 000	63
Letters of credit	5 777	1 543	1 963	3
Revocable and irrevocable debt facilities[5]	194 300	87 930	101 201	536
Total off-statement of financial position exposure	234 404	108 457	115 164	602

[1] Refer to note 1.2.1.3 for DG bucket definitions.
[2] The numbers reported in December 2020 have been restated to correctly classify Government bonds previously disclosed under other debt securities.
[3] These numbers have been restated, refer to note 1.19.2.
[4] These numbers have been restated, refer to note 1.19.1.
[5] Includes revocable debt facilities with a risk of draw down.

52. Risk management (continued)

52.2 Credit risk (continued)

Bank

2020

Maximum exposure to credit risk	Stage 2[1] DG1 – 9 Rm	Stage 2[1] DG10 – 19 Rm	Stage 2[1] DG 20 – 21 Rm	Stage 3[1] Default Rm
Balances with the SARB	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—
Government bonds	—	5	—	—
Other	792	1 350	—	—
Treasury bills	—	—	—	—
Investment securities	792	1 355	—	—
Accounts receivable	—	1	—	—
Settlement accounts	—	—	—	—
Other assets	—	1	—	—
RBB	4 647	37 306	14 882	50 223
Home Loans	3 101	10 299	7 180	23 813
Vehicle and Asset Finance	1 230	5 084	4 291	7 716
Everyday Banking	110	4 377	3 411	11 296
Card	52	1 762	1 622	5 020
Personal Loans	19	1 690	1 591	5 590
Transactions and Deposits	39	925	198	686
Relationship Banking	206	17 546	—	7 345
RBB Other	—	—	—	53
CIB	11 749	27 610	1 503	6 135
Head Office, Treasury and other operations	—	222	—	—
Loans and advances to customers	16 396	65 138	16 385	56 358
Loans and advances to banks	778	768	63	—
Loans and advances	17 174	65 906	16 448	56 358
Loans and advances to group companies	—	—	—	—
Off-statement of financial position exposure				
Guarantees	355	1 897	280	748
Letters of credit	253	1 880	87	48
Revocable and irrevocable debt facilities[2]	881	3 018	143	591
Total off-statement of financial position exposure	1 489	6 795	510	1 387

[1] Refer to note 1.2.1.3 for DG bucket definitions.
[2] The numbers reported in December 2020 have been restated to correctly classify Government bonds previously disclosed under other debt securities.
[3] These numbers have been restated, refer to note 1.19.2.
[4] These numbers have been restated, refer to note 1.19.1.
[5] Includes revocable debt facilities with a risk of draw down.

52. Risk management (continued)

52.2 Credit risk (continued)

The following table sets out information about the credit quality of financial instruments which are classified at fair value through profit or loss:

Bank

2021

Maximum exposure to credit risk	Carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Investment securities	4 218	3 981	237	—
Government bonds	15	15	—	—
Other	237	—	237	—
Treasury bills	3 966	3 966	—	—
Trading and hedging portfolio assets	142 453	114 081	28 149	223
Debt instruments	68 723	52 439	16 284	—
Derivative assets	59 397	50 236	8 938	223
Money market assets	14 333	11 406	2 927	—
Loans and advances	111 875	52 696	59 179	—
Loans and advances to customers	89 988	38 685	51 303	—
Loans and advances to banks	21 887	14 011	7 876	—
Total	258 546	170 758	87 565	223

2020

Maximum exposure to credit risk	Carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Investment securities	5 407	5 283	124	—
Government bonds	15	15	—	—
Other	2 648	2 524	124	—
Treasury bills	2 744	2 744	—	—
Trading and hedging portfolio assets	175 175	136 698	38 250	227
Debt instruments	57 103	47 873	9 230	—
Derivative assets	109 137	80 395	28 515	227
Money market assets	8 935	8 430	505	—
Loans and advances	95 731	54 237	41 494	—
Loans and advances to customers[1]	70 148	36 088	34 060	—
Loans and advances to banks[1]	25 583	18 149	7 434	—
Total	276 313	196 218	79 868	227

[1] These numbers have been restated, refer to note 1.19.1.

52. Risk management (continued)

52.2 Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions:

Bank 2021 Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	27 684	27 684
Investment securities	8 951	5 001	78	100 013	114 043
Trading portfolio assets	1 820	21 579	6 160	107 737	137 296
Hedging portfolio assets	—	—	—	5 157	5 157
Other assets	51	—	684	13 657	14 392
Loans and advances	26 771	46 505	23 992	866 944	964 212
Loans and advances to group companies	—	250	15 024	61 704	76 978
Subject to credit risk	37 593	73 335	45 938	1 182 896	1 339 762
Off-statement of financial position exposures					
Guarantees	2 130	3 436	3 909	26 818	36 293
Letters of credit	1 345	303	4 282	3 545	9 475
Revocable debt facilities[1]	—	—	—	194 942	194 942
Subject to credit risk	3 475	3 739	8 191	225 305	240 710

Bank 2021 Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	25 460	25 460
Investment securities	10 947	—	—	87 441	98 388
Trading portfolio assets	2 291	22 529	5 296	134 061	164 177
Hedging portfolio assets	—	—	—	10 998	10 998
Other assets	142	206	883	10 999	12 230
Loans and advances	30 730	47 183	29 057	804 279	911 249
Loans and advances to group companies	—	—	16 338	40 008	56 346
Subject to credit risk	44 110	69 918	51 574	1 113 246	1 278 848
Off-statement of financial position exposures					
Guarantees	210	4 211	1 717	28 189	34 327
Letters of credit	1 688	522	2 741	826	5 777
Revocable debt facilities[1]	—	—	—	194 300	194 300
Subject to credit risk	1 898	4 733	4 458	223 315	234 404

IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for financial instruments that are credit impaired at the reporting date are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset and off-statement of financial position exposure as described in note 1.2.1.

The Bank offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Bank has a legally enforceable right to do so. Amounts disclosed in the maximum exposure category are stated net of these.

The collateral reported is calculated by determining the values of available underlying collateral, limited to the carrying amount and the undrawn facility of the related credit exposure where a loan is possibly over-collateralised.

The Bank may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount of this collateral and the value of this collateral is not reported.

During the period there were no changes in the Bank's collateral policies.

Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements, put options, and highly liquid securities held under reverse repo agreements.

[1] Includes revocable debt facilities with a risk of draw down.

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52. Risk management (continued)
52.2 Credit risk (continued)

Bank

Analysis of credit risk mitigation and collateral	2021 Collateral – credit impaired financial assets							2021 Collateral – credit impaired financial assets					
	Gross maximum exposure[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
Debt instruments	68 724	—	—	—	—	—	—	—	—	—	—	68 724	68 724
Derivative assets	59 397	—	—	—	—	—	—	—	—	3 723	47 111	8 563	59 397
Money market assets	14 332	—	—	—	—	—	—	—	—	—	—	14 332	14 332
Trading and hedging portfolio assets	142 453	—	—	—	—	—	—	—	—	3 723	47 111	91 619	142 453
RBB	681 844	173	27 509	57	54	16 652	44 445	2 073	477 688	887	181	156 570	637 399
Home Loans	332 256	—	17 778	—	—	2 135	19 913	—	288 106	—	—	24 237	312 343
Vehicle and Asset Finance	106 559	—	5 354	—	—	1 781	7 135	—	55 320	—	—	44 104	99 424
Everyday Banking	87 845	—	—	—	—	8 902	8 902	—	—	—	—	78 943	78 943
Card	56 515	—	—	—	—	4 970	4 970	—	—	—	—	51 545	51 545
Personal Loans	23 108	—	—	—	—	3 396	3 396	—	—	—	—	19 712	19 712
Transactions and Deposits	8 222	—	—	—	—	536	536	—	—	—	—	7 686	7 686
Relationship Banking	155 131	173	4 377	57	54	3 781	8 442	2 073	134 262	887	181	9 286	146 689
RBB Other	53	—	—	—	—	53	53	—	—	—	—	—	—
CIB	426 204	—	456	—	—	4 600	5 056	—	44 321	—	85 497	291 330	421 148
Head Office, Treasury and other operations	682	—	—	—	—	—	—	—	—	—	—	682	682
Loans and advances to customers	1 108 730	173	27 965	57	54	21 252	49 501	2 073	522 009	887	85 678	448 582	1 059 229
Loans and advances to banks	50 424	—	—	—	—	—	—	2	—	—	28 874	21 548	50 424
Loans and advances	1 159 154	173	27 965	57	54	21 252	49 501	2 075	522 009	887	114 552	470 130	1 109 653
Off-balance sheet													
Guarantees	36 293	—	—	—	—	520	520	12	5 170	756	21	29 814	35 773
Letters of credit	9 475	—	—	—	—	2	2	—	—	—	—	9 473	9 473
Total off-statement of financial position exposure	45 768	—	—	—	—	522	522	12	5 170	756	21	39 287	45 246

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

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

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52. Risk management (continued)
52.2 Credit risk (continued)

								Bank					
		2020 Collateral – credit impaired financial assets						2020 Collateral – credit impaired financial assets					
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
Debt instruments	57 102	—	—	—	—	—	—	—	—	—	—	57 102	57 102
Derivative assets	109 138	—	—	—	—	—	—	—	—	3 169	74 288	31 681	109 138
Money market assets	8 935	—	—	—	—	—	—	—	—	—	—	8 935	8 935
Trading and hedging portfolio assets	175 175	—	—	—	—	—	—	—	—	3 169	74 288	97 718	175 175
RBB[2]	652 901	31	31 086	57	53	19 587	50 814	2 129	447 128	1 217	195	151 418	602 087
Home Loans	308 816	—	21 583	—	—	2 307	23 890	—	263 416	—	—	21 510	284 926
Vehicle and Asset Finance	96 167	—	5 673	—	—	2 043	7 716	—	48 809	—	—	39 642	88 451
Everyday Banking	88 413	—	2	—	—	11 730	11 732	—	—	—	—	76 681	76 681
Card	54 882	—	—	—	—	5 379	5 379	—	—	—	—	49 503	49 503
Personal Loans	24 343	—	—	—	—	5 607	5 607	—	—	—	—	18 736	18 736
Transactions and Deposits	9 188	—	2	—	—	744	746	—	—	—	—	8 442	8 442
Relationship Banking	159 452	31	3 828	57	53	3 454	7 423	2 129	134 903	1 217	195	13 585	152 029
RBB Other	53	—	—	—	—	53	53	—	—	—	—	—	—
CIB[2,3]	400 605	354	636	—	35	5 107	6 132	537	50 555	4	35 392	307 985	394 473
Head Office, Treasury and other operations	520	—	—	—	—	—	—	—	—	—	—	520	520
Loans and advances to customers[3]	1 054 026	385	31 722	57	88	24 694	56 946	2 666	497 683	1 221	35 587	459 923	997 080
Loans and advances to banks[3]	51 523	—	—	—	—	—	—	390	—	—	18 664	32 469	51 523
Loans and advances	1 105 549	385	31 722	57	88	24 694	56 946	3 056	497 683	1 221	54 251	492 392	1 048 603
Off-balance sheet													
Guarantees	34 327	—	—	0	—	748	748	13	4 666	645	24	28 231	33 579
Letters of credit	5 777	—	—	—	—	48	48	—	—	—	—	5 729	5 729
Total off-statement of financial position exposure	40 104	—	—	0	—	796	796	13	4 666	645	24	33 960	39 308

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

[1] Included in the gross maximum exposure is the exposure for off-statement of financial position exposure for irrevocable debt facilities and revocable debt facilitiies with a risk of draw down.

[2] These numbers have been restated, refer note 1.19.2.

[3] These numbers have been restated, refer to note 1.19.1.

52. Risk management (continued)
52.2 Credit risk (continued)
Financial assets written off during the financial period but still subject to enforcement activities
Contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity:

	Bank 2021 Rm	2020[1] Rm
Assets written off during financial period still subject to enforcement activities	10 160	5 575

Reconciliation of impairment loss allowance

Investment securities at amortised cost and FVOCI	Bank 2021 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	11	32	—	43
Asset moved/Allowance transferred to stage 1	1	(1)	—	—
Current period provision	(1)	(29)	210	180
Balance at the end of the reporting period	11	2	210	223

Investment securities at amortised cost and FVOCI	Bank 2020 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2[1] Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	7	—	—	7
Asset moved/Allowance transferred to stage 1	—	—	—	—
Current period provision	4	32	—	36
Balance at the end of the reporting period	11	32	—	43

Loans and advances at amortised cost and undrawn facilities	Bank 2021 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	5 587	6 084	22 761	34 432
Asset moved/Allowance transferred to stage 1	2 194	(1 605)	(589)	—
Asset moved/Allowance transferred to stage 2	(365)	2 252	(1 887)	—
Asset moved/Allowance transferred to stage 3	(346)	(1 524)	1 870	—
Current period provision	(1 770)	(135)	7 331	5 426
Amounts written off	—	—	(10 160)	(10 160)
Net change in interest	—	—	2 099	2 099
Balance at the end of the reporting period	5 300	5 072	21 425	31 797

[1] These numbers have been restated to include ECL related to investment securities measured at amortised cost.

52. Risk management (continued)
52.2 Credit risk (continued)
Reconciliation of impairment loss allowance (continued)
Although gross loans and advances increased to **R1 134bn** (2020: R1 058bn) during the period, particularly driven by a **7%** growth in RBB secured lending products and a **5%** growth in CIB, ECL allowances decreased due to:

- Higher write-offs in RBB South Africa of **R9.8bn** (2020: R5.6bn) in the unsecured portfolios and the workout of NPLs as backlogs in legal processes started to clear.
- Sale of unsecured legal balances in Personal Loans of **R881m** and Card of **R512m**.
- Benefits realised from model enhancements and the revised application of the existing definition of default which now aligns more closely with industry practice. Refer to note 1.1.2 Changes to the use of estimates, assumptions and judgements – RBB expected credit loss model enhancements.
- The improvement in forward-looking assumptions relative to initial expectations and consumption of the macro-overlay as anticipated risks have either materialised or dissipated over time. Refer to the Impact of COVID-19.

Loans and advances at amortised cost and undrawn facilities[1]	Bank 2020[1] Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period[1]	3 509	3 699	15 395	22 603
Asset moved/Allowance transferred to stage 1	1 029	(742)	(287)	—
Asset moved/Allowance transferred to stage 2	(267)	550	(283)	—
Asset moved/Allowance transferred to stage 3	(276)	(1 148)	1 424	—
Current period provision	1 592	3 725	10 199	15 516
Amounts written off	—	—	(5 575)	(5 575)
Net change in interest	—	—	1 888	1 888
Balance at the end of the reporting period	5 587	6 084	22 761	34 432

Guarantees and letters of credit	Bank 2021 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	57	12	76	145
Asset moved/Allowance transferred to stage 1	1	(1)	—	—
Asset moved/Allowance transferred to stage 2	(1)	1	—	—
Asset moved/Allowance transferred to stage 3	—	—	—	—
Current period provision	—	(6)	236	230
Balance at the end of the reporting period	57	6	312	375

Guarantees and letters of credit	Bank 2020 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	32	14	31	77
Asset moved/Allowance transferred to stage 1	—	—	—	—
Asset moved/Allowance transferred to stage 2	—	—	—	—
Asset moved/Allowance transferred to stage 3	—	1	(1)	—
Current period provision	25	(3)	46	68
Balance at the end of the reporting period	57	12	76	145

[1] These numbers have been restated to include loans and advances to banks.

52. Risk management (continued)
52.2 Credit risk (continued)
Reconciliation of impairment loss allowance (continued)

Other financial assets measured at amortised cost:
The ECL recognised on loans and advances to group companies as at 31 December 2021 amounted to **R246m** (2020: R202m).

Modified financial assets

The following table provides information on financial assets that were modified during the reporting period, without resulting in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL:

	Bank	
	2021 Rm	2020 Rm
Financial assets modified during the period		
Loans and advances		
Amortised cost before modification	**2 696**	3 042
Net modification loss	**(203)**	(33)

There were no financial assets modified during the year for which loss allowance has changed to 12-month measurement.

52.3 Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Bank's equity investment risk objective is to balance the portfolio composition in line with the Bank's risk appetite, with selective exits as appropriate.

Approach

The Bank's governance of equity investments is based on the following key fundamental principles:

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Bank's equity investments are held in CIB and RBB.

Risk measurement

Equity investment risk is monitored monthly in terms of regulatory and Economic Capital (EC) requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

The Bank has adopted the market-based simple risk-weighted approach to calculate Risk Weighted Assets (RWAs) and Regulatory Capital (RC) for equity risk in the banking book. According to this approach, the Bank applies a 300% risk weighting to listed exposures and 400% to unlisted exposures in non-financial entities subject to a prescribed scaling factor of 1.06. Investments in financial entities are treated in line with the principles embodied in Basel III and the Regulations relating to Banks, whereby the risk weightings are subject to the aggregate value of the Bank's shareholding in those investments and also in relation to the Bank's capital.

Analysis of equity investment risk in the banking book

The table below illustrates the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis. Equity hedge structures were in place for the shareholders' equity investment portfolio in previous reporting periods. This assisted to hedge downside risk on equities if market values decrease with more than 6% and resulted in counterparties sharing in positive returns if market values increased by between 2% and 4%. No equity hedge structures were in place at the reporting date.

	Bank									
	2021					2020				
	Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value		Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Listed equity investments	(54)	(4)	1 158	54	4	(23)	(3)	535	23	3
Unlisted equity investments	(74)	(33)	1 065	74	33	(27)	(30)	572	27	30
Total Bank equity investments	(128)	(37)	2 223	128	37	(50)	(33)	1 107	50	33

52. Risk management (continued)
52.4 Market risk
Traded market risk

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

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

The Trading Risk Committee (TRC) and Market Risk Infrastructure, Data, Governance and Control Committee (MRIDGCC) are subcommittees of the TMRC that provide oversight of specific traded market risks and the traded market risk control environment.

Approach
Traded market risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, providing risk management solutions, generating revenues from assuming and managing risk, and execution of syndications.

Interest rate risk in the banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as 'Interest rate risk in the banking book' as part of the Treasury Risk framework.

Risk appetite
The risk appetite for market risk is based on:

- proposed business strategy;
- budgeted revenue growth;
- statistical modeling measures; and
- risk equated to capital projection under normal and stressed market conditions.

Risk measurement
A number of techniques are used to measure and control traded market risk on a daily basis, which include:

- value at risk (VaR) based measures including both VaR and stressed value at risk (sVaR);
- tail metrics;
- position and sensitivity reporting;
- stress testing;
- backtesting; and
- standardised general and specific risk, as relevant.

Daily value at risk
Daily value at risk (DVaR) is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

The Bank uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 99%[1].

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history.
- DVaR is the 99th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss. Daily losses in excess of the DVaR figure are likely to occur, on average, up to six times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory back testing and Regulatory Capital (RC) calculation purposes, respectively. The VaR internal model has been approved by the PA to calculate RC for all trading book portfolios in South Africa. The approval covers general position risk across all interest rate, foreign exchange, commodity, equity and traded credit products. As part of this approval, the PA have assigned a DVaR and sVaR model multiplier to be used in RC calculations. In addition to the VaR internal model, products which have not received IMA approval are capitalised under the standardised approach.

Issuer-specific risk is currently reported in accordance with the regulatory standardised approach across the Bank. Additionally, any new products, which are awaiting regulatory approval, are capitalised by using the regulatory standardised approach. General position risk in trading books in the rest of Africa is also capitalised under the regulatory standardised approach.

DVaR is an important market risk measurement and control tool that is used by the Bank. Consequently, the performance of the model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days when daily trading losses exceed the corresponding VaR estimate. Backtesting measures daily losses against VaR assuming a one-day holding period and a 99% level of confidence. Backtesting reports are monitored daily.

VaR estimates have a number of limitations:

- Historical simulation assumes that the past is a good representation of the future, which may not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- VaR does not indicate the potential loss beyond the selected percentiles.
- VaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured.
- Prudent valuation practices are used in the VaR calculation when there is difficulty obtaining rate/price information.

sVaR uses a similar methodology to VaR, but is based on a 1 year period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss. The period of stress for AGL is currently the 2008/2009 financial crisis.

Loss thresholds, tail risk metrics, position & sensitivity reporting and stress testing are used to complement VaR in the management of traded market risk.

52. Risk management (continued)

52.4 Market risk (continued)

Traded market risk (continued)

Analysis of traded market risk exposure

The following table reflects the DVaR and expected shortfall statistics for trading book activities as measured by the internal models approach (IMA) Traded market risk exposure, as measured by average total DVaR, decreased to **R51.86m** (2020: R62.87m) for the reporting period, which is an 18% decrease on the prior year average. This was principally due to reduced overnight risk being held across the markets trading portfilo as the business remained cautious in light of the economic uncertainty arising from historic high asset prices and low interest rate, alongside increasing inflation and the COVID-19 pandemic concerns.

Bank

	2021				2020			
	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm
Interest rate risk	56.64	174.77	26.00	62.67	45.35	86.82	27.51	42.07
Foreign exchange risk	21.75	58.94	5.01	14.43	23.10	54.23	6.78	47.79
Equity risk	10.98	30.64	3.03	16.83	32.40	81.28	3.95	5.34
Commodity risk	0.85	4.85	0.39	0.54	1.39	4.36	0.26	1.30
Inflation risk	35.83	117.64	13.36	43.69	17.63	76.36	5.53	17.43
Credit spread risk	10.33	11.69	8.36	9.17	7.73	10.23	4.05	8.44
Diversification effect	(84.52)	—	—	(94.31)	(64.73)	(204.14)	(15.24)	(56.10)
Total DVaR	51.86	83.33	30.53	53.01	62.87	109.14	32.84	66.27
Expected shortfall	81.29	221.71	41.92	70.03	90.68	49.59	150.12	97.37
Regulatory VaR[2]	51.86	83.33	30.53	53.01	62.87	109.14	32.84	66.27
Regulatory sVaR[2]	78.60	121.65	48.18	65.23	106.01	158.90	63.86	104.31

Other market risks

The Bank maintains different pension plans with defined benefit and defined contribution structures for current and former employees. In respect of defined benefit plans, the ability to meet the projected pension payments is maintained through investments and regular contributions. Market risk arises when the estimated market value of the pension plan assets declines, their investment returns reduce, or when the estimated value of the pension liabilities increases, resulting in a weaker funding position or shortfall. In these circumstances the Bank may choose to make additional contributions or be required to make good the shortfall of the plan.

Asset management income risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. The risk is measured in terms of the likely volatility in the annual earnings over the next year to reflect the sensitivity of earnings to shocks in financial markets. Bank policy dictates that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Exposure to this risk currently arises in the Wealth segment.

52.5 Treasury risk

Treasury risk comprises liquidity risk, capital risk and interest rate risk in the banking book.

- **Liquidity risk:** The risk that the Group is unable to meet its contractual or contingent cash obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that the Group has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board-approved capital target ranges and above regulatory capital requirements.
- **Interest rate risk in the banking book (IRRBB):** The risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its banking book assets and liabilities.

[1] The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) total DVaR. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted.

[2] Regulatory VaR and sVaR are reported with a one-day holding period at a **99%** confidence level. The sVaR period is subject to quarterly review for appropriateness.

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.1 Liquidity risk

Liquidity risk is defined as the risk that the Bank is unable to meet its contractual or contingent liquidity obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

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

Priorities

The Bank's liquidity risk management priorities are:

- Preserve the Bank's liquidity position in line with risk appetite.
- Focus on growing core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements.
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives, while optimising funding costs.
- Collaborate with the regulatory authorities and other stakeholders on the SARB's approach to resolution planning, depositor insurance schemes and the monetary policy implementation framework in South Africa.

Approach

The efficient management of liquidity is essential for safeguarding the Bank's depositors, preserving market confidence and maintaining the Bank's brand. The Bank considers sustainable access to appropriate liquidity for each of its entities to be extremely important. Liquidity risk is managed under the Liquidity Risk Policy in line with the Treasury Risk Framework to:

- Maintain liquidity resources that are sufficient in amount and quality together with a funding profile that is appropriate to meet the risk appetite as expressed by the Board.
- Maintain market confidence.
- Set limits to manage liquidity risk within and across lines of business and legal entities.
- Price liquidity costs accurately and incorporate these into product pricing and performance measurement.
- Monitor early warning indicators (EWIs) to immediately identify the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources.
- Fully project over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items.
- Maintain a recovery plan that incorporates a contingent funding plan (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and regularly tested to ensure it is operationally robust.

Stress and scenario testing

Under the Treasury Risk Framework, the Bank established the Internal Liquidity Stress Metric (ILSM), which sets the level of liquidity risk the Bank chooses to take to achieve its business objectives and in meeting its regulatory requirements. It is measured with reference to the anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the appropriate size of the liquidity pool, along with the LCR.

Each entity in the Bank undertakes a range of stress tests appropriate to its business. Stress tests consider both name-specific and market-wide scenarios. The results of the stress tests are used to determine the liquid asset buffer, to develop the CFP which is a component of the Bank's recovery plan. Stress testing results are also considered when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the relevant liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price-sensitive overnight loans.

Contingency funding planning

The Contingency Funding Plan (CFP) includes, inter alia:

- the roles and responsibilities of senior management in a crisis.
- authorities for invoking the plan.
- communications strategy.
- an analysis of a realistic range of market-wide and Bank-specific liquidity stress tests.
- scenario analyses and the extent to which each stress test and scenario can be mitigated by the management of the balance sheet.
- a range of early warnings indicators (EWIs), which assist in informing management when deciding whether the CFP should be invoked.

Each banking entity in the Bank must establish local processes and procedures to manage local liquidity stresses that are consistent with the Bank's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. For the Bank the CFP was merged with the recovery plan.

The Bank's liquidity risk position was resilient, in line with risk appetite, and above the minimum regulatory requirements.

The Bank's foreign currency funding position remained robust with diversified funding facilities from international banks and appropriate tenors to meet term funding asset growth.

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.1 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity and mismatch position of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' time bucket at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Bank

	2021					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	33 751	—	—	—	—	33 751
Investment securities	2 220	40 569	46 655	26 822	(1)	116 265
Trading and hedging portfolio assets	141 382	550	3 494	904	—	146 330
Derivative assets	54 448	550	3 494	904	—	59 396
Non-derivative assets	86 934	—	—	—	—	86 934
Other financial assets	5 996	8 396	—	—	—	14 392
Loans and advances	151 174	219 322	342 057	251 659	(31 437)	932 775
Loans to group companies	52 046	17 353	6 646	934	(246)	76 733
Financial assets	386 569	286 190	398 852	280 319	(31 684)	1 320 246
Non-financial assets						30 752
Total assets						1 350 998
Liabilities[1]						
Trading and hedging portfolio liabilities	67 370	383	2 535	725	—	71 013
Derivative liabilities	46 224	383	2 535	725	—	49 867
Non-derivative liabilities	21 146	—	—	—	—	21 146
Other financial liabilities	24 234	6 116	—	—	—	30 350
Deposits	600 683	305 826	58 155	9 457	—	974 121
Debt securities in issue	1 051	50 494	68 734	8 292	—	128 571
Borrowed funds	—	3 364	23 095	—	—	26 459
Loans from Group companies	8 705	509	—	—	—	9 214
Financial liabilities	702 043	366 692	152 519	18 474	—	1 239 728
Non-financial liabilities						9 551
Total liabilities						1 249 279
Equity						101 719
Total equity and liabilities						1 350 998
Net liquidity position of financial instruments	(315 474)	(80 502)	246 333	261 845	(31 684)	80 518

[1] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.1 Liquidity risk (continued)

	2020					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	33 812	—	—	—	—	33 812
Investment securities	1 109	13 762	37 016	47 609	(7)	99 489
Trading and hedging portfolio assets	165 067	949	8 695	1 353	—	176 064
Derivative assets	98 140	949	8 695	1 353	—	109 137
Non-derivative assets	66 927	—	—	—	—	66 927
Other financial assets	5 721	6 509	—	—	—	12 230
Loans and advances[1]	147 641	203 505	321 970	238 133	(33 974)	877 275
Loans to group companies	33 664	20 129	1 607	947	(202)	56 145
Financial assets	387 014	244 854	369 288	288 042	(34 183)	1 255 015
Non-financial assets						31 260
Total assets						1 286 275
Liabilities[2]						
Trading and hedging portfolio liabilities	105 983	235	1 193	3 424	—	110 835
Derivative liabilities	86 777	235	1 193	3 424	—	91 629
Non-derivative liabilities	19 206	—	—	—	—	19 206
Other financial liabilities	10 225	6 363	—	—	—	16 588
Deposits[1]	548 149	266 338	62 543	13 890	—	890 920
Debt securities in issue	668	62 812	66 778	13 901	—	144 159
Borrowed funds	—	2 459	18 162	—	—	20 621
Financial liabilities	665 025	338 207	148 676	31 215	—	1 183 123
Non-financial liabilities						8 753
Total liabilities						1 191 876
Equity						94 399
Total equity and liabilities						1 286 275
Net liquidity position of financial instruments	(278 011)	(93 353)	220 612	256 827	(34 183)	71 892

[1] These numbers have been restated, refer to note 1.19.1.
[2] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.

52. Risk management (continued)
52.5 Treasury risk (continued)
52.5.1 Liquidity risk (continued)

Undiscounted maturity[1] (statement of financial position value with impact of future interest)	Bank 2021 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	67 370	389	3 180	1 384	(1 310)	71 013
Derivative liabilities	46 224	389	3 180	1 384	(1 310)	49 867
Non-derivative liabilities	21 146	—	—	—	—	21 146
Other financial liabilities	24 234	6 116	—	—	—	30 350
Deposits	600 683	308 051	67 505	19 846	(21 964)	974 121
Debt securities in issue	1 051	51 404	81 106	14 206	(19 196)	128 571
Borrowed funds	—	3 428	25 856	—	(2 825)	26 459
Loans from Group companies	8 705	475	—	—	34	9 214
Financial liabilities	702 043	369 863	177 647	35 436	(45 261)	1 239 728
Non-financial liabilities						9 551
Total liabilities	—	—	—	—	—	1 249 279
Off-statement of financial position						
Financial guarantee contracts	36 293	—	—	—	—	36 293
Loan commitments	73 063	71 769	—	—	—	144 832

Undiscounted maturity[1] (statement of financial position value with impact of future interest)	2020 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	105 983	239	1 397	5 689	(2 473)	110 835
Derivative liabilities	86 777	239	1 397	5 689	(2 473)	91 629
Non-derivative liabilities	19 206	—	—	—	—	19 206
Other financial liabilities	10 225	6 372	—	—	(9)	16 588
Deposits[2]	548 149	268 791	70 878	29 093	(25 991)	890 920
Debt securities in issue	668	63 692	76 355	21 252	(17 808)	144 159
Borrowed funds	—	2 519	20 846	—	(2 744)	20 621
Financial liabilities	665 025	341 613	169 476	56 034	(49 025)	1 183 123
Non-financial liabilities						8 753
Total liabilities						1 191 876
Off-statement of financial position						
Financial guarantee contracts	34 327	—	—	—	—	34 327
Loan commitments	70 884	74 091	—	—	—	144 975

[1] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.

[2] These numbers have been restated, refer to note 1.19.1.

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52. Risk management (continued)
52.5 Treasury risk (continued)
52.5.2 Capital management

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

The Bank's capital management strategy, which is in line with and in support of the Bank's strategy, is to create sustainable value for shareholders within the boundaries imposed by the Bank's risk appetite.

The Bank's capital management priorities are to:

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board approved target range and above minimum levels of regulatory capital.
- Monitor and assess upcoming regulatory developments that may affect the capital position. These include the Basel III enhancements, including FRTB; the proposed amendments to the regulations relating to banks; the resolution framework and the financial conglomerate supervisory framework in South Africa.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in the domestic and/or international markets to optimise the level and mix of capital resources.

Various processes play a role in ensuring that the Bank's capital management priorities are met, including:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- Stress testing; and
- Recovery and Resolution Planning.

The capital management process in the Bank encompasses all regulated entities within it (including insurance entities and banking subsidiaries in the Rest of Africa). Appropriate Board-approved capital buffers above the minimum regulatory requirements, are held at an entity level. The Bank ensures that all regulated entities are adequately capitalised in terms of their respective minimum capital adequacy requirements (CARs). The Bank's capital target ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios and its impact on the integrated plan, including the capital position of the Bank;
- Current and future Basel III requirements and accounting developments; and
- Peer analysis.

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

Capital adequacy ratios (unaudited)

Bank	2021	2020	2021 Board target ranges %	2021 Minimum regulatory capital requirements[1] %	2020 Board target ranges %	2020 Minimum regulatory capital requirements %
Statutory capital ratios (%)						
Common Equity Tier 1	12.4	10.6	10.5 - 12.0	8.0	11.0-12.0	7.5
Tier 1	14.8	11.9	>12.0	9.5	12.0-13.0	9.3
Total	17.9	15.6	>14.5	11.5	14.5-15.5	11.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	112 981	99 410				
Total RWA	629 980	640 044				

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions.

Tier 1 – Common Equity Tier 1 plus perpetual, non-cumulative instruments with principal loss-absorption features issued in terms of the Basel III rules.

Total Capital – Tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III. Subordinated debt issued under Basel I and Basel II is included in total capital but is subject to regulatory phase-out requirements, over a 10-year period effective from 1 January 2013.

During the past year, the Bank complied in full with all externally imposed capital requirements (2020: the same).

[1] The 2021 minimum total regulatory capital adequacy requirement of **11.5%** (2020: 11.5%) includes the capital conservation buffer, Pillar 2A at zero percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.3 Interest rate risk in banking book (IRRBB)

Approach

IRRBB is the risk that the Bank's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, and certain structural exposures within the balance sheet from re-pricing differences between assets, liabilities and equity. These risks impact both the earnings and economic value of the Bank.

The Bank's objective for managing IRRBB is to ensure a higher degree of interest rate margin stability and reduced interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to local treasury or Bank Treasury, which is mandated to hedge material net exposures with the external market. Interest rate risk may arise when some of the net position remains with treasury as a result of timing considerations. A limit framework is in place to ensure that the retained risk remains within approved risk appetite.

Risk mitigation

Risk management strategies considered include:

- strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- the execution of applicable derivative contracts to maintain the Bank's interest rate risk exposure within limits.
  - Where possible, hedge accounting is applied to derivatives that are used to hedge IRRBB. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Bank's accounting policies, are followed.
  - Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Bank's equity, and is managed by Bank Treasury. Interest rate risk also arises in each of the Rest of Africa treasuries in the normal course of managing the balance sheet and facilitating customer activity. The risk is managed by the local treasury functions, subject to risk limits and other controls.

Key assumptions

Embedded optionality risk may also give rise to IRRBB:

- Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Bank is unable to collect full market-related compensation. This risk is managed by modeling the loans on a behaviouralised basis for both pricing and risk measurement. This treatment is also applied to non-maturing customer deposits.
- Recruitment risk arises when the Bank commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Processes are in place to enable robust management of these additional forms of IRRBB.

Risk measurement

The techniques that are used to measure and control IRRBB include re-pricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity (EVE) sensitivity and stress testing. DVaR and tail metrics are assessed on a daily basis while re-pricing profiles, AEaR and EVE are assessed on a monthly basis.

Re-pricing profiles

With the re-pricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour. The re-pricing profiles take the assumed behavioural profile of structural product balances into account.

Annual earnings at risk (AEaR)/Net interest income (NII) sensitivity

AEaR/NII sensitivity measures the sensitivity of NII over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk (DVaR)

The Bank uses a sensitivity-based approach to calculate DVaR at a 95% confidence level for measuring IRRBB. The DVaR is monitored against approved internal limits, and is used as a complementary metric to AEaR. The DVaR is supplemented by non- DVaR, stress and tail metrics.

Economic value of equity (EVE) sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point in time (PIT) to a specified shock to the yield curve. Similar to DVaR, EVE is a present value sensitivity and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books. Stress testing is carried out by Market Risk to supplement the DVaR and AEaR metrics for South Africa.

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics (position and sensitivity limits), as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective Rest of Africa market risk team with oversight provided by Market Risk.

Risk reporting

DVaR and supporting metrics are reported daily for Bank Treasury, with the exception of two businesses, where reporting is performed on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for Bank Treasury.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Bank's banking book are set out in the table that follows, namely, the re-pricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Re-pricing profile

The re-pricing profile of the Bank's banking books shows that the banking book remains asset sensitive, as interest-earning assets re-price sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates.

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.3 Interest rate risk in banking book (IRRBB) (continued)

	Bank			
	2021			
Expected repricing profile	On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Banking book[1]				
Interest rate sensitivity gap	135 961	(26 896)	(31 272)	(43 958)
Derivatives[2]	(148 911)	31 819	26 036	91 056
Net interest rate sensitivity gap	(12 950)	4 923	(5 236)	47 098
Cumulative interest rate gap	(12 950)	(8 027)	(13 263)	33 835
Cumulative gap as a percentage of the Bank's total assets (%)	(1.0)	(0.6)	(1.0)	(2.5)

	2020			
Expected repricing profile	On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Banking book[1]				
Interest rate sensitivity gap	99 420	(18 587)	(54 924)	(11 609)
Derivatives[2]	(97 813)	13 051	10 090	74 672
Net interest rate sensitivity gap	1 607	(5 536)	(44 834)	63 063
Cumulative interest rate gap	1 607	(3 929)	(48 763)	14 300
Cumulative gap as a percentage of the Bank's total assets (%)	0.1	(0.3)	(3.8)	1.1

Impact on earnings

The following table shows the impact on AEaR/NII sensitivity for 100 and 200 bps up and down movements in market interest rates for the Bank's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of **R0.7bn** (2020: R0.86bn A similar increase would result in an increase in projected 12-month net interest income of **R0.41bn** (2020: R0.54bn). AEaR decreased to **1.8%** (2020: 2.6%) of the Bank's net interest income.

[1] Includes exposures held in the CIB banking book.

[2] Derivatives for interest rate risk management purposes (net nominal value).

52. Risk management (continued)

52.5 Treasury risk (continued)

52.5.3 Interest rate risk in banking book (IRRBB) (continued)

Annual earnings at risk for 100 and 200 bps changes in market interest rates

	Bank 2021 Change in market interest rates 200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	**(700)**	**(290)**	**209**	**414**
Percentage of the Bank's net interest income (%)	**(1.8)**	**(0.8)**	**0.6**	**1.1**
Percentage of the Bank's equity (%)	**(0.7)**	**(0.3)**	**0.2**	**0.4**
	2020 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	(857)	(438)	267	534
Percentage of the Bank's net interest income (%)	(2.6)	(1.3)	0.8	1.6
Percentage of the Bank's equity (%)	(0.9)	(0.5)	0.3	0.6

Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following three ways:

- higher or lower profit after tax resulting from higher or lower net interest income;
- higher or lower available-for-sale reserves reflecting higher or lower fair values of available-for-sale financial instruments; and
- higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and available-for-sale portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate available-for-sale financial assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the available-for-sale reserves is mainly due to the increase in the net directional risk.

Sensitivity of reserves to market interest rate movements

	Bank 2021 Impact on equity at the reporting date Rm	2021 Maximum impact[1,2] Rm	2021 Minimum impact[1,2] Rm	2020 Impact on equity at the reporting date Rm	2020 Maximum impact[1,2] Rm	2020 Minimum impact[1,2] Rm
+100 bps parallel move in all yield curves						
Available-for-sale reserve	**1 877**	**2 405**	**1 119**	(343)	(404)	(226)
Cash flow hedging reserve	**(1 148)**	**191**	**(5 287)**	(2 745)	(2 766)	(2 043)
	729	**2 596**	**(4 168)**	(3 088)	(3 170)	(2 269)
As a percentage of Bank equity (%)	**0.7**	**2.6**	**(4.1)**	(3.3)	(3.4)	(2.5)

The sensitivity of reserves to market interest rates movements exhibit very little convexity resulting in a materially equivalent change in value for -100 bps parallel move. Basis risk has been maintained constant.

[1] The maximum and minimum impacts for each reserve category did not necessarily occur for the same months.
[2] The number represents the maximum or minimum potential combined impact for both reserve categories in a single month (and does not equate to the sum of the minimum and maximum per month as indicated in footnote 1 above.

52. Risk management (continued)

52.6 Foreign exchange risk

The Bank is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Bank's policy is for transactional foreign exchange risk to be concentrated and managed within the trading book.

In accordance with the Bank's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Foreign currency translation sensitivity analysis

The bank has a **Rnil** carrying value (2020: Rnil) of foreign currency net investments.

53. Going concern

The Directors assess the Bank's future performance and financial position on an ongoing basis. In light of the continued impact of COVID-19, the directors have assessed the Bank's ability to continue as a going concern and acknowledged the risk of lower revenue in the medium term. The directors have concluded that there are no material uncertainties that could have cast significant doubt over the Bank's ability to continue as a going concern for at least one year from the date of approval of the consolidated financial statements. For this reason, these consolidated financial statements are prepared on a going concern basis.

54. 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 Bank 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 the 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 Bank 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 Bank's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. The Bank 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 IAS10 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.

55. Directors' and prescribed officers' remuneration

As a subsidiary of the Group, the Bank's remuneration outcomes are governed by the Absa Group Remuneration Committee (RemCo).

The RemCo's mandate includes ensuring that the remuneration policy and related practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold. The Group strives to promote remuneration practices that foster sustainable high performance and accordingly, the Group rewards both short and longer term performance. All elements of remuneration are benchmarked against the relevant markets, as well as local and international best practice.

The RemCo reviews executive director and prescribed officer performance against a balanced scorecard of objectives, which ensures rigorous focus on business imperatives including, importantly, financial performance. The outcomes of this are a primary input to variable remuneration decisions. Risk management is carefully considered.

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55. Directors' and prescribed officers' remuneration (continued)

Tables for 2021 total awarded remuneration

Executive directors Awarded remuneration	Jason Quinn 2021 R	Jason Quinn 2020 R	Punki Modise[6] 2021 R	Punki Modise[6] 2020 R	Daniel Mminele[7] 2021 R	Daniel Mminele[7] 2020 R	René van Wyk[8] 2021 R	René van Wyk[8] 2020 R	Total 2021 R	Total 2020 R
Salary	**5 418 952**	5 422 836	**1 866 091**	—	**2 922 288**	8 430 191	**—**	833 333	**10 207 331**	14 686 360
Role-based pay	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Medical aid	**119 604**	115 128	**156 811**	—	**—**	—	**—**	—	**276 415**	115 128
Retirement benefits	**411 749**	412 862	**159 877**	—	**51 466**	154 680	**—**	—	**623 092**	567 542
Other employee benefits	**59 008**	58 487	**210 403**	—	**26 247**	75 102	**—**	28 842	**295 658**	162 431
Total fixed remuneration	**6 009 313**	6 009 313	**2 393 182**	—	**3 000 001**	8 659 973	**—**	862 175	**11 402 496**	15 531 461
Non-deferred cash award[1]	**9 000 000**	—	**5 500 000**	—	**—**	—	**—**	—	**14 500 000**	—
Deferred share award[2]	**8 000 000**	4 800 000	**4 500 000**	—	**—**	5 000 000	**—**	—	**12 500 000**	9 800 000
Total short-term incentive[3]	**17 000 000**	4 800 000	**10 000 000**	—	**—**	5 000 000	**—**	—	**27 000 000**	9 800 000
Face value of long-term incentive award (on-target award)[4]	**12 500 000**	10 000 000	**10 000 000**	—	**—**	15 000 000	**—**	—	**22 500 000**	25 000 000
Other payments[5]	**—**	—	**816 546**	—	**30 466 273**	—	**—**	—	**31 282 819**	—
Total awarded remuneration	**35 509 313**	20 809 313	**23 209 728**	—	**33 466 274**	28 659 973	**—**	862 175	**92 185 315**	50 331 461

Prescribed officers Awarded remuneration	Arrie Rautenbach 2021 R	Arrie Rautenbach 2020 R	Charles Russon 2021 R	Charles Russon 2020 R	Total 2021 R	Total 2020 R
Salary	**6 444 479**	6 450 191	**5 585 822**	5 593 432	**12 030 301**	12 043 623
Role-based pay	**—**	—	**—**	—	**—**	—
Medical aid	**161 892**	155 820	**202 428**	194 844	**364 320**	350 664
Retirement benefits	**158 651**	159 261	**162 055**	162 550	**320 706**	321 811
Other employee benefits	**494 316**	494 132	**59 008**	58 487	**553 324**	552 619
Total fixed remuneration	**7 259 338**	7 259 404	**6 009 313**	6 009 313	**13 268 651**	13 268 717
Non-deferred cash award[1]	**6 750 000**	—	**6 750 000**	—	**13 500 000**	—
Deferred share award[2]	**5 750 000**	4 800 000	**5 750 000**	4 000 000	**11 500 000**	8 800 000
Total short-term incentive	**12 500 000**	4 800 000	**12 500 000**	4 000 000	**25 000 000**	8 800 000
Face value of long-term incentive award (on-target award)[4]	**12 500 000**	10 250 000	**10 000 000**	7 000 000	**22 500 000**	17 250 000
Other payments[5]	**2 007 617**	—	**—**	—	**2 007 617**	—
Total awarded remuneration	**34 266 955**	22 309 404	**28 509 313**	17 009 313	**62 776 268**	39 318 717

Board appointment dates and contract terms

Jason Quinn was appointed to the Board on 1 September 2016, and was appointed as Interim Group Chief Executive with effect from 20 April 2021. Punki Modise was appointed as Interim Group Financial Director with effect from 23 April 2021 and also joined the Board on this date. Daniel Mminele was appointed to the Board on 15 January 2020 and stepped down on 20 April 2021. Arrie Rautenbach and Charles Russon became prescribed officers on 19 April 2018 and 5 November 2018 respectively. All executive directors and prescribed officers have a notice period of six months.

[1] Executive directors and prescribed officers did not receive cash short-term incentive awards in respect of 2020 performance, aligned to the Prudential Authority guidance. Short-term incentive awards in respect of 2021 performance will be subject to deferral into Absa Group shares on 50% of the value that exceeds R1m, with the balance paid as cash, as set out in the remuneration policy.

[2] All deferral in respect of the short-term incentive award made for 2021 performance will be in Absa Group shares. Deferred awards disclosed in 2021 will be granted in April 2022. The full award made in respect of 2020 performance was deferred into Absa Group shares, with vesting in equal proportions on the 1st, 2nd and 3rd anniversaries of the award date. Release will be subject to the additional CET 1 safety and soundness validation. The award was granted in April 2021.

[3] Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years). For deferred short-term incentives awarded in 2021 for 2020 performance, an additional CET 1 safety and soundness validation will apply at vesting. In contrast to this, the long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. Total awarded remuneration disclosed in 2020 includes the fixed remuneration paid during 2020, the total short-term incentive in respect of 2020 performance (consisting only of a deferred award granted in April 2021) and the face value of the long-term incentive to be granted in April 2021. Amounts disclosed in 2021 follow the same principle, except that the short-term incentive awarded for 2021 performance consist of a cash award and a deferred share award.

[4] This is the 'on-target' value of the award. The awards reflected in 2020 were made in April 2021, and those reflected in 2021 are to be made in April 2022.

[5] 'Other payments' reflect all payments made to Daniel Mminele on termination of employment (see note 7) and for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy.

[6] Punki Modise was appointed as the Interim Financial Director effective 23 April 2021. Fixed remuneration amounts shown are prorated from appointment date. Both STI and LTI shown at full value.

[7] Daniel Mminele stepped down as a Director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 has been included in this disclosure. This includes separation payments, contractual notice payments and leave payments which are shown as 'Other payments'.

[8] René van Wyk served as Chief Executive from 1 January to 14 January 2020. He was an Executive Director from 15 January to 31 January 2020. Remuneration received in 2020 as a non-executive director from 1 August 2020 to 31 December 2020 is set out in the table on non-executive directors' remuneration.

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55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2021									
	Number of shares under award at 1 January 2021	Number of shares/cash awarded during 2021	Share price on award R	Number of shares/cash released during 2021	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2021	Number of shares under award/option at 31 December 2021	Last scheduled vesting date
Executive directors										
Daniel Mminele[1]										
Share incentive plan deferral 2021 – 2024	—	39 234	127.44	—	—	—	—	39 234	—	2024/04/01
Share incentive plan performance 2020	162 902	—	—	—	—	—	—	162 902	—	2025/04/01
Share incentive plan performance 2021[2]	—	117 702	127.44	—	—	—	—	117 702	—	2026/04/01
Total	162 902	156 936		—		—	—	319 838	—	
Jason Quinn										
Share value plan 2018 – 2020[4]	4 057	—	—	4 057	126.98	515 158	117 203	—	—	2021/03/18
Share value plan 2019 – 2021	11 352	—	—	5 676	126.98	720 738	108 187	—	5 676	2022/03/18
Share incentive plan deferral 2020 – 2023	62 446	—	—	20 815	124.17	2 584 599	192 339	—	41 631	2023/04/01
Share incentive plan deferral 2021 – 2024	—	37 664	127.44	—	—	—	—	—	37 664	2024/04/01
Long-term incentive award 2019[2]	86 615	—	—	—	—	—	—	—	86 615	2024/03/18
Share incentive plan performance 2020[2]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01
Share incentive plan performance 2021[2]	—	78 468	127.44	—	—	—	—	—	78 468	2026/04/01
Total	294 791	116 132		30 548		3 820 495	417 729	—	380 375	
Punki Modise[3]										
Share value plan 2018 – 2020[4]	609	—	—	609	126.98	77 331	17 523	—	—	2021/03/18
Share value plan 2019 – 2021	1 741	—	—	870	126.98	110 473	16 507	—	871	2022/03/18
Share incentive plan deferral 2020 – 2023	9 991	—	—	3 330	124.17	413 486	30 670	—	6 661	2023/04/01
Share incentive plan deferral 2021 – 2024	—	980	127.44	—	—	—	—	—	980	2024/04/01
Long-term incentive award 2019	24 915	—	—	—	—	—	—	—	24 915	2022/09/02
Share incentive plan performance 2020	32 580	—	—	—	—	—	—	—	32 580	2023/04/01
Share incentive plan performance 2021	—	25 109	127.44	—	—	—	—	—	25 109	2024/04/01
Total	69 836	26 089		4 809		601 290	64 700	—	91 116	

[1] Daniel Mminele's ceased to be an executive director on 20 April 2021 and subsequently terminated his service with Absa Group on 30 April 2021. All his awards were forfeited on termination of service date.

[2] For all executive directors, the award will vest over a five-year period.

[3] Punki Modise's outstanding share-based long-term awards include awards received prior to becoming an executive director on 23 April 2021. Punki Modise`s Long Term Incentive award 2019, Share Plan Incentive Performance award 2020 and Share Plan Incentive award 2021 vest over a three-year period since the awards were made prior to her becoming an executive director.

[4] The scheduled vesting date for the 1 March 2021 share value plan vesting moved to 18 March 2021, due to the original vesting dates falling within a prohibited/closed period.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2021									
	Number of shares under award at 1 January 2021	Number of shares/cash awarded during 2021	Share price on award R	Number of shares/cash released during 2021	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2021	Number of shares under award/option at 31 December 2021	Last scheduled vesting date
Prescribed officers										
Arrie Rautenbach										
Share value plan 2018 – 2020[1, 2]	9 130	—	—	9 130	126.98	1 159 327	263 864	—	—	2021/03/18
Share value plan 2019 – 2021	21 758	—	—	10 880	126.98	1 381 542	207 231	—	10 878	2022/03/18
Share incentive plan deferral 2020 – 2023	59 731	—	—	19 910	124.17	2 472 225	183 896	—	39 821	2023/04/01
Share incentive plan deferral 2021 – 2024	—	37 664	127.44	—	—	—	—	—	37 664	2024/04/01
Long-term incentive award 2019[3]	88 780	—	—	—	—	—	—	—	88 780	2024/03/18
Share incentive plan performance 2020[3]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01
Share incentive plan performance 2021[3]	—	80 430	127.44	—	—	—	—	—	80 430	2026/04/01
Total	309 720	118 094		39 920		5 013 094	654 991	—	387 894	
Charles Russon										
Share value plan 2018 – 2020[2, 4]	8 114	—	—	8 114	126.98	1 030 316	234 405	—	—	2021/03/18
Share value plan 2019 – 2021	8 041	—	—	4 021	126.98	510 587	76 569	—	4 020	2022/03/18
Share incentive plan deferral 2020 – 2023	45 341	—	—	15 114	124.17	1 876 705	139 567	—	30 227	2023/04/01
Share incentive plan deferral 2021 – 2024	—	31 387	127.44	—	—	—	—	—	31 387	2024/04/01
Long-term incentive award 2019[3]	60 630	—	—	—	—	—	—	—	60 630	2024/03/18
Share incentive plan performance 2020[3]	99 370	—	—	—	—	—	—	—	99 370	2025/04/01
Share incentive plan performance 2021[3]	—	54 927	127.44	—	—	—	—	—	54 927	2026/04/01
Total	221 496	86 314		27 249		3 417 608	450 541	—	280 561	

[1] Arrie Rautenbach's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 19 April 2018.
[2] The scheduled vesting date for the 1 March 2021 share value plan vesting moved to 18 March 2021, due to the original vesting dates falling within a prohibited/closed period.
[3] For all prescribed officers, the award will vest over a five-year period.
[4] Charles Russon's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives (continued)

	2020									
	Number of shares under award at 1 January 2020	Number of shares/cash awarded during 2020	Share price on award R	Number of shares/cash released during 2020	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2020	Number of shares under award/option at 31 December 2020	Last scheduled vesting date
Executive directors										
Daniel Mminele										
Share incentive plan performance 2020[1, 2]	—	162 902	92.08	—	—	—	—	—	162 902	2025/04/01
Total	—	162 902		—		—	—	—	162 902	
Jason Quinn										
Share value plan 2017 – 2019[3]	3 167	—	—	3 167	119.62	378 837	84 452	—	—	2020/03/13
Share value plan 2018 – 2020	8 115	—	—	4 058	119.62	485 418	69 140	—	4 057	2021/03/01
Share value plan 2019 – 2021	17 028	—	—	5 676	119.62	678 963	47 728	—	11 352	2022/03/18
Share incentive plan deferral 2020 – 2023[1]	—	62 446	92.08	—	—	—	—	—	62 446	2023/04/01
Restricted award - Share value plan 2017	7 112	—	—	7 112	88.95	632 612	144 010	—	—	2020/09/30
Long-term incentive award 2017[3]	96 758	—	—	62 215	80.48	5 007 063	1 342 809	34 543	—	2020/08/24
Long-term incentive award 2019[2]	86 615	—	—	—	—	—	—	—	86 615	2024/03/18
Share incentive plan performance 2020[1, 2]	—	130 321	92.08	—	—	—	—	—	130 321	2025/04/01
Total	218 795	192 767		82 228		7 182 893	1 688 139	34 543	294 791	
Prescribed officers										
Arrie Rautenbach[4]										
Share value plan 2017 – 2019[3]	5 699	—	—	5 699	119.62	681 714	152 157	—	—	2020/03/13
Share value plan 2018 – 2020	18 258	—	—	9 128	119.62	1 091 891	155 506	—	9 130	2021/03/01
Share value plan 2019 – 2021	32 638	—	—	10 880	119.62	1 301 466	91 629	—	21 758	2022/03/18
Share incentive plan deferral 2020 – 2023[1]	—	59 731	92.08	—	—	—	—	—	59 731	2023/04/01
Restricted award – Share value plan 2017	11 853	—	—	11 853	88.95	1 054 324	239 987	—	—	2020/09/30
Long-term incentive award 2017[3]	103 669	—	—	66 659	80.48	5 364 716	1 438 741	37 010	—	2020/08/24
Long-term incentive award 2019[2]	88 780	—	—	—	—	—	—	—	88 780	2024/03/18
Share incentive plan performance 2020[1, 2]	—	130 321	92.08	—	—	—	—	—	130 321	2025/04/01
Total	260 897	190 052		104 219		9 494 111	2 078 020	37 010	309 720	
Charles Russon[5]										
Share value plan 2017 – 2019[3]	5 066	—	—	5 066	119.62	605 995	135 171	—	—	2020/03/13
Share value plan 2018 – 2020	16 230	—	—	8 116	119.62	970 836	138 281	—	8 114	2021/03/01
Share value plan 2019 – 2021	12 062	—	—	4 021	119.62	480 992	33 852	—	8 041	2022/03/18
Share incentive plan deferral 2020 – 2023[1]	—	45 341	92.08	—	—	—	—	—	45 341	2023/04/01
Restricted award – Share value plan 2017	11 853	—	—	11 853	88.95	1 054 324	239 987	—	—	2020/09/30
Long-term incentive award 2017[3]	93 302	—	—	59 993	80.48	4 828 237	1 294 843	33 309	—	2020/08/24
Long-term incentive award 2019[2]	60 630	—	—	—	—	—	—	—	60 630	2024/03/18
Share incentive plan performance 2020[1, 2]	—	99 370	92.08	—	—	—	—	—	99 370	2025/04/01
Total	199 143	144 711		89 049		7 940 384	1 842 134	33 309	221 496	

1 During 2020, new Share Incentive Plan Scheme rules replaced the previous Long-Term Incentive Plan and Share Value Plan rules, with awards from 2020 onwards made under the new scheme rules. The terms of awards granted prior to 2020 were not modified and as such there was no impact on the accounting treatment of such awards.

2 For all executive committee members, the award will vest over a five-year period.

3 The scheduled vesting date for the 1 March 2020 share value plan vesting and the 31 July 2020 long-term incentive award vesting were moved to 13 March 2020 and 24 August 2020 respectively, due to the vesting dates falling within a prohibited/closed period.

4 Arrie Rautenbach's outstanding share-based long-term awards, include awards received prior to becoming a precribed officer on 19 April 2018.

5 Charles Russon's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding cash-based long-term awards

2021	Value under award at 1 January 2021 R	Maximum potential value at 1 January 2021 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R	Converted to equity R	Service credit awarded in the year R	Service credit released in the year R	Service credit lapsed/(forfeited) in the year R	Value under award at 31 December 2021 R	Maximum potential value at 31 December 2021 R	Last scheduled vesting date
Executive directors												
Jason Quinn												
Cash value plan 2018 – 2020	800 000	993 333	—	800 000	—	—	—	193 333	—	—	—	2021/03/01
Cash value plan 2019 – 2021	1 966 000	2 260 900	—	983 000	—	—	—	—	—	983 000	1 277 900	2022/03/18
Total	2 766 000	3 254 233	—	1 783 000	—	—	—	193 333	—	983 000	1 277 900	
Punki Modise[1]												
Cash value plan 2018 – 2020	120 000	156 000	—	120 000	—	—	—	36 000	—	—	—	2021/03/01
Cash value plan 2019 – 2021	301 453	346 671	—	150 727	—	—	—	—	—	150 726	195 944	2022/03/18
Total	421 453	502 671	—	270 727	—	—	—	36 000	—	150 726	195 944	
Prescribed officer												
Charles Russon												
Cash value plan 2019 – 2021	1 392 667	1 601 567	—	696 333	—	—	—	—	—	696 334	905 234	2022/03/18
Total	1 392 667	1 601 567	—	696 333	—	—	—	—	—	696 334	905 234	

[1] Punki Modise's outstanding cash-based long-term awards include awards received prior to becoming an executive director on 23 April 2021.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding cash-based long-term awards

	2020											
	Value under award at 1 January 2020 R	Maximum potential value at 1 January 2020 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R	Converted to equity R	Service credit awarded in the year R	Service credit released in the year R	Service credit lapsed/(forfeited) in the year R	Value under award at 31 December 2020 R	Maximum potential value at 31 December 2020 R	Last scheduled vesting date
Executive directors												
Jason Quinn												
Cash value plan 2017 – 2019	500 000	650 000	—	500 000	—	—	—	150 000	—	—	—	2020/03/01
Cash value plan 2018 – 2020	1 600 000	1 793 333	—	800 000	—	—	—	—	—	800 000	993 333	2021/03/01
Cash value plan 2019 – 2021	2 949 000	3 243 900	—	983 000	—	—	—	—	—	1 966 000	2 260 900	2022/03/18
Total	5 049 000	5 687 233	—	2 283 000	—	—	—	150 000	—	2 766 000	3 254 233	
Prescribed officers												
Arrie Rautenbach[1]												
Cash value plan 2017 – 2019	900 000	1 170 000	—	900 000	—	—	—	270 000	—	—	—	2020/03/01
Total	900 000	1 170 000	—	900 000	—	—	—	270 000	—	—	—	
Charles Russon[2]												
Cash value plan 2017 – 2019	800 000	1 040 000	—	800 000	—	—	—	240 000	—	—	—	2020/03/01
Cash value plan 2019 – 2021	2 089 000	2 297 900	—	696 333	—	—	—	—	—	1 392 667	1 601 567	2022/03/18
Total	2 889 000	3 337 900	—	1 496 333	—	—	—	240 000	—	1 392 667	1 601 567	

[1] Arrie Rautenbach's outstanding cash-based long-term awards include awards received prior to becoming a prescribed officer on 19 April 2018.
[2] Charles Russon's outstanding cash-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.

55. Directors' and prescribed officers' remuneration (continued)

Group Chairman and non-executive directors' fees

			2021 Subsidiary boards, committees and trusts			
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	2021 Total[8] R
Alex Darko[1]	943 239	1 303 823	8 608	—	—	**2 255 670**
Francis Okomo-Okello[3]	933 894	862 707	101 925	—	73 386	**1 971 912**
Mark Merson[4]	921 795	1 723 235	101 925	—	660 658	**3 407 613**
Sello Moloko (Chairman designate)[1]	50 433	67 933	8 608	—	—	**126 974**
Sipho Pityana[6]	907 404	1 260 056	93 317	—	—	**2 260 777**
Tasneem Abdool-Samad	953 501	1 944 540	101 925	495 629	—	**3 495 595**
Wendy Lucas-Bull (Chairman)[7]	6 627 100	—	—	—	—	**6 627 100**
Total	11 337 366	7 162 294	416 308	495 629	734 044	**20 145 641**

			2020 Subsidiary boards, committees and trusts			
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	2020 Total[8] R
Alex Darko[1]	596 213	1 529 994	105 880	—	—	2 232 087
Colin Beggs[2]	596 213	1 623 995	80 880	—	261 616	2 562 704
Francis Okomo-Okello[3]	596 213	497 593	58 333	—	24 000	1 176 139
Mark Merson[4]	596 213	1 617 940	139 213	—	529 995	2 883 361
Mohamed Husain[5]	303 280	566 128	89 213	—	—	958 621
Sipho Pityana	596 213	675 420	58 333	—	—	1 329 966
Tasneem Abdool-Samad	596 213	1 396 334	58 333	517 062	—	2 567 942
Wendy Lucas-Bull (Chairman)[7]	6 501 939	70 287	—	—	—	6 572 226
Total	10 382 497	7 977 691	590 185	517 062	815 611	20 283 046

1 Alex Darko and Sello Moloko (Chairman designate) joined the Absa Bank Board on 1 December 2021. Alex Darko had initially stepped down on 31 August 2020.
2 Colin Beggs is a trustee of the Absa Group Pension Fund (reported under Other) and his status changed from independent to non-executive director effective 4 June 2020 and simultaneously stepped down from the Absa Bank Board.
3 Francis Okomo-Okello is a trustee of the Absa Foundation Trust (reported under Other).
4 Mark Merson is the Chairman of the Absa Securities United Kingdom Limited, a subsidiary of Absa Group Limited (reported under Other).
5 Mohamed Husain retired from the Absa Group and Bank Boards on 4 June 2020.
6 Sipho M Pityana stepped down from the Board 24 November 2021.
7 The fee applicable to Wendy Lucas-Bull, the Group Chairman, covers chairmanship of the Absa Group, Absa Bank and the Absa Financial Services (AFS) Boards (the latter until 31 May 2021) as well as the membership of all Board committees and sub-committees.
8 The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

Company financial statements

Company statement of financial position

as at

	Note	Company 31 December 2021 Rm	Restated 31 December 2020 Rm	Restated 1 January 2020 Rm
Assets				
Cash, cash balances and balances with central banks	2	**33 751**	33 812	25 485
Investment securities	3	**114 401**	97 113	72 077
Trading portfolio assets	4	**141 832**	166 172	111 594
Hedging portfolio assets	4	**5 157**	10 998	3 355
Other assets	5	**16 757**	14 734	21 546
Current tax assets		**—**	251	1 197
Non-current assets held for sale	6	**57**	136	3 706
Loans and advances[1]	7	**926 642**	868 438	828 702
Loans to group companies	8	**87 708**	66 553	59 550
Investments in associates and joint ventures	9	**206**	206	217
Subsidiaries	10	**98**	109	109
Property and equipment	11	**12 369**	13 918	15 581
Goodwill and intangible assets	12	**10 294**	9 514	8 751
Deferred tax assets	13	**3 124**	1 900	1 482
Total assets		**1 352 396**	1 283 854	1 153 352
Liabilities				
Trading portfolio liabilities	14	**67 353**	105 966	55 965
Hedging portfolio liabilities	14	**3 659**	4 868	1 379
Other liabilities	15	**35 430**	22 127	30 930
Provisions	16	**3 922**	2 764	2 519
Current tax liabilities		**85**	—	—
Deposits[1]	17	**975 403**	892 054	798 057
Debt securities in issue	18	**125 687**	139 179	151 290
Loans from Group Companies		**14 657**	3 793	3 286
Borrowed funds		**26 459**	20 621	21 282
Total liabilities		**1 252 655**	1 191 372	1 064 708
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital	19	**304**	304	304
Ordinary share premium	19	**36 880**	36 880	36 880
Preference share capital	19	**1**	1	1
Preference share premium	19	**4 643**	4 643	4 643
Additional Tier 1 capital	19	**7 004**	7 004	5 795
Retained earnings	20	**48 474**	38 081	37 934
Other reserves	20	**2 435**	5 569	3 087
Total equity		**99 741**	92 482	88 644
Total liabilities and equity		**1 352 396**	1 283 854	1 153 352

[1] These numbers have been restated, refer to note 1.19.1.

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2021 Rm	Company 2020 Rm
Net interest income		**38 014**	32 807
Interest and similar income	21	**71 195**	72 596
Effective interest income		**69 755**	71 161
Other interest income		**1 440**	1 435
Interest expense and similar charges	22	**(33 181)**	(39 789)
Non-interest income		**20 151**	21 174
Net fee and commission income		**17 961**	17 558
Fee and commission income	23	**19 663**	19 352
Fee and commission expense	23	**(1 702)**	(1 794)
Gains and losses from banking and trading activities	24	**1 723**	2 277
Gains and losses from investment activities	25	**141**	3
Other operating income	26	**326**	1 336
Total income		**58 165**	53 981
Impairment losses	27	**(6 308)**	(15 718)
Operating income before operating expenses		**51 857**	38 263
Operating expenses	28	**(35 101)**	(33 077)
Other expenses		**(1 470)**	(1 797)
Other impairments	29	**(336)**	(437)
Indirect taxation	30	**(1 134)**	(1 360)
Operating profit before income tax		**15 286**	3 389
Taxation expense	31	**(3 945)**	(567)
Profit for the reporting period		**11 341**	2 822
Profit attributable to:			
Ordinary equity holders		**10 514**	1 926
Preference equity holders		**242**	307
Additional Tier 1 capital		**585**	589
		11 341	2 822
Earnings per share:			
Basic earnings per share (cents)	32	**2 345.3**	429.6
Diluted earnings per share (cents)	32	**2 345.3**	429.6

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2021 Rm	2020 Rm
Profit for the reporting period		**11 341**	2 822
Other comprehensive income			
Items that will not be reclassified to profit or loss		**55**	(162)
Fair value gains/(losses) on equity instruments measured at FVOCI		**10**	(5)
Fair value gains/(losses)		**13**	(7)
Deferred tax		**(3)**	2
Movement of liabilities designated at FVTPL due to changes in own credit risk		**(26)**	(82)
Fair value losses		**(36)**	(116)
Deferred tax		**10**	34
Movement in retirement benefit fund assets and liabilities		**71**	(75)
Increase/(decrease) in retirement benefit surplus		**98**	(104)
Deferred tax	13	**(27)**	29
Items that are or may be subsequently reclassified to profit or loss		**(3 412)**	2 977
Movement in foreign currency translation reserve		**(2)**	(2)
Differences in translation of foreign operations		**(2)**	1
Release to profit or loss		**—**	(3)
Movement in cash flow hedging reserve		**(4 051)**	3 997
Fair value (losses)/gains		**(1 463)**	9 039
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		**641**	(1 019)
Fair value gains/(losses)		**1 007**	(1 381)
Release to profit or loss		**(120)**	(32)
Deferred tax	13	**(246)**	394
Total comprehensive income for the reporting period		**7 984**	5 637
Total comprehensive income attributable to:			
Ordinary equity holders		**7 157**	4 741
Preference equity holders		**242**	307
Additional Tier 1 capital		**585**	589
		7 984	5 637

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Company statement of changes in equity

for the reporting period ended 31 December

Company statement of changes in equity

for the reporting period ended 31 December

Company

2021

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
Balance at the end of the previous reporting period	448 301	304	36 880	1	4 643	7 004	38 081	5 569	(1505)	5 316	1	1 422	335	92 482
Total comprehensive income	—	—	—	—	242	585	10 569	(3 412)	641	(4 051)	(2)	—	—	7 984
Profit for the period	—	—	—	—	242	585	10 514	—	—	—	—	—	—	11 341
Other comprehensive income	—	—	—	—	—	—	55	(3412)	641	(4 051)	(2)	—	—	(3 357)
Dividends paid during the reporting period	—	—	—	—	(242)	—	—	—	—	—	—	—	—	(242)
Distributions paid during the reporting period	—	—	—	—	—	(585)	—	—	—	—	—	—	—	(585)
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(176)	—	—	—	—	—	—	(176)
Movement in share-based payment reserve	—	—	—	—	—	—	—	278	—	—	—	—	278	278
Intercompany recharge	—	—	—	—	—	—	—	(253)	—	—	—	—	(253)	(253)
Value of employee services	—	—	—	—	—	—	—	461	—	—	—	—	461	461
Deferred tax	—	—	—	—	—	—	—	70	—	—	—	—	70	70
Balance at the end of the reporting period	448 301	304	36 880	1	4 643	7 004	48 474	2 435	(864)	1 265	(1)	1 422	613	99 741
Note	19	19	19	19	19	19			20	20	20	20	20	

Company statement of changes in equity

for the reporting period ended 31 December

Company statement of changes in equity

for the reporting period ended 31 December

2020

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
Balance at the end of the previous reporting period	448 301	304	36 880	1	4 643	5 795	37 934	3 087	(484)	1 319	—	1 422	830	88 644
Total comprehensive income	—	—	—	—	307	589	1 764	2 977	(1 021)	3 997	1	—	—	5 637
Profit for the period	—	—	—	—	307	589	1 926	—	—	—	—	—	—	2 822
Other comprehensive income	—	—	—	—	—	—	(162)	2 977	(1 021)	3 997	1	—	—	2 815
Dividends paid during the reporting period	—	—	—	—	(307)	—	(2 000)	—	—	—	—	—	—	(2 307)
Distributions paid during the reporting period	—	—	—	—	—	(589)	—	—	—	—	—	—	—	(589)
Issuance of Additional Tier 1 capital	—	—	—	—	—	1209	—	—	—	—	—	—	—	1 209
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	425	—	—	—	—	—	—	425
Movement in share-based payment reserve	—	—	—	—	—	—	—	(495)	—	—	—	—	(495)	(495)
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(863)	—	—	—	—	(863)	(863)
Value of employee services	—	—	—	—	—	—	—	355	—	—	—	—	355	355
Deferred tax	—	—	—	—	—	—	—	13	—	—	—	—	13	13
Other movements[1]	—	—	—	—	—	—	(42)	—	—	—	—	—	—	(42)
Balance at the end of the reporting period	448 301	304	36 880	1	4 643	7 004	38 081	5 569	—	—	—	—	—	92 482
Note	19	19	19	19	19	19			20	20	20	20	20	

[1] This relates to an equity distribution to a subsidiary of Absa Group Limited.

Company statement of cash flows

for the reporting period ended 31 December

	Note	Company 2021 Rm	2020 Rm
Cash flow from operating activities			
Profit before tax		**15 286**	3 389
Adjustment of non-cash items			
Depreciation and amortisation (refer to note 28)	28	**5 134**	4 969
Other impairments (refer to note 29)	29	**336**	420
Other non-cash items included in profit before tax		**(534)**	48
Dividends received from investing activities		**(174)**	(3)
Cash flow from operating activities before changes in operating assets and liabilities		**20 048**	8 823
Net decrease/(increase) in trading and hedging portfolio assets		**26 130**	(62 221)
Net increase in loans and advances		**(58 530)**	(43 539)
Net increase in investment securities		**(16 617)**	(5 349)
Net increase in other assets		**(26 609)**	(26 062)
Net (decrease)/increase in trading and hedging portfolio liabilities		**(39 822)**	57 487
Net increase in amounts due to customers and banks		**83 348**	93 997
Net increase/(decrease) in other liabilities[1]		**13 581**	(19 670)
Income taxes paid		**(3 481)**	(1 128)
Net cash (utilised in)/generated from operating activities		**(1 952)**	2 339
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale		**113**	3 601
Purchase of property and equipment	11	**(874)**	(1 048)
Proceeds from disposal of properties and equipment		**170**	175
Purchase of intangible assets	12	**(2 751)**	(2 809)
Proceeds from disposal of intangible assets		**20**	10
Disposal of associates and joint ventures		**11**	—
Dividends received from investing activities		**154**	3
Net cash utilised in investing activities		**(3 157)**	(68)
Cash flow from financing activities			
Net contribution from/distribution to the Group in respect of equity-settled share-based[2]		**(176)**	425
Issue of Additional Tier 1 capital		**—**	1 209
Equity distribution to a subsidiary of Absa Group Limited		**—**	(42)
Distributions paid to Tier 1 capital holders		**(585)**	(589)
Proceeds from borrowed funds		**6 866**	2 676
Repayment of borrowed funds		**(2 381)**	(3 733)
Repayment of IFRS 16 lease liability		**(984)**	(975)
Dividends paid		**(242)**	(2 307)
Net cash generated from/(utilised in) financing activities		**2 498**	(3 336)
Net decrease in cash and cash equivalents		**(2 611)**	(1 065)
Cash and cash equivalents at the beginning of the reporting period		**8 781**	9 846
Cash and cash equivalents at the end of the reporting period	39	**6 170**	8 781

As part of operating activities, interest income amounting to **R70 367m** (2020: 70 644m); and interest expense amounting to **R31 877m** (2020: R40 216m) were received and paid in cash respectively.

[1] Net increase in other liabilities includes debt securities in issue and provisions.

[2] The description has been amended to clarify the nature of the line item

Notes to the Company financial statements

for the reporting period ended 31 December

1. Accounting policies

The financial statements of Absa Bank Limited (the Company) are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Bank.

1.1 Correction of prior period error and reclassifications

The Company 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: R4.7bn) being reported as 'Loans and advances to banks', which should have been disclosed as 'Loans and advances to customers' and R6.5bn (2019: R0.9bn) 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 Company will restate 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 Company 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 Company's comparability and relevance to its peers in the market. The impact of the restatement and combining the afore-mentioned items are disclosed below.

The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to notes 7 and 17.

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	65 953	(14 612)	(51 341)	—
Loans and advances to customers	802 485	14 612	(817 097)	—
Loans and advances	—	—	868 438	868 438
Liabilities				
Deposits from banks	96 033	(6 536)	89 497	—
Deposits due to customers	796 021	6 536	802 557	—
Deposits	—	—	(892 054)	(892 054)

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	44 984	(4 682)	(40 302)	—
Loans and advances to customers	783 718	4 682	(788 400)	—
Loans and advances	—	—	828 702	828 702
Liabilities				
Deposits from banks	119 477	(948)	(118 529)	—
Deposits due to customers	678 580	948	(679 528)	—
Deposits	—	—	798 057	798 057

	Company 2021 Rm	2020 Rm
2. Cash, cash balances and balances with central banks		
Balances with the SARB	**27 684**	25 460
Coins and bank notes	**6 067**	8 352
	33 751	33 812

The minimum reserve balance to be held in cash with the SARB is calculated under the provision of Regulation 27 and cannot be utilised in the normal course of business. The balance is 2.5% of the adjusted liabilities as set out in Regulation 27. The required average daily minimum reserve balance must be held with the SARB from the fifteenth business day of the month, up to and including the fourteenth business day of the following month based on the latest BA 310 return submitted to the SARB.

	Company 2021 Rm	2020 Rm
3. Investment securities		
Government bonds[1]	**75 007**	73 579
Listed equity instruments	**201**	66
Other debt securities[1]	**8 196**	13 360
Treasury bills	**29 936**	9 546
Unlisted equity and hybrid instruments	**1 062**	569
Gross investment securities	**114 402**	97 120
Impairment losses	**(1)**	(7)
	114 401	97 113

Government bonds of **R8 281m** (2020: R4 074m) which relate to repurchase agreements have been pledged with the SARB and other central banks.

Impairment losses relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R222m** (2020[2]: R35m) has been recognised on investment securities at FVOCI.

	Company 2021 Rm	2020 Rm
4. Trading and hedging portfolio assets		
Commodities	**642**	1 082
Debt instruments	**68 724**	57 102
Derivative assets (refer to note 44)	**54 246**	98 153
Commodity derivatives	**920**	627
Credit derivatives	**142**	159
Equity derivatives	**8 581**	4 994
Foreign exchange derivatives	**10 090**	22 534
Interest rate derivatives	**34 513**	69 839
Equity instruments	**3 888**	900
Money market assets	**14 332**	8 935
Total trading portfolio assets	**141 832**	166 172
Hedging portfolio assets (refer to note 44)	**5 157**	10 998
	146 989	177 170

Trading portfolio assets with a carrying values of **R37 907m** (2020: R13 407m) and **R2 810m** (2020: R1 837m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers' acceptance notes.

Company

[1] In December 2020, the Company inadvertently disclosed some government bonds in other debt securities. As a result, government bonds have been restated from R65 157m to R73 579m and other debt securities have been restated from R21 782m to R13 360m.

[2] The amount has been restated to correctly reflect the expected credit losses on investment securities recognized at FVOCI for the period ended 31 December 2020.

	2021 Rm	2020 Rm
5. Other assets		
Accounts receivable and prepayments	**10 328**	8 651
Deferred costs	**154**	179
Inventories	**11**	21
Cost	**11**	21
Write-down	**—**	—
Retirement benefit fund surplus (refer to note 46)	**465**	393
Settlement accounts	**5 799**	5 490
Gross other assets	**16 757**	14 734
Impairment losses	**0**	0
	16 757	14 734

	Company 2021 Rm	2020 Rm
6. Non-current assets and non-current liabilities held for sale		
Non-current assets held for sale		
Balance at the beginning of the reporting period	**136**	3 706
Disposals	**(93)**	(3 685)
Impairment of an NCAHFS (refer to 29)	**(1)**	(17)
Transfer from property and equipment (refer to note 11)	**15**	132
Balance at the end of the reporting period	**57**	136

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R93m**.
- 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.

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

- RBB disposed of the Edcon loan book with a carrying amount of R3 685m.
- 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.

7. Loans and advances

	Company 2021 Rm	2020 Rm
Corporate overdrafts and specialised finance loans	20 479	13 778
Credit cards	34 694	34 060
Foreign currency loans	37 953	39 274
Instalment credit agreements[1]	106 110	95 964
Finance lease receivables[1]	3 529	3 892
Loans to associates and joint ventures (refer to note 41.5 of the Bank's financial)	25 909	26 869
Microloans	3 448	4 241
Mortgages[2]	352 209	325 777
Other advances	12 730	13 455
Overdrafts	43 542	43 845
Overnight finance[3]	26 579	29 652
Personal and term loans	58 950	54 497
Preference shares	27 061	24 808
Reverse repurchase agreements (carries)[3]	60 208	43 247
Wholesale overdrafts[2]	94 083	97 516
Gross loans and advances to customers[3]	907 484	850 875
Gross loans and advances to banks[3]	50 311	51 363
Gross loans and advances	**957 795**	**902 238**
Impairment losses	(31 153)	(33 801)
Impairment losses for loans and advances to customers	(31 103)	(33 779)
Impairment losses for loans and advances to banks	(50)	(22)
Net loans and advances	**926 642**	**868 437**

Included above are collateralised loans of **R1 673m** (2020: R1 376m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly. The financial assets pledged under terms that are usual and customary to such arrangements.

Other advances include working capital solutions and collateralised loans.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R3 277m** (2020: R4 080m).

Included above in Gross loans and advances to banks are reverse repurchase agreements of **R19 453m** (2020: R27 323m[1]) and other collateralised loans of **R24m** (2020: R59m) relating to securities borrowed.

8. Loans to group companies

	Company 2021 Rm	2020 Rm
Gross loans to group companies	87 958	66 755
Impairment losses	(250)	(202)
	87 708	66 553

Refer to Related parties, note 38 for further details on the gross loans to Group companies.

[1] Instalment credit agreements and finance lease receivables have been separately disclosed to enhance the presentation.
[2] These numbers have been restated, refer to note 1.19.2 of the Bank's financial statements.
[3] These numbers have been restated, refer to note 1.19.1 of the Bank's financial statements.

9. Investments in associates and joint ventures

	Company 2021 Rm	2020 Rm
Unlisted investments	206	206

9.1 Movement in carrying value of associates and joint ventures

	Company 2021 Rm	2020 Rm
Balance at the beginning of the reporting period	206	217
Disposal of investment	(11)	—
Reversal/(impairment) in investments (refer to note 29)	11	(11)
Balance at the end of the reporting period	**206**	**206**

Refer to note 38.5 of the Bank's financial statements for additional disclosure of the Company's investments in associates and joint ventures.

10. Subsidiaries

	Company 2021 Rm	2020 Rm
Shares at cost	98	109
	98	109

The decrease in shares at cost is due to the impairment of a subsidiary.

Refer to note 38.3 of the Bank's financial statements for the list of significant subsidiaries.

11. Property and equipment

	Company 2021 Cost Rm	2021 Accumulated depreciation and/or impairments Rm	2021 Carrying value Rm	2020 Cost Rm	2020 Accumulated depreciation and/or impairments Rm	2020 Carrying value Rm
Computer equipment	6 709	(5 083)	1 626	7 562	(5 273)	2 289
Freehold property	4 713	(308)	4 405	4 875	(337)	4 538
Furniture and other equipment	8 622	(4 710)	3 912	8 971	(4 410)	4 561
Motor vehicles	6	(3)	3	4	(3)	1
Right-of-use-assets	5 064	(2 641)	2 423	4 297	(1 768)	2 529
	25 114	(12 745)	12 369	25 709	(11 791)	13 918

Company 2021

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers (to)/from intangibles Rm	Transfers to non-current assets held for sale Rm	Depreciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	2 289	418	(32)	(14)	—	—	(980)	(55)	1 626
Freehold property	4 538	293	(14)	(388)	—	(15)	(9)	—	4 405
Furniture and other equipment	4 561	160	(30)	402	—	—	(1 044)	(137)	3 912
Motor vehicles	1	3	—	—	—	—	(1)	—	3
Right-of-use-assets	2 529	767	—	—	—	—	(873)	—	2 423
	13 918	1 641	(76)	—	—	(15)	(2 907)	(192)	12 369
Note					12	6	28	29	

11. Property and equipment (continued)

Reconciliation of property and equipment	2020 Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers (to)/from intangibles Rm	Transfers to non-current assets held for sale Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	3 146	533	(9)	1	40	—	(1 271)	(151)	2 289
Freehold property	5 129	231	(109)	(559)	—	(124)	(9)	(21)	4 538
Furniture and other equipment	4 782	284	(4)	558	—	(8)	(1 005)	(46)	4 561
Motor vehicles	2	—	—	—	—	—	(1)	—	1
Right-of-use-assets	2 522	885	—	—	—	—	(878)	—	2 529
	15 581	1 933	(122)	—	40	(132)	(3 164)	(218)	13 918
Note					12	6	28	29	

Included in the above additions is **R283m** (2020: R226m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

R383m (2020: R559m) of assets under construction relating to computer equipment and furniture and other equipment was brought in to use during the reporting period. There were no assets under construction relating to freehold property that was brought in to use during the reporting period (2020: R2m).

R15m (2020: R132m) of certain property and equipment was transferred to non-current assets held for sale due to a change in the use of the assets.

During the prior reporting period, a decision was made to dispose of certain property and equipment.

	Company 2021 Cost Rm	2021 Accumulated amortisation and/or impairments Rm	2021 Carrying amount Rm	2020 Cost Rm	2020 Accumulated amortisation and/or impairments Rm	2020 Carrying amount Rm
12. Goodwill and intangible assets						
Computer software development costs	14 358	(4 072)	10 286	12 296	(2 807)	9 489
Other	30	(22)	8	70	(45)	25
	14 388	(4 094)	10 294	12 366	(2 852)	9 514

12. Goodwill and intangible assets (continued)

Company

Reconciliation of intangible assets	2021 Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers (to)/from PPE Rm	Closing balance Rm
Computer software development costs	9 489	3 172	—	(10)	(2 221)	(144)	—	10 286
Other	25	—	—	(11)	(6)	—	—	8
	9 514	3 172	—	(21)	(2 227)	(144)	—	10 294
Note					28	29		

Reconciliation of intangible assets	2020 Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers (to)/from PPE Rm	Closing balance Rm
Computer software development costs	8 722	2 774	35	(10)	(1 798)	(191)	(43)	9 489
Other	29	—	—	—	(7)	—	3	25
	8 751	2 774	35	(10)	(1 805)	(191)	(40)	9 514
Note			45		28	29	11	

The majority of computer software development costs were internally generated with the remainder externally acquired of **R177m**. Included in computer software development costs is **R4 135** (2020: R3 171m) relating to assets under construction.

R1 531 (2020: R3 788m) of assets under construction relating to computer software was brought into use during the reporting period.

Included in 'Other' intangible assets are brands and licences.

	Company 2021 Rm	2020 Rm
13. Deferred tax		
13.1 Reconciliation of net deferred tax (asset)/liability		
Balance at the beginning of the reporting period	(1 900)	(1 482)
Deferred tax on amounts charged directly to other comprehensive income and equity	(1 379)	1 082
Charge to profit or loss (refer to note 31)	127	(1 506)
Tax effect of translation and other differences	28	6
Balance at the end of the reporting period	(3 124)	(1 900)
13.2 Deferred tax (asset)/liability		
Tax effects of temporary differences between tax and book value for:		
Deferred tax asset	(3 124)	(1 900)
Prepayments, accruals and other provisions	(1 093)	(979)
Capital allowances	1 122	966
Property allowances	257	234
Cash flow hedge and financial assets at fair value through other comprehensive income	123	1 449
Own credit risk	(122)	(112)
Share-based payments	(252)	(135)
Fair value adjustments on financial instruments	(178)	(121)
Impairment of loans and advances	(2 915)	(3 203)
Lease and rental debtor allowances	(130)	(98)
Retirement benefit asset and liabilities	64	99
Net deferred tax (asset)/liability	(3 124)	(1 900)

	Company 2021 Rm	Company 2020 Rm
14. Trading and hedging portfolio liabilities		
Derivative liabilities (refer to note 44)	46 207	86 760
Commodity derivatives	824	765
Credit derivatives	93	141
Equity derivatives	2 682	3 152
Foreign exchange derivatives	11 490	19 921
Interest rate derivatives	31 118	62 781
Short positions	21 146	19 206
Total trading portfolio liabilities	67 353	105 966
Hedging portfolio liabilities (refer to note 44)	3 659	4 868
	71 012	110 834

	Company 2021 Rm	Company 2020 Rm
15. Other liabilities		
Accruals	1 963	2 185
Audit fee accrual	126	116
Cash-settled share-based payment liability (refer to note 49)	94	138
Creditors	8 172	7 801
Deferred income	260	293
Lease liabilities	3 006	3 147
Settlement balances	21 809	8 447
	35 430	22 127

	Company 2021 Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
16. Provisions				
Balance at the beginning of the reporting period	931	1 230	603	2 764
Additions	1 788	750	—	2 538
Amounts used	(597)	(732)	—	(1329)
Reversals	—	(183)	—	(183)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 52)	—	—	132	132
Balance at the end of the reporting period	2 122	1 065	735	3 922

Provisions expected to be recovered or settled within 12 months after the reporting date were **R2 418m** (2020: R1 529m).

Sundry provisions include amounts with respect to fraud and litigation, claims and card incentive schemes.

	Company 2021 Rm	Company 2020 Rm
17. Deposits		
Customers		
Call deposits[1]	90 398	82 316
Cheque account deposits	230 444	219 050
Credit card deposits	2 137	2 033
Fixed deposits	210 135	198 861
Foreign currency deposits[1]	33 429	30 011
Notice deposits	70 148	74 139
Other	1 304	1 288
Repurchase agreements[1]	21 863	11 007
Savings and transmission deposits	225 300	183 852
	885 158	802 557
Banks		
Call deposits[1]	9 322	16 663
Fixed deposits	12 957	13 423
Foreign currency deposits[1]	12 928	18 415
Other	2 871	2 185
Repurchase agreements[1]	51 667	38 811
Savings and transmission deposits	500	—
	90 245	89 497
Total deposits	975 403	**892 054**

'Other deposits' due to customers include deposits on structured deals, preference investments on behalf of customers, and unclaimed deposits.

	Company 2021 Rm	Company 2020 Rm
18. Debt securities in issue		
Credit linked notes	15 165	11 151
Floating rate notes	34 693	48 722
Negotiable certificates of deposit	36 117	40 868
Other	1 508	1 140
Promissory notes	3	49
Senior notes	38 100	37 149
Structured notes and bonds	101	100
	125 687	139 179

[1] These numbers have been restated, refer to note 1.19.2.

	Company 2021 Rm	Company 2020 Rm
19. Share capital and premium		
19.1 Ordinary share capital		
Authorised		
320 000 000 (2020: 320 000 000) ordinary shares of R1.00 each	**320**	320
250 000 000 (2020: 250 000 000) 'A' ordinary shares of R0.01 each	**3**	3
	323	323
Issued		
302 609 369 (2020: 302 609 369) ordinary shares of R1.00 each	**303**	303
145 691 959 (2020: 145 691 959) 'A' ordinary shares of R0.01 each	**1**	1
	304	304
Total issued capital		
Share capital	**304**	304
Share premium	**36 880**	36 880
	37 184	37 184

Authorised shares
There were no changes to the authorised share capital during the current reporting period.

Unissued shares
The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming AGM of the Company.

Shares issued
There were no shares issued during the current and prior reporting periods. All shares issued by the company were paid in full.

	Company 2021 Rm	Company 2020 Rm
19.2 Preference share capital and premium		
Authorised		
30 000 000 (2020: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Issued		
4 944 839 (2020: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Total issued capital		
Share capital	**1**	1
Share premium	**4 643**	4 643
	4 644	4 644

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of the preference shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or if a resolution is proposed by the Company which directly affects the rights attached to the preference shares or the interest of the holders thereof.

		Company 2021 Rm	Company 2020 Rm
19. Share capital and premium (continued)			
19.3 Additional Tier 1 capital			
Subordinated callable notes issued by Absa Bank Limited			
Interest rate	**Date of issue**		
Three-month JIBAR + 5.65%	11 September 2017	**1 500**	1 500
Three-month JIBAR + 4.75%	9 October 2018	**1 241**	1 241
Three-month JIBAR + 4.50%	28 May 2019	**1 678**	1 678
Three-month JIBAR + 4.25%	5 December 2019	**1 376**	1 376
Three-month JIBAR + 4.55%	26 October 2020	**1 209**	1 209
		7 004	7 004

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the issuer) on 12 September 2022, 10 October 2023, 28 November 2024, 5 June 2025 and 27 October 2025 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments.

20. Other reserves

20.1 Fair value through other comprehensive income reserve
The fair value reserve comprises only the cumulative net change in the fair value of debt instruments measured at FVOCI, until such time as they are derecognised. Upon derecognition of debt instruments at FVOCI, the cumulative amount recognised in other comprehensive income is released to profit or loss. Since the cumulative net change in the fair value of equity instruments designated as at FVOCI is not recycled to profit or loss upon derecognition, the Bank recognises the cumulative net change in fair value in retained earnings.

20.2 Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20.3 Foreign currency translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.4 Capital reserve
The capital reserve arose on the amalgamation of the founding banks of Absa Bank Limited.

20.5 Share-based payment reserve
The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

20.6 Retained earnings
Retained earnings comprises of the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries and includes changes in OCI with respect to the following:

- movement in the fair value of equity instruments measured at FVOCI;
- movement in own credit risk on liabilities designated at FVTP;
- movement in the actuarial valuation of retirement benefit fund assets and liabilities; and
- direct shareholder contributions.

	Company 2021 Rm	Company 2020 Rm
21. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	2	1
Interest on hedging instruments	2 270	1 557
Investment securities	7 932	6 771
Loans and advances	59 412	63 185
Corporate overdrafts and specialised finance loans	961	767
Credit cards	4 021	4 389
Foreign currency loans	1 059	760
Instalment credit agreements and finance lease receivables	8 465	8 393
Loans to associates and joint ventures	1 376	1 662
Microloans	432	726
Mortgages	21 375	22 721
Other advances	868	991
Overdrafts	3 614	4 711
Overnight finance	964	1 180
Personal and term loans	7 544	5 732
Preference shares	1 592	1 435
Reverse repurchase agreements	8	—
Wholesale overdrafts	5 264	7 423
Banking	1 869	2 295
Other interest	1 579	1 082
	71 195	72 596
Classification of interest and similar income		
Interest on hedging instruments	2 270	1 557
Cash flow hedges	3 985	2 705
Fair value hedges	(1 715)	(1 148)
Interest on financial assets held at amortised cost	65 472	67 310
Interest on financial assets measured at FVOCI	2 012	2 293
Interest on financial assets measured at FVTPL	1 441	1 436
Investment securities	155	43
Loans and advances	1 286	1 393
	71 195	72 596

Interest income on 'other advances' includes items such as interest on factored debtors' books.

Other interest includes items such as overnight interest on contracts for difference.

Notes to the Company financial statements
for the reporting period ended 31 December

	Company 2021 Rm	Company 2020 Rm
22. Interest expense and similar charges		
Interest expense and similar charges are paid on:		
Borrowed funds	2 540	2 159
Debt securities in issue	5 665	10 576
Deposits	26 403	27 518
Deposits due to customers	25 663	26 429
Call deposits	4 961	3 898
Cheque account deposits	3 447	3 361
Credit card deposits	6	6
Fixed deposits	6 876	7 824
Foreign currency deposits	164	87
Notice deposits	3 118	3 485
Other deposits due to customers	604	42
Savings and transmission deposits	6 487	7 726
Deposits from banks	740	1 089
Call deposits	186	55
Fixed deposits	444	856
Foreign currency deposits	110	178
Interest on hedging instruments	(1 739)	(738)
Interest incurred on finance leases	243	274
Other	69	—
	33 181	39 789
Classification of interest expense and similar charges		
Interest on hedging instruments	(1 739)	(738)
Cash flow hedges	(321)	(471)
Fair value hedges	(1 418)	(267)
Interest on financial liabilities held at amortised cost	34 920	40 527
	33 181	39 789

	Company 2021 Rm	Company 2020 Rm
23. Net fee and commission income		
Consulting and administration fees	267	306
Insurance commission received	631	612
Investment, markets execution and investment banking fees	390	382
Merchant income	2 101	1 925
Other	162	123
Transactional fees and commissions	16 033	15 918
Cheque accounts	4 681	5 079
Credit cards	1 820	1 712
Electronic banking	5 594	5 200
Other	2 436	2 293
Savings accounts	1 502	1 634
Trust and other fiduciary services	79	86
Portfolio and other management fees	77	79
Trust and estate income	2	7
Fee and commission income	19 663	19 352
Fee and commission expense	(1 702)	(1 794)
Cheque processing fees	(13)	(90)
Clearing and settlement charges	(889)	(919)
Notification fees	(235)	(250)
Other	(445)	(449)
Valuation fees	(120)	(86)
	17 961	17 558

The Company provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Company making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Company accepting targets for benchmark levels of returns for the assets under the Company's care.

	Company 2021 Rm	Company 2020 Rm
23.1 Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	4 681	5 079
Credit cards	1 820	1 712
Electronic banking	5 594	5 200
Other	2 436	2 293
Savings accounts	1 502	1 634
Fee and commission income	16 033	15 918
Fee and commission expense	(1 469)	(1 475)
	14 564	14 443

Credit cards include acquiring and issuing fees.

Other transactional fees and commissions income include service and credit-related fees of **R597m** (2020: R627m) and exchange commission of **R680m** (2020: R603m).

Notes to the Company financial statements
for the reporting period ended 31 December

	Company 2021 Rm	Company 2020 Rm
24. Gains and losses from banking and trading activities		
Net gains/(losses) on investments	147	(264)
Debt instruments designated at FVTPL	0	1
Equity instruments mandatorily measured at FVTPL	27	(297)
Unwind from reserves for debt instruments at FVOCI	120	32
Net trading result	1 585	2 684
Net trading income excluding the impact of hedge accounting	2 090	2 107
Ineffective portion of hedges	(505)	577
Cash flow hedges	(539)	566
Fair value hedges	34	11
Other losses	(9)	(143)
	1 723	2 277
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	2 090	2 107
(Losses)/gains on financial instruments designated at FVTPL	(2 423)	10 039
Net (losses)/gains on financial assets designated at FVTPL	(853)	3 543
Net (losses)/gains on financial liabilities designated at FVTPL	(1 570)	6 496
Gains/(losses) on financial instruments mandatorily measured at FVTPL	4 513	(7 932)
Other losses	(9)	(143)
(Losses)/gains on financial instruments designated at FVTPL	(768)	836
Gains/(losses) on financial instruments mandatorily measured at FVTPL	759	(979)

	Company 2021 Rm	Company 2020 Rm
25. Gains and losses from investment activities		
Dividend received	141	3

	Company 2021 Rm	Company 2020 Rm
26. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	(2)	30
Income arising from contracts with customers	2	57
(Loss)/profit on disposal of property and equipment	(2)	53
Profit on sale of repossessed properties	4	4
Gross sales	18	22
Cost of sales	(14)	(18)
Insurance proceeds received related to property and equipment1	96	—
Rental income	10	16
Sundry income[2]	220	1 233
	326	1 336

[1] Insurance proceeds received related to property and equipment amounted to R121m of which R96m is reflected in other operating income and R25m was recovered against the impairment raised (refer to note 29).

[2] Sundry income includes dividend received as well as profit on disposal of non-core assets and non-interest income.

	Company 2021 Rm	Company 2020 Rm
27. Impairment losses		
Impairment losses raised during the reporting period	6 515	15 983
Stage 1 expected losses	(1 668)	1 651
Stage 2 expected losses	(169)	3 750
Stage 3 expected losses	8 352	10 582
Losses on modifications	364	32
Recoveries of loans and advances previously written off	(571)	(297)
	6 308	15 718

Refer to COVID-19 section for further detail on impairments.

	Company 2021 Rm	Company 2020 Rm
28. Operating expenses		
Administration fees	133	446
Amortisation of intangible assets (refer to note 12)	2 227	1 805
Auditors' remuneration	333	310
Audit fees – current reporting period	273	280
Audit fees – under provision	3	—
Audit-related fees	23	20
Other services	34	10
Cash transportation	1 024	1 071
Depreciation (refer to note 11)	2 907	3 164
Equipment costs	196	163
Maintenance	115	94
Rentals	81	69
Information technology	4 029	3 660
Marketing costs	1 005	1 046
Other	839	(444)
Printing and stationery	158	160
Professional fees	2 133	2 187
Property costs	1 472	1 431
Staff costs	17 798	17 193
Bonuses	2 060	1 015
Deferred cash and share-based payments (refer to note 49)	514	402
Other	210	215
Salaries and current service costs on post-retirement benefit funds	14 689	15 190
Training costs	325	371
Straight line lease expenses on short-term leases and low value assets	113	91
Telephone and postage	734	681
TSA direct costs	—	113
	35 101	33 077

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Professional fees include research and development costs totaling **R193m** (2020: R250m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

'Other' includes fraud losses, travel, entertainment costs and recoveries from fellow subsidiaries.

	Company 2021 Rm	Company 2020 Rm
29. Other impairments		
Intangible assets (refer to note 12)[1]	144	191
Investments in associates and joint ventures (refer to note 9)[2]	(11)	11
Non-current assets held for sale (refer to note 6)[3]	1	17
Property and equipment (refer to note 11)[4]	192	218
Equity investments in subsidiaries[5]	10	—
	336	437

	Company 2021 Rm	Company 2020 Rm
30. Indirect taxation		
Training levy	146	105
VAT net of input credits	988	1 255
	1 134	1 360

	Company 2021 Rm	Company 2020 Rm
31. Taxation expense		
Current		
Foreign and other taxation	171	177
South African current tax	3 760	1 444
South African current tax – previous reporting period	(113)	452
	3 818	2 073
Deferred		
Deferred tax (refer to note 13)	127	(1 506)
Capital allowances	180	161
Allowances for loan losses	256	(1 079)
Provisions	(270)	(207)
Movements in prepayments, accruals and other provisions	79	(258)
Fair value and similar adjustments through profit and loss	(88)	(49)
Fair value and similar adjustments in relation to prior year	(30)	(74)
	3 945	567

[1] The Company has impaired certain software assets totalling **R144m** (2020: R191m) for which the value-in-use is determined to be zero.
[2] 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.
[3] The Company has impaired certain assets totalling **R1m** (2020: R17m) which have been classified as held for sale under IFRS 5.
[4] The Company 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: R199m) was impaired without a related transfer to non-current assets held for sale. Included in the R192m, is a **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.
[5] The Company has impaired investments in subsidiaries totaling **R10m** (2020: Rnil).

31. Taxation expense (continued)

Reconciliation between operating profit before income tax and the taxation expense

	Company 2021 Rm	Company 2020 Rm
Operating profit before income tax	15 286	3 389
	15 286	3 389
Tax calculated at a tax rate of 28%	4 280	949
Effect of different tax rates in other countries	140	133
Expenses not deductible for tax purposes[1]	229	252
Dividend income	(532)	(690)
Non-taxable interest[2]	(164)	(165)
Other income not subject to tax	(113)	(108)
Non-taxable portion of capital gain	82	108
Other	23	88
	3 945	567

32. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders, by the weighted average number of ordinary shares in issue during the reporting period.

Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are no instruments that would have a dilutive impact.

	Company 2021 Rm	Company 2020 Rm
Basic and diluted earnings attributable to ordinary equity holders of the Company	10 514	1 926
Weighted average number of ordinary shares in issue (millions)	448.3	448.3
Issued shares at the beginning and end of the reporting period	448.3	448.3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	2 345.3	429.6

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.
[2] This relates to interest earned on certain capital instruments, which is exempt from tax.

Notes to the Company financial statements
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33. Headline earnings

Headline earnings is determined as follows:

	Company 2021 Gross Rm	Company 2021 Net Rm	Company 2020 Gross Rm	Company 2020 Net Rm
Profit attributable to ordinary equity holders of the Company		10 514		1 926
Total headline earnings adjustment:		161		228
IFRS 3 – Gain on bargain purchase (refer to note 45)	—	—	(86)	(86)
IFRS 5 – Gains and Losses on non-current assets held for sale (refer to note 26)	(20)	(16)	—	—
IFRS 5 – Re-measurement of non-current assets held for sale (refer to note 29)	1	1	17	13
IAS 16 – Loss/(profit) on disposal of property and equipment (refer to note 26)	2	1	(53)	(40)
IAS 16 and IAS 36 – Insurance recovery of property and equipment damaged during riots (refer to note 26 and 29)	(121)	(87)	—	—
IAS 28 – (Reversal)/impairment of investments in associates and joint ventures (refer to note 29)	(11)	(11)	11	11
IAS 28 – Profit on disposal of associates and joint ventures	(1)	(1)	—	—
IAS 36 – Impairment of property and equipment (refer to note 29)	217	157	218	158
IAS 36 – Impairment of investments in subsidiaries (refer to note 29)	10	7	—	—
IAS 36 – Impairment of intangible assets (refer to note 29)	144	110	191	172
Headline earnings/diluted headline earnings		10 675		2 154
Headline earnings per ordinary share/diluted headline earnings per ordinary share (cents)		2 381.2		480.5

The net amount is reflected after taxation.

	Company 2021 Rm	2020 Rm
34. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend **(2021: 0 cents per share (cps))** (2020: 0 cps)	—	—
Final dividend **(14 March 2022: 446.12851 cps)** (15 March 2021:0 cps)	2 000	—
	2 000	—
Dividends declared to preference equity holders (net of treasury shares)		
Interim dividend **(16 August 2021: 2 470.13699 cps)** (31 August 2020: 2 741.02740 cps)	122	135
Final dividend **(14 March 2022: 2 494.10959 cps)** (15 March 2021: 2 429.86301 cps)	123	120
	245	255
Distributions declared to Additional Tier 1 capital note holders		
Distributions		
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; 14 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		
Final dividend **(2021: 0 cps)** (20 April 2020: 446.129 cps)	—	2 000
Interim dividend **(2021: 0 cps)** (2020: 0 cps)	—	—
	—	2 000
Dividends paid to preference equity holders		
Final dividend **(19 April 2021: 2 429.86301 cps)** (20 April 2020: 3469.31507)	120	172
Interim dividend **(20 September 2021: 2 470.13699 cps)** (21 September 2020:2 741.02740 cps)	122	135
	242	307

35. Transfer of financial assets that results in partial derecognition

35.1 Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Company transfers financial assets to SE's, either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

35.2 Transfer of financial assets that did not result in derecognition

Company 2021	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 716	(1 195)	1 716	(1 195)	521
Loans and advances to customers	59 669	(15 460)	59 669	(15 460)	44 209

2020	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	2 740	(1 923)	2 740	(1 923)	817
Loans and advances to customers	62 603	(13 119)	62 603	(13 119)	49 484

Balances included within loans and advances to customers represent instances where substantially all the risks and rewards (credit risk and prepayment risk) of the financial asset have been retained by the Company.

The relationship between the transferred assets and the associated liabilities is that holders of the associated liabilities may only look to cash flows from the transferred assets for payments due to them, although the contractual terms may differ from those of the transferred assets.

36. Related parties

Refer to note 38 of the Bank's financial statements for the full disclosure of related party transactions. The following related party transactions and balances exist for Absa Bank Limited.

	Company 2021 Rm	2020 Rm
36.1 Balances and transactions with the parent company		
Transactions		
Dividends paid	—	2 000
36.2 Balances and transactions with subsidiaries		
The following are balances with and transactions entered into with, subsidiaries:		
Balances		
Loans to group companies	10 979	6 615
Subsidiary shares	98	109
Trading portfolio assets	6	14
Transactions		
Interest and similar income	(57)	(118)
Interest expense and similar charges	(55)	(83)
Gains and losses from banking and trading activities	(1)	1
Operating expenditure/(recovered expenses)	178	(60)
Equity distribution[1]	—	(42)

Various terms and conditions are agreed upon, taking into account transfer pricing and relevant tax requirements.

[1] This relates to an equity distribution to a subsidiary of Absa Group Limited.

36. Related parties (continued)

	Company 2021 Rm	2020 Rm
36.3 Balances and transactions with fellow subsidiaries		
Balances		
Loans and advances to banks	200	401
Trading portfolio assets	349	(116)
Other assets	1 217	1 057
Loans to Group Companies	76 978	56 346
Deposits from banks	(807)	(6 303)
Borrowed funds	(23 845)	(17 756)
Loans from Group Companies	(9 214)	—
Transactions		
Interest and similar income	(1 555)	(884)
Interest expense and similar charges	1 684	1 684
Net fee and commission income	(585)	(572)
Gains and losses from banking and trading activities	(7 867)	1 355
Gains and losses from investment activities	3	(2)
Other operating income	(2)	(2)
Operating expenditure/(recovered expenses)	(934)	(1 391)

	Company 2021 (Unaudited) Rm	2020 (Unaudited) Rm
37. Assets under management and administration		
Other	285 401	251 031
Portfolio management	5 046	2 866
Unit trusts	1 590	1 614
	292 037	255 511

	Company 2021 Rm	2020 Rm
38. Contingencies, commitments and similar items		
Guarantees	38 206	38 831
Irrevocable debt facilities/other lending facilities	144 477	144 583
Letters of credit	9 475	5 777
	192 158	189 191
Authorised capital expenditure		
Contracted but not provided for	509	427

38. Contingencies, commitments and similar items (continued)

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Company 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 Company does not have the right to terminate the facilities by written notice.

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

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

The Company 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.

Refer to note 44 in the Bank's financial statements for legal proceedings, regulatory matters and income taxes.

	Company 2021 Rm	2020 Rm
39. Cash and cash equivalents		
Cash, cash balances and balances with central banks[1]	6 067	8 352
Loans and advances to banks[2]	103	429
	6 170	8 781

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

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40. Consolidated statement of financial position summary – IFRS 9 classification

	Company 2021												
	Fair value through profit or loss				Fair value through other comprehensive income				Amortised cost				
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	33 751	—	33 751	—	33 751
Investment securities	4 791	281	—	5 072	39 280	405	36 744	76 429	13 281	19 619	32 900	—	114 401
Trading portfolio assets	141 190	—	—	141 190	—	—	—	—	—	—	—	642	141 832
Hedging portfolio assets[2]	—	—	5 157	5 157	—	—	—	—	—	—	—	—	5 157
Other assets	—	—	—	—	—	—	—	—	14 453	—	14 453	2 304	16 757
Loans and advances	82 362	28 303	—	110 665	—	—	—	—	812 002	3 975	815 977	—	926 642
Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—	—	57	57
Loans to group companies	—	—	—	—	—	—	—	—	87 708	—	87 708	—	87 708
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	26 091	26 091
	228 343	28 584	5 157	262 084	39 280	405	36 744	76 429	961 195	23 594	984 789	29 094	1 352 396
Liabilities													
Trading portfolio liabilities	67 353	—	—	67 353	—	—	—	—	—	—	—	—	67 353
Hedging portfolio liabilities[3]	—	—	3 659	3 659	—	—	—	—	—	—	—	—	3 659
Other liabilities	—	—	—	—	—	—	—	—	32 985	—	32 985	2 445	35 430
Deposits	—	121 375	—	121 375	—	—	—	—	854 028	—	854 028	—	975 403
Debt securities in issue	—	24 205	—	24 205	—	—	—	—	94 979	6 503	101 482	—	125 687
Borrowed funds	—	—	—	—	—	—	—	—	11 289	15 170	26 459	—	26 459
Loans from Group companies	—	—	—	—	—	—	—	—	14 657	—	14 657	—	14 657
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	4 007	4 007
	67 353	145 580	3 659	216 592	—	—	—	—	1 007 938	21 673	1 029 611	6 452	1 252 655

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39 and IFRS 9.
[2] Includes derivative assets to the amount of **R3 502m** (2020: R9 455m) and **R1 300m** (2020: R1 543m) that have been designated as cash flow and fair value hedging instruments respectively.
[3] Includes derivative liabilities to the amount of **R913m** (2020: R363m) and **R2 746m** (2020: R4 505m) that have been designated as cash flow and fair value hedging instruments respectively.
[4] Includes items designated as hedged items in fair value hedging relationships.
[5] Liabilities outside the scope of IFRS 9 includes **R735m** (2020: R603) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

40. Consolidated statement of financial position summary – IFRS 9 classification

	2020			
	Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	3 234	2 447	—	5 681
Trading portfolio assets	165 090	—	—	165 090
Hedging portfolio assets[2]	—	—	10 998	10 998
Other assets	—	—	—	—
Loans and advances[6]	69 598	25 204	—	94 802
Loans to group companies	—	—	—	—
Non-current assets held for sale	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	237 922	27 651	10 998	276 571
Liabilities				
Trading portfolio liabilities	105 966	—	—	105 966
Hedging portfolio liabilities[3]	—	—	4 868	4 868
Other liabilities	—	—	—	—
Deposits[5]	—	90 289	—	90 289
Debt securities in issue	—	23 926	—	23 926
Borrowed funds	—	—	—	—
Loans from Group companies	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	105 966	114 215	4 868	225 049

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39 and IFRS 9.

[2] Includes derivative assets to the amount of **R3 502m** (2020: R9 455m) and **R1 300m** (2020: R1 543m) that have been designated as cash flow and fair value hedging instruments respectively.

[3] Includes derivative liabilities to the amount of **R913m** (2020: R363m) and **R2 746m** (2020: R4 505m) that have been designated as cash flow and fair value hedging instruments respectively.

[4] Includes items designated as hedged items in fair value hedging relationships.

[5] Liabilities outside the scope of IFRS 9 includes **R735m** (2020: R603) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

[6] These numbers have been restated, refer to note 1.19.1.

	2020								
	Fair value through other comprehensive income				Amortised cost				
	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets									
Cash, cash balances and balances with central banks	—	—	—	—	33 812	—	33 812	—	33 812
Investment securities	35 996	360	25 071	61 427	30 005	—	30 005	—	97 113
Trading portfolio assets	—	—	—	—	—	—	—	1 082	166 172
Hedging portfolio assets[2]	—	—	—	—	—	—	—	—	10 998
Other assets	—	—	—	—	12 171	—	12 171	2 563	14 734
Loans and advances[6]	—	—	— —	—	770 309	3 327	773 636	— —	868 438
Loans to group companies	—	—	—	—	—	—	—	136	136
Non-current assets held for sale	—	—	—	—	66 553	—	66 553	—	66 553
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	25 898	25 898
	35 996	360	25 071	61 427	912 850	3 327	916 177	29 679	1 283 854
Liabilities									
Trading portfolio liabilities	—	—	—	—	—	—	—	—	105 966
Hedging portfolio liabilities[3]	—	—	—	—	—	—	—	—	4 868
Other liabilities	—	—	—	—	19 397	—	19 397	2 730	22 127
Deposits[5]	—	—	—	—	801 765	—	801 765	—	892 054
Debt securities in issue	—	—	—	—	115 251	7 024	122 275	—	139 179
Borrowed funds	—	—	—	—	20 203	7 020	27 223	—	20 621
Loans from Group companies	—	—	—	—	3 793	—	3 793	—	3 793
Liabilities outside the scope of IFRS 9	—	—	—	—	—	—	—	2 764	2 764
	—	—	—	—	960 409	14 044	974 453	5 494	1 191 372

41. Fair value disclosures

41.1 Assets and liabilities held at fair value

The following table shows the Company'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.

	Company							
	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	36 439	39 540	5 522	81 501	39 952	19 449	7 707	67 108
Trading and hedging portfolio assets	71 525	72 495	2 327	146 347	56 731	116 855	2 502	176 088
Debt instruments	66 544	2 058	122	68 724	55 269	1 738	95	57 102
Derivative assets	—	58 017	1 386	59 403	—	107 450	1 701	109 151
Commodity derivatives	—	907	13	920	—	622	5	627
Credit derivatives	—	2	140	142	—	—	159	159
Equity derivatives	—	7 349	1 232	8 581	—	3 507	1 487	4 994
Foreign exchange derivatives	—	10 089	1	10 090	—	22 534	—	22 534
Interest rate derivatives	—	39 670	—	39 670	—	80 787	50	80 837
Equity instruments	3 888	—	—	3 888	900	—	—	900
Money market assets	1 093	12 420	819	14 332	562	7 667	706	8 935
Loans and advances[2]	—	94 539	16 126	110 665	—	81 205	13 597	94 802
Total financial assets	107 964	206 574	23 975	338 513	96 683	217 509	23 806	337 998
Financial liabilities								
Trading and hedging portfolio liabilities	21 146	49 593	273	71 012	19 206	91 455	173	110 834
Derivative liabilities	—	49 593	273	49 866	—	91 455	173	91 628
Commodity derivatives	—	823	1	824	—	764	1	765
Credit derivatives	—	—	93	93	—	—	141	141
Equity derivatives	—	2 513	169	2 682	—	3 135	17	3 152
Foreign exchange derivatives	—	11 490	—	11 490	—	19 920	1	19 921
Interest rate derivatives	—	34 767	10	34 777	—	67 636	13	67 649
Short positions	21 146	—	—	21 146	19 206	—	—	19 206
Deposits[2]	156	119 245	1 974	121 375	128	86 599	3 562	90 289
Debt securities in issue	—	24 205	—	24 205	—	23 926	—	23 926
Total financial liabilities	21 302	193 043	2 247	216 592	19 334	201 980	3 735	225 049
Non-financial assets								
Commodity	642	—	—	642	1 082	—	—	1 082
Non-recurring fair value measurements								
Non-current assets held for sale	—	—	57	57	—	—	136	136

[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 note 1.19.1 in the Absa Bank consolidated financial statements.

41. Fair value disclosures (continued)

41.2 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:

	Company			
	2021			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	7 707	23 806
Net interest income	—	177	43	220
Gains and losses from banking and trading activities	906	(96)	(5)	805
Purchases	626	5 408	916	6 950
Sales	(42)	(4 137)	(1 913)	(6 092)
Movement in other comprehensive income	—	—	27	27
Settlements	—	—	(60)	(60)
Transfer to Level 3	175	1 177	—	1 352
Transfer out of Level 3	(1 840)	—	(1 193)	(3 033)
Closing balance at the end of the reporting period	2 327	16 126	5 522	23 975

	2020			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	10 096	27 256
Net interest income	—	246	70	316
Gains and losses from banking and trading activities	(1 928)	523	(345)	(1 750)
Purchases	38	544	68	650
Sales	(176)	(931)	(2 643)	(3 750)
Movement in other comprehensive income	—	—	(123)	(123)
Transfer to Level 3	142	2 807	1 979	4 928
Transfer out of Level 3	(1 830)	(496)	(1 395)	(3 721)
Closing balance at the end of the reporting period	2 502	13 597	7 707	23 806

41.2.1 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 between level 1 and level 2 are not considered significant for disclosure.

Transfers have been reflected as if they had taken place at the beginning of the year.

41. Fair value disclosures (continued)

41.2 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:

	Company 2021 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	173	3 562	3 735
Gains and losses from banking and trading activities	48	(118)	(70)
Issues	55	373	428
Settlements	(1)	(1 692)	(1 693)
Transfer out of Level 3	(2)	(151)	(153)
Closing balance at the end of the reporting period	273	1 974	2 247

	2020 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	1 131	3 842	4 973
Gains and losses from banking and trading activities	(706)	306	(400)
Issues	38	704	742
Settlements	(263)	(534)	(797)
Transfer out of Level 3	(27)	(756)	(783)
Closing balance at the end of the reporting period	173	3 562	3 735

41. Fair value disclosures (continued)

41.3 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:

	Company 2021 Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	147	—	1 833	45	2 025

	2020 Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	1 774	—	3 192	113	5 079

	Company 2021 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	189	303	492

	2020 Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(104)	(490)	(594)

41. Fair value disclosures (continued)

41.4 Sensitivity analysis of valuations using unobservable inputs

As part of the Company'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 reflect 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 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 spread	126/(138)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(104)/108
Loans and advances	Credit spreads	(952)/1 030	—/—
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	—/—

41. Fair value disclosures (continued)

41.4 Sensitivity analysis of valuations using unobservable inputs (continued)

		2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding spread	344/(394)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(146)/151
Loans and advances to customers	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	—/—

41.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

The amount that is 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 observable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Company	
	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)

41.6 Third-party credit enhancements

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

41. Fair value disclosures (continued)

41.7 Assets and liabilities not held at fair value

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

	Company 2021				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	27 684	27 684	27 684	—	—
Coins and bank notes	6 067	6 067	6 067	—	—
Cash, cash balances and balances with central banks	33 751	33 751	33 751	—	—
Investment securities	32 900	33 919	33 919	—	—
Other assets	14 453	14 453	5 832	5 450	3 171
RBB	539 599	543 414	—	—	543 414
Home Loans	269 239	265 290	—	—	265 290
Vehicle and Asset Finance	98 077	100 807	—	—	100 807
Everyday Banking	49 672	49 845	—	—	49 845
Card	28 227	28 227	—	—	28 227
Personal Loans	18 611	18 784	—	—	18 784
Transactions and Deposits	2 834	2 834	—	—	2 834
Relationship Banking	122 611	127 472	—	—	127 472
CIB	247 309	248 332	—	—	248 332
Head Office, Treasury and other operations	695	695	—	—	695
Loans and advances to customers	787 603	792 441	—	—	792 441
Loans and advances to banks	28 374	28 374	10 263	18 111	—
Loans and advances	815 977	820 815	10 263	18 111	792 441
Loans to group companies	87 708	87 708	—	87 708	—
Total assets (not held at fair value)	984 789	990 646	83 765	111 269	795 612
Financial liabilities					
Other liabilities	32 985	32 985	21 809	11 176	—
Call deposits	90 398	90 398	90 398	—	—
Cheque account deposits	230 288	230 288	230 288	—	—
Credit card deposits	2 137	2 137	2 137	—	—
Fixed deposits	154 785	154 186	—	151 711	2 475
Foreign currency deposits	33 429	33 429	—	33 429	—
Notice deposits	70 148	70 148	33 623	36 525	—
Other deposits	1 304	1 304	—	1 304	—
Saving and transmission deposits	225 300	225 300	29 590	17 571	178 139
Deposits due to customers	807 789	807 190	386 036	240 540	180 614
Deposits from banks	46 239	46 229	9 164	37 065	—
Deposits	854 028	853 419	395 200	277 605	180 614
Debt securities in issue	101 482	100 805	—	100 805	—
Borrowed funds	26 459	26 282	—	26 282	—
Loans from group companies	14 657	14 657	—	14 657	—
Total liabilities (not held at fair value)	1 029 611	1 028 148	417 009	430 525	180 614

41. Fair value disclosures (continued)

41.7 Assets and liabilities not held at fair value (continued)

	Company 2020				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	25 460	25 460	25 460	—	—
Coins and bank notes	8 352	8 352	8 352	—	—
Cash, cash balances and balances with central banks	33 812	33 812	33 812	—	—
Investment securities	30 005	32 479	32 479	—	—
Other assets	12 171	12 171	5 678	3 533	2 960
RBB[1]	501 193	496 152	—	—	496 152
Home Loans	246 408	244 442	—	—	244 442
Vehicle and Asset Finance	89 129	87 739	—	—	87 739
Everyday Banking	47 727	47 010	—	—	47 010
Card	26 110	26 110	—	—	26 110
Personal Loans	18 410	17 693	—	—	17 693
Transactions and Deposits	3 207	3 207	—	—	3 207
Relationship Banking[1]	117 929	116 961	—	—	116 961
CIB[2]	245 712	250 080	—	—	250 080
Head Office, Treasury and other operations	973	973	—	—	973
Loans and advances to customers[2]	747 878	747 205	—	—	747 205
Loans and advances to banks[2]	25 758	25 757	3 623	22 134	—
Loans and advances	773 636	772 962	3 623	22 134	747 205
Loans to group companies	66 553	66 553	—	66 553	—
Total assets (not held at fair value)	916 177	917 977	75 592	92 220	750 165
Financial liabilities					
Other liabilities	19 397	19 397	8 448	10 949	—
Call deposits[2]	82 316	82 316	82 316	—	—
Cheque account deposits	218 921	218 921	218 921	—	—
Credit card deposits	2 033	2 033	2 033	—	—
Fixed deposits	157 604	161 534	—	155 274	6 260
Foreign currency deposits[2]	30 012	30 002	—	30 002	—
Notice deposits	74 139	74 139	28 742	45 397	—
Other deposits	1 288	1 288	—	1 288	—
Saving and transmission deposits	183 852	183 852	29 019	7 870	146 963
Deposits due to customers[2]	750 165	754 085	361 031	239 831	153 223
Deposits from banks[2]	51 600	51 904	16 301	35 492	111
Deposits	801 765	805 989	377 332	275 323	153 334
Debt securities in issue	115 253	115 951	—	115 951	—
Borrowed funds	20 621	20 762	—	20 762	—
Loans from group companies	3 792	3 792	—	3 792	—
Total liabilities (not held at fair value)	960 828	965 891	385 780	426 777	153 334

[1] These numbers have been restated, refer 1.19.2 in the Absa Bank consolidated financial statements.
[2] These numbers have been restated, refer 1.19.1 in the Absa Bank consolidated financial statements.

42. Borrowed funds

Refer to note 18 in the Bank's financial statements.

43. Leases

Refer to note 33 in the Bank's financial statements.

44. Derivatives

Refer to note 48 of the Bank's financial statements.

45. Acquisitions and disposals of businesses and other similar transactions

45.1 Acquisitions and disposals of businesses during the current reporting period

Refer to note 47 of the Bank's financial statements.

45.2 Acquisitions and disposals of businesses during the previous reporting period

Refer to note 47 of the Bank's financial statements.

46. Retirement benefit fund obligations

Refer to note 34 in the Bank's financial statements.

47. Securities borrowed/lent and repurchase/reverse repurchase agreements

Refer to note 36 in the Bank's financial statements.

48. Offsetting financial assets and financial liabilities

Refer to note 40 in the Bank's financial statements.

49. Share-based payments

Refer to note 46 in the Bank's financial statements.

50. Segment report

Refer to note 39 in the Bank's financial statements.

51. Credit risk of financial instruments designated at fair value

Refer to note 51 in the Bank's financial statements.

52. Risk management

The financial risks inherent within the Bank are considered to be substantially the same for the Company and consolidated level. Refer to note 52 of the Bank's financial statements for detailed risk management disclosures.

53. Going concern

The directors assess the Company's future performance and financial position on an ongoing basis and have no reason to believe the Company will not be a going concern in the year ahead. For this reason, these stand-alone financial statements are prepared on a going concern basis.

54. 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 Bank does not expect the tax rate change to have a significant impact on the deferred tax balances reported as at 31 December 2021.

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. 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 IAS10 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. 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.

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