Absa Bank Limited

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

Contents

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

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

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

Together with the GACC, the Board has reviewed and approved the audited summary consolidated financial results including the reporting changes contained in the announcement released on the Stock Exchange News Services (SENS) on 14 March 2022. The GACC and the Board of Directors are satisfied that the details disclosed in the SENS result in the fair presentation of the summary consolidated financial statements and comply, in all material respects, with the relevant provisions of the Companies Act, JSE listings requirements, IFRS and interpretations of IFRS, and SAICA's Reporting Guides.

Absa Bank Limited

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

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/004794/06

Incorporated in the Republic of South Africa

JSE share code: ABSP

ISIN: ZAE000079810

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

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

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

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

Profit and dividend announcement

Declaration of a final preference share dividend number 32

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

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 7.5%.

Notice is hereby given that preference dividend number 32, equal to 70% of the average prime rate for 1 September 2021 to 28 February 2021. The dividend is payable on Monday, 25 April 2022, to shareholders of the Absa Bank preference shares recorded in the Register of Members of the Company at the close of business on Friday, 22 April 2022.

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

Based on the average prime rate, the preference dividend payable for the period 1 September 2021 to 28 February 2021 would indicatively be 2 494.10959 cents per Absa Bank preference share.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 2 494.10959 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 1 995.28767 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 April 2022 and Friday, 22 April 2022, both dates inclusive. On Monday, 25 April 2022, the dividend will be electronically transferred to the bank accounts of shareholders.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
14 March 2022

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

Overview of results

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

Commentary relating to the Bank's summary consolidated financial results is included in the Group results, as presented to shareholders on 14 March 2022.

Basis of presentation

IFRS financial results

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

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

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of COVID-19 continue to have an impact on estimation uncertainty during the year. The accounting policies that are deemed critical to the Bank's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets, fair value measurements, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments and offsetting of financial assets and liabilities.

Further information on changes in estimation uncertainty implemented during the reporting period is further detailed in the impact of COVID-19 note to the summary consolidated financial results.

In light of the continued economic impact of COVID-19, the Board has made an assessment of the Bank's ability to continue as a going concern. The Board has 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 a year from the date of approval of the financial results.

Accounting policies

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

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

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

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

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

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

Use of estimates, assumptions and judgements

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 modelling techniques and refinement of assumptions or risk calibration of the portfolios.

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

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

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

	31 December 2021		
Product	Definition of default change Rm	Other model enhancements Rm	Total increase/ (decrease) in impairment charge Rm
Home Loans	5	(624)	(619)
Vehicle and Asset Finance	(5)	(191)	(196)
Everyday Banking	(166)	(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.

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

On behalf of the Board

W E Lucas-Bull
Chairman

J P Quinn
Interim Group Chief Executive

P Modise
Interim Financial Director

Johannesburg
14 March 2022

Summary consolidated IFRS salient features

for the reporting period ended 31 December

	2021 Rm	2020 Rm
Statement of comprehensive income (Rm)		
Income	**58 492**	53 687
Operating expenses	**35 232**	33 202
Pre-provision profit	**23 261**	20 486
Credit impairments	**6 395**	15 829
Profit/(Loss) attributable to ordinary equity holders	**10 573**	1 176
Headline earnings[1]	**10 726**	1 402
Statement of financial position		
NAV	**90 971**	82 748
Gross Loans and advances[2][3] (Rm)	**964 212**	911 249
Total assets (Rm)	**1 350 998**	1 286 275
Deposits[2][3] (Rm)	**974 121**	890 919
Loans to deposits and debt securities ratio[2][3] (%)	**87.4**	96.4
Average loans to deposits and debt securities ratio[2][3] (%)	**84.5**	85.4
Financial performance (%)		
Return on equity (RoE)	**12.5**	1.7
Return on average assets (RoA)	**0.8**	0.1
Return on risk-weighted assets (RoRWA)	**1.66**	0.23
Stage 3 loans ratio on gross loans and advances	**5.14**	6.18
Operating performance (%)		
Net interest margin on average interest-bearing assets	**3.60**	3.25
Credit loss ratio on gross loans and advances	**0.67**	1.7
Non-interest as a percentage of total income	**34.5**	38.2
Cost-to-income ratio	**60.2**	61.8
Jaws	**(3)**	(7)
Effective tax rate	**26.6**	26.6
Share statistics (million)		
Number of ordinary shares in issue	**448.3**	448.3
Weighted average number of ordinary shares in issue	**448.3**	448.3
Diluted weighted average number of ordinary shares in issue	**448.3**	448.3
Share statistics (cents)		
Basic earnings per ordinary share (EPS)	**2 358.5**	262.3
Diluted basic earnings per ordinary share (DEPS)	**2 358.5**	262.3
Headline earnings per ordinary shares (HEPS)	**2 392.6**	312.5
Diluted headline earnings per ordinary share (DHEPS)	**2 392.6**	312.5
Dividend per ordinary share relating to income for the reporting period	**446.12851**	—
Dividend payout ratio (%)	**19**	—
Net asset value (NAV) per ordinary share	**20 100**	18 458
Tangible NAV per ordinary share	**17 770**	16 311
Capital adequacy (%)		
Absa Bank Limited	**17.9**	15.6
Common Equity Tier 1 (%)		
Absa Bank Limited	**12.4**	10.6

[1] After allowing for **R242m** (2020: R307m) profit attributable to preference equity holders and **R585m** (2020: R589m) profit attributable to Additional Tier 1 capital holders.
[2] These numbers have been restated, refer to the reporting changes overview, note 15.4.
[3] These numbers have been updated to include banks.

Summary consolidated statement of financial position

as at

	Note	31 December 2021 Rm	Restated 31 December 2020 Rm	Restated 1 January 2020 Rm
Assets				
Cash, cash balances and balances with central banks		**33 751**	33 812	25 485
Investment securities		**116 265**	99 489	75 230
Trading portfolio assets		**141 815**	166 148	111 592
Hedging portfolio assets		**5 157**	10 998	3 355
Other assets		**16 737**	14 819	21 728
Current tax assets		**66**	273	1 223
Non-current assets held for sale	1	**57**	136	3 706
Loans and advances[1]	2	**932 775**	877 275	839 375
Loans to Group companies		**76 733**	56 145	50 460
Investments in associates and joint ventures		**1 593**	1 601	1 648
Property and equipment		**12 382**	13 923	15 588
Goodwill and intangible assets		**10 406**	9 626	8 863
Deferred tax assets		**3 261**	2 030	1 572
Total assets		**1 350 998**	1 286 275	1 159 825
Liabilities				
Trading portfolio liabilities		**67 354**	105 967	55 968
Hedging portfolio liabilities		**3 659**	4 868	1 379
Other liabilities		**35 833**	22 475	32 338
Provisions		**3 947**	2 855	2 622
Current tax liabilities		**102**	3	6
Deposits[1]		**974 121**	890 920	797 286
Debt securities in issue		**128 571**	144 159	157 603
Loans from Group companies		**9 214**	—	—
Borrowed funds	3	**26 459**	20 621	21 282
Deferred tax liabilities		**19**	8	16
Total liabilities		**1 249 279**	1 191 876	1 068 500
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital		**304**	304	304
Ordinary share premium		**36 879**	36 879	36 879
Preference share capital		**1**	1	1
Preference share premium		**4 643**	4 643	4 643
Additional Tier 1 capital		**7 004**	7 004	5 795
Retained earnings		**48 841**	38 507	39 075
Other reserves		**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 the reporting changes overview, note 15.4.

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm
Net interest income		38 301	33 184
Interest and similar income		72 144	73 886
Effective interest income		70 492	72 113
Other interest income		1 652	1 773
Interest expense and similar charges		(33 843)	(40 702)
Non-interest income	4	20 191	20 503
Net fee and commission income		18 073	17 690
Fee and commission income		19 777	19 486
Fee and commission expense		(1 704)	(1 796)
Gains and losses from banking and trading activities		1 722	2 284
Gains and losses from investment activities		1	3
Other operating income		395	526
Total income		58 492	53 687
Impairment losses		(6 395)	(15 829)
Operating income before operating expenses		52 097	37 858
Operating expenses		(35 232)	(33 202)
Other expenses		(1 461)	(1 798)
Other impairments	5	(326)	(437)
Indirect taxation		(1 135)	(1 361)
Share of post-tax results of associates and joint ventures		132	(36)
Operating profit/(loss) before income tax		15 536	2 822
Taxation expense		(4 139)	(750)
Profit/(Loss) for the reporting period		11 397	2 072
Profit/(Loss) 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)		2 358.5	262. 3
Diluted earnings per share (cents)		2 358.5	262. 3

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	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 on liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk	(26)	(82)
Fair value movements	(36)	(116)
Deferred tax	10	34
Movement in retirement benefit fund assets and liabilities	70	(75)
Increase/(decrease) in retirement benefit surplus	98	(104)
Deferred tax	(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	(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	(120)	(32)
Deferred tax	(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 shares	242	307
Additional Tier 1 capital	585	589
	8 045	4 874

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	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 end of the previous 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)
Issue of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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

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.

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

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
Loss 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

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.

Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm
Net cash (utilised in)/generated from operating activities		**(2 047)**	2 315
Income taxes paid		**(3 717)**	(258)
Net cash generated from other operating activities		**1 670**	2 573
Net cash (utilised in) investing activities		**(3 064)**	(41)
Purchase of property and equipment		**(886)**	(1 048)
Purchase of intangible assets		**(2 644)**	(2 774)
Proceeds from sale of non-current assets held for sale		**112**	3 601
Net cash generated from other investing activities		**354**	180
Net cash generated from/(utilised in) financing activities		**2 498**	(3 337)
Issue of additional Tier 1 capital		**—**	1 209
Proceeds from borrowed funds		**6 866**	2 676
Repayment of borrowed funds		**(2 381)**	(3 733)
Dividends paid		**(242)**	(2 307)
Net cash utilised in other financing activities		**(1 745)**	(1 182)
Net decrease in cash and cash equivalents		**(2 613)**	(1 063)
Cash and cash equivalents at the beginning of the reporting period	1	**8 783**	9 846
Cash and cash equivalents at the end of the reporting period	2	**6 170**	8 783

Notes to the summary consolidated statement of cash flows

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

	2021 Rm	2020 Rm
Cash, cash balances and balances with central banks[1]	**8 352**	8 898
Loans and advances to banks[2]	**431**	948
	8 783	9 846

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

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

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

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Impact of COVID-19

COVID-19 has had a significant impact on the risks that the Bank is exposed to and the output of financial models, most specifically those used to determine credit risk exposures and valuation of policyholder liabilities. 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.

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

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

As IFRS 9 models are not calibrated for events such as the COVID-19 pandemic, a revised approach to the estimation of probability of default (PD), loss given default (LGD), identification of a significant increase in credit risk (stage 2 impairment), forward-looking information and the resultant impact thereof on estimated expected credit losses (ECL) was employed and incorporated through the use of management adjustments. The 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 macro-economic 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.

	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 that resulted 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

Impact of COVID-19 (continued)

Macroeconomic scenarios

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa 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 charges as at 31 December 2021.

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

The following table shows the key forecast assumptions used for South Africa to calculate the 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 repo rate (%)	3.5	3.9	4.7	6.1	6.5	3.5	4.3	5.2	6.4	7.3	3.5	4.1	5.9	7.0	7.8

The following table shows the key forecast assumptions used for South Africa to calculate the 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 repo rate (%)	4.3	3.3	3.9	4.6	4.8	4.3	2.9	3.3	4.0	4.3	4.3	3.9	5.0	5.5	5.8

Baseline scenario as at 31 December 2021

South Africa

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

Despite the third wave and July's civil unrest, the 2021 recovery was forecast to be more robust under our revised baseline, as early 2021 data generally topped expectations. At the time of modelling, the 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 modelling work was finalised, policy rates were not forecast to move in 2021, with the baseline projecting 75 bps in tightening during 2022 and a further 100 bps in 2023. However, the market is currently pricing in more aggressive rate hikes. The South African Reserve Bank raised rates by 25 bps in the November 2021 and January 2022 Monetary Policy Committee (MPC) meetings, somewhat ahead of our baseline expectation.

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.

Impact of COVID-19 (continued)

Payment relief measures (continued)

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]	318 890	39 793	12.48	2.60	29 460	9 300	1 033
Head Office, Treasury and other operations	520	—	—	—	—	—	—
Total[2]	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.

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).

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

Impact of COVID-19 (continued)
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

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	2021 Stage 2 Increase in expected credit loss Rm
RBB	**23 890**	**2 062**
CIB	**10 813**	**38**

	2020 Stage 2 Increase in gross carrying amount Rm	2020 Stage 2 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:

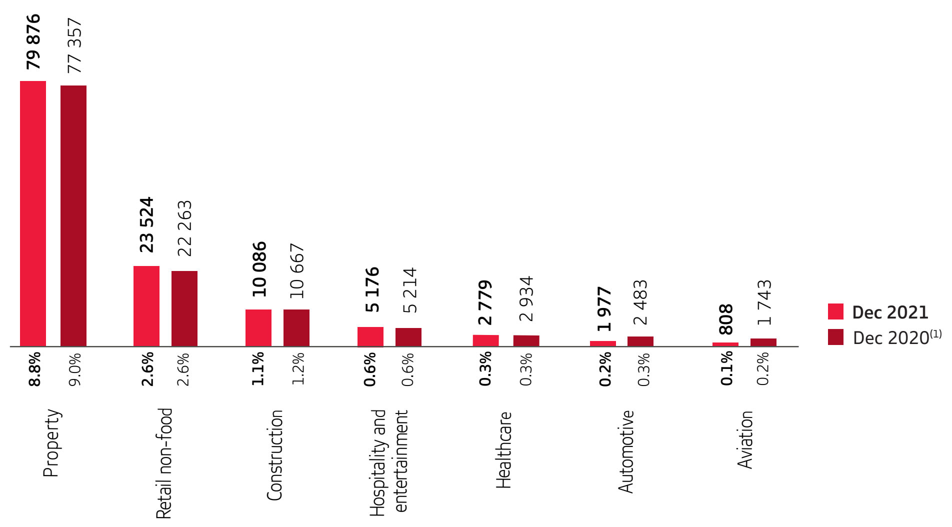
	2021 Rm	2020 Rm
RBB	732	287
CIB	1 005	1 040
	1 737	1 327

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

Impact of COVID-19 (continued)
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. Non-current assets and non-current liabilities held for sale

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R93m**.
- 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 and non-current liabilities held for sale were affected during the previous 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.

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

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for the reporting period ended 31 December

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

2021

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %	Stage 2 Gross carrying amount Rm	Stage 2 ECL allowance Rm	Stage 2 ECL coverage %	Stage 3 Gross carrying amount Rm	Stage 3 ECL allowance Rm	Stage 3 ECL coverage %	Net carrying amount Rm
RBB	—	477 798	4 156	0.87	50 680	4 816	9.50	44 087	19 896	45.13	543 697
Home Loans	—	236 453	637	0.27	21 091	803	3.81	19 869	5 699	28.68	270 274
Vehicle and Asset Finance	—	87 151	897	1.03	9 807	1 198	12.22	7 135	3 921	54.95	98 077
Everyday Banking	—	45 363	1 940	4.28	6 052	1 902	31.43	8 681	6 583	75.83	49 671
Card	—	26 525	925	3.49	2 618	1 010	38.58	4 779	3 760	78.68	28 227
Personal Loans	—	16 454	805	4.89	2 726	697	25.57	3 391	2 459	72.52	18 610
Transactions and Deposits	—	2 384	210	8.81	708	195	27.54	511	364	71.23	2 834
Relationship Banking	—	108 831	682	0.63	13 730	913	6.65	8 349	3 641	43.61	125 674
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1
CIB	89 988	216 262	1 096	0.51	29 200	250	0.86	5 434	1 529	28.14	338 009
Head Office, Treasury and other operations	—	275	(160)	—	64	(139)	—	—	(57)	—	695
Loans and advances to customers	—	275	4	1.45	64	—	—	—	—	—	335
Reclassification to provisions[1]	—	—	(164)	—	—	(139)	—	—	(57)	—	360
Loans and advances to customers	89 988	694 335	5 092	0.73	79 944	4 927	6.16	49 521	21 368	43.15	882 401
Loans and advances to banks	21 887	27 444	44	0.16	1 093	6	0.55	—	—	—	50 374
Total loans and advances	111 875	721 779	5 136	0.71	81 037	4 933	6.09	49 521	21 368	43.15	932 775

2020

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %	Stage 2 Gross carrying amount Rm	Stage 2 ECL allowance Rm	Stage 2 ECL coverage %	Stage 3 Gross carrying amount Rm	Stage 3 ECL allowance Rm	Stage 3 ECL coverage %	Net carrying amount Rm
RBB[2]	—	430 571	4 246	0.99	56 868	5 703	10.03	50 222	21 592	42.99	506 120
Home Loans	—	210 737	665	0.32	20 581	552	2.68	23 812	6 234	26.18	247 679
Vehicle and Asset Finance	—	76 556	934	1.22	10 605	1 237	11.66	7 716	3 575	46.33	89 131
Everyday Banking	—	41 379	1 846	4.46	7 896	2 686	34.02	11 296	8 313	73.59	47 726
Card	—	24 260	1 074	4.43	3 435	1 552	45.18	5 020	3 979	79.26	26 110
Personal Loans	—	14 895	642	4.31	3 300	797	24.15	5 590	3 936	70.41	18 410
Transactions and Deposits	—	2 224	130	5.85	1 161	337	29.03	686	398	58.02	3 206
Relationship Banking[2]	—	101 899	801	0.79	17 786	1 228	6.90	7 345	3 418	46.54	121 583
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1
CIB[1]	70 147	204 436	1 318	0.64	40 827	377	0.92	6 135	1 169	19.05	318 681
Head Office, Treasury and other operations	—	298	(137)	—	222	(248)	—	—	(68)	—	973
Loans and advances to customers	—	298	5	1.68	222	—	—	—	—	—	515
Reclassification to provisions[1]	—	—	(142)	—	—	(248)	—	—	(68)	—	458
Loans and advances to customers[2]	70 147	635 305	5 427	0.85	97 917	5 832	5.96	56 357	22 693	40.27	825 774
Loans and advances to banks[2]	25 584	24 331	18	0.07	1 608	4	0.25	—	—	—	51 501
Total loans and advances	95 731	659 636	5 445	0.83	99 525	5 836	5.86	56 357	22 693	40.27	877 275

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

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

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

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

2021

	RBB Rm	CIB Rm	Head Office, Treasury and other Operations Rm	Total expected credit losses %
Loans and advances	28 868	2 922	(353)	31 437
Stage 1	4 156	1 137	(157)	5 136
Stage 2	4 816	256	(139)	4 933
Stage 3	19 896	1 529	(57)	21 368
Undrawn facilities	—	—	360	360
Stage 1	—	—	164	164
Stage 2	—	—	139	139
Stage 3	—	—	57	57
Total loans and advances and undrawn facilities	28 868	2 922	7	31 797

2020[1]

	RBB Rm	CIB Rm	Head Office, Treasury and other Operations Rm	Total expected credit losses %
Loans and advances	31 541	2 885	(452)	33 974
Stage 1	4 246	1 335	(136)	5 445
Stage 2	5 703	381	(248)	5 836
Stage 3	21 592	1 169	(68)	22 693
Undrawn facilities	—	—	458	458
Stage 1	—	—	142	142
Stage 2	—	—	248	248
Stage 3	—	—	68	68
Total loans and advances and undrawn facilities	31 541	2 885	6	34 432

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

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

2021

Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses %
Balances at the beginning of the reporting period	31 541	2 885	6	34 432
Stage 1	4 246	1 335	6	5 587
Stage 2	5 703	381	—	6 084
Stage 3	21 592	1 169	—	22 761
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 535	(52)	—	1 483
Stage 2 net transfers	(925)	48	—	(877)
Stage 3 net transfers	(610)	4	—	(606)
Impairment losses raised and interest in suspense	7 166	358	1	7 525
Amounts written off	(9 839)	(321)	—	(10 160)
Balance at the end of the reporting period	28 868	2 922	7	31 797
Stage 1	4 156	1 137	7	5 300
Stage 2	4 816	256	—	5 072
Stage 3	19 896	1 529	—	21 425

2020[1]

Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses %
Balances at the beginning of the reporting period	21 129	1 461	13	22 603
Stage 1	2 977	519	13	3 509
Stage 2	3 380	319	—	3 699
Stage 3	14 772	623	—	15 395
Transfers between stages	—	—	—	—
Stage 1 net transfers	505	(18)	—	487
Stage 2 net transfers	(1 435)	94	—	(1 341)
Stage 3 net transfers	930	(76)	—	854
Impairment losses raised and interest in suspense	15 437	1 974	(7)	17 404
Amounts written off	(5 025)	(550)	—	(5 575)
Balance at the end of the reporting period	31 541	2 885	6	34 432
Stage 1	4 246	1 335	6	5 587
Stage 2	5 703	381	—	6 084
Stage 3	21 592	1 169	—	22 761

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

3. Borrowed funds

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

The Bank issued USD 500m Fixed Rate Reset Write-Off Notes on 27 May 2021, which constitute additional Tier 1 capital. The notes are unsecured and perpetual securities for which there is no fixed redemption date.

The 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.

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

Thereafter the interest rate will be reset to an interest applicable to the relevant reset period.

4. Disaggregation of non-interest income

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

	2021				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	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

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

4. Disaggregation of non-interest income (continued)

	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[1]	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

5. Other impairments

	2021 Rm	2020 Rm
Intangible assets[2]	144	191
Investments in associates and joint ventures[3]	(11)	11
Non-current assets held for sale[4]	1	17
Property and equipment[5]	192	218
	326	437

[1] Other transactional fees and commissions income include service and credit-related fees of **R681m** (2019: R631m), exchange commission of **R603m** (2019: R531m).
[2] The Bank has impaired certain software assets totalling **R144m** (2020: R191m) for which the value in use is determined to be zero.
[3] 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.
[4] The Bank has impaired certain assets totalling **R1m** (2020: R17m) which have been classified as held for sale under IFRS 5.
[5] 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.

6. Headline earnings

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

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

Notes to the summary consolidated financial results
for the reporting period ended 31 December

7. Dividends per share

	2021 Rm	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 and paid 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; 12 March 2020: 31 039.73 rpn	33	47
12 April 2021: 20 922.52 rpn; 14 April 2020: 30 061.64 rpn	26	37
28 April 2021: 20 423.89 rpn	25	—
28 May 2021: 20 299.23 rpn; 28 May 2020: 27 143.01 rpn	34	46
07 June 2021: 20 324.60 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
21 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: 446.12851 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 cps)	120	172
Interim dividend **(20 September 2021: 2 470.13699 cps)** (21 September 2020: 2 741.02740 cps)	122	135
	242	307

8. Acquisitions and disposals of businesses and other similar transactions

8.1 Acquisitions of businesses during the current reporting period

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

8.2 Disposals of assets during the current reporting period

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

8.3 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.

8.4 Disposals of businesses during the previous reporting period

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

9. Related parties

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

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

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

9.1 Prior period related party events and transactions

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

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

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

The Bank made an equity distribution to a fellow subsidiary.

10. Contingencies, commitments and similar items

	2021 Rm	2020 Rm
Guarantees	**36 293**	34 327
Irrevocable debt facilities/other lending 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

10. Contingencies, commitments and similar items (continued)

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

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 has been updated, in the current year, to remove other lending facilities for which an impairment provision has been raised, and to present gross loan commitments that are contractually committed only.

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 Bank has been party to proceedings against it during the reporting period. As at the 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 matters

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.

The relief measures provided by the PA in 2020 of 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 H1 2021 and is expected to continue in H2 2021.

10. 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.

11. Segment reporting

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

	2021 Rm	2020 Rm
11.1 Headline earnings by segment		
RBB	9 402	3 183
CIB	3 497	2 539
Head Office, Treasury and other operations[2]	(1 544)	(3 068)
Barclays PLC separation effects[3]	(629)	(1 252)
Total headline earnings	10 726	1 402
11.2 Total income by segment		
RBB	43 849	42 557
CIB	12 854	11 773
Head Office, Treasury and other operations[2]	1 765	(866)
Barclays PLC separation effects[3]	24	223
Total income	58 492	53 687
11.3 Total internal income by segment		
RBB	(126)	(1 398)
CIB	3 391	(6 354)
Head Office, Treasury and other operations[2]	4 357	6 154
Barclays PLC separation effects[3]	25	67
Total internal income	7 647	(1 531)
11.4 Total assets by segment		
RBB[1]	1 021 851	917 213
CIB	824 577	806 908
Head Office, Treasury and other operations[1, 2]	(498 653)	4 789
Barclays PLC separation effects[3]	3 223	(121 661)
Total assets	1 350 998	1 286 275
11.5 Total liabilities by segment		
RBB[1]	1 009 874	911 087
CIB	820 212	803 653
Head Office, Treasury and other operations[1, 2]	(579 993)	(522 218)
Barclays PLC separation effects[3]	(814)	(646)
Total liabilities	1 249 279	1 191 876

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

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

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

	2021		2020	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with the South African Reserve Bank (SARB)	27 684	27 684	25 460	25 460
Coins and bank notes	6 067	6 067	8 352	8 352
Cash, cash balances and balances with central banks	33 751	33 751	33 812	33 812
Investment securities	32 900	33 919	30 005	32 479
Other assets	14 392	14 392	12 230	12 230
RBB[1]	543 698	547 498	506 120	501 069
Home Loans	270 275	266 310	247 679	245 702
Vehicle and Asset Finance	98 077	100 807	89 129	87 739
Everyday Banking	49 672	49 845	47 727	47 011
Card	28 227	28 227	26 110	26 110
Personal loans	18 611	18 784	18 410	17 694
Transactions and Deposits	2 834	2 834	3 207	3 207
Relationship Banking[1]	125 674	130 536	121 585	120 617
CIB[2]	248 020	249 043	248 534	252 902
Head Office, Treasury and other operations	695	695	973	973
Loans and advances to customers[2]	792 413	797 236	755 627	754 944
Loans and advances to banks[2]	28 486	28 486	25 918	25 918
Loans and advances	820 899	825 722	781 545	780 862
Loans to Group companies	76 733	76 733	56 145	56 145
Total assets (not held at fair value)	978 675	984 517	913 737	915 528
Financial liabilities				
Other liabilities	33 357	33 357	19 735	19 735
Call deposits[2]	90 398	90 398	82 316	82 315
Cheque account deposits	229 375	229 375	218 139	218 140
Credit card deposits	2 137	2 137	2 033	2 033
Fixed deposits	154 785	154 186	157 604	161 534
Foreign currency deposits[2]	33 429	33 429	30 012	30 002
Notice deposits	70 148	70 148	74 139	74 139
Other deposits	935	935	936	936
Savings and transmission deposits	225 300	225 300	183 852	183 852
Deposits due to customers[2]	806 507	805 908	749 031	752 951
Deposits from banks[2]	46 239	46 229	51 600	51 904
Deposits	852 746	852 137	800 631	804 855
Debt securities in issue	103 394	102 718	119 758	120 455
Borrowed funds	26 459	26 282	20 621	20 762
Loans from Group companies	9 214	9 214	—	—
Total liabilities (not held at fair value)	1 025 170	1 023 708	960 745	965 807

[1] These numbers have been restated, refer to the reporting changes overview note 15.2.
[2] These numbers have been restated, refer to the reporting changes overview note 15.4.

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

13. Assets and liabilities held at fair value

(continued)

13.2 Fair value measurements (continued)

Deposits, debt securities in issue and borrowed funds

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

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

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

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

13.4 Fair value hierarchy

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

	2021				2020			
Recurring fair value measurements	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 measurements								
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 15.4 further details.

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

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

13.5 Measurement of assets and liabilities categorised at Level 2

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

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

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

13.6 Reconciliation of Level 3 assets and liabilities

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

2021	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	9 612	25 711
Net interest income	—	180	47	227
Gains and losses from banking and trading activities	906	(96)	(5)	805
Purchases	626	6 009	916	7 551
Sales	(42)	(4 137)	(2 913)	(7 092)
Movement in other comprehensive income	—	—	21	21
Settlements	—	—	(60)	(60)
Transfer to Level 3	175	1 176	—	1 351
Transfer out of Level 3	(1 840)	—	(1 194)	(3 034)
Closing balance at the end of the reporting period	2 327	16 729	6 424	25 480

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	12 233	29 393
Net interest income	—	246	83	329
Gains and losses from banking and trading activities	(1 928)	523	(348)	(1 753)
Purchases	38	544	68	650
Sales	(176)	(931)	(2 843)	(3 950)
Movement in other comprehensive income	—	—	(165)	(165)
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	9 612	25 711

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

13.6 Reconciliation of Level 3 assets and liabilities (continued)

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

2021	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	172	3 562	3 734
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	(1)	(151)	(152)
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	37	704	741
Settlements	(263)	(534)	(797)
Transfer out of Level 3	(27)	(756)	(783)
Closing balance at the end of the reporting period	172	3 562	3 734

13.7 Significant transfers between levels

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

13.8 Unrealised gains and losses on Level 3 assets and liabilities

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

2021	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	147	1 833	45	2 025	189	1 190	1 379

2020	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	1 774	3 192	81	5 047	(104)	(490)	(594)

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

13.9 Sensitivity analysis of valuations using unobservable inputs

As part of the 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 table reflects the reasonable possible variances applied to significant parameters utilised in our valuations.

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

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

		2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	**Absa Group Limited/Absa funding**	**126/(138)**	**—/—**
Investment securities	**Risk adjustment yield curves, future earnings and marketability discounts**	**—/—**	**(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**	**—/—**

		2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding	344/(394)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(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	—/—

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

13.10 Measurement of assets and liabilities at Level 3

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

			2021	2020
Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	
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 competitor 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 (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	**0.052% to 7.3%**	0.25% to 4.15%
Deposits	Discounted cash flow models	The Bank'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% to 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 used. Interest rates and money market curves are considered unobservable inputs for items which mature after 5 years. However, if the items mature in less than 5 years, these inputs are considered to be observable, depending on other facts and circumstances.

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

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

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

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

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

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

13.12 Third-party credit enhancements

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

14. 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 fair value of financial instruments due to movements in interest rates and are therefore affected by 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 or 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 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.

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.

14. Interest rate benchmark reform (continued)

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.

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

	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

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

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

	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Other Rm	Total Rm
Non-derivative assets[1]	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.

15. Reporting changes overview

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

15.1 The Bank continued refining its cost allocation methodology, resulting in the 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).

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

15.3 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 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.

15.4 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 note 2.

[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.

15. Reporting changes overview (continued)

	31 December 2020			
	As previously reported Rm	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
Assets				
Loans and advances to banks	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

	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	44 993	(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

Additional risk management disclosure

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

Detailed risk management disclosures are included in the annual financial statements.

Summary consolidated normalised financial results

for the reporting period ended 31 December

Normalised financial results as a consequence of the Barclays PLC separation

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

The Separation Programme was completed within agreed timelines. All 273 projects achieved Separation and 198 service schedules were terminated. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank (SARB), Absa Regional Operations (ARO) as well as the United Kingdom (UK) regulators have since been informed that Barclays PLC and Absa Group Limited have concluded and closed the Separation Programme.

The separation process has had a significant impact on the Bank's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use. The 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 following presents the items which have been excluded from the normalised results:

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

Basis of presentation

Normalised results

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

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

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

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

Summary consolidated normalised salient features

for the reporting period ended 31 December

	2021[(1)]	2020
Statement of comprehensive income (Rm)		
Income	58 468	53 464
Pre-provision profit	24 243	21 910
Credit impairments	6 395	15 829
Operating expenses	34 225	31 554
Profit attributable to ordinary equity holders	11 239	2 530
Headline earnings[(2)]	11 355	2 654
Statement of financial position		
NAV	86 034	77 319
Total assets (Rm)	1 347 775	1 281 486
Financial performance (%)		
Return on equity (RoE)	13.9	3.5
Return on average assets (RoA)	0.8	0.2
Return on risk-weighted assets (RoRWA)	1.77	0.43
Operating performance (%)		
Net interest margin on average interest-bearing assets	3.60	3.25
Non-interest as a percentage of total income	34.5	38.1
Cost-to-income ratio	58.5	59.0
Jaws	1	(7)
Effective tax rate	26.7	23.0
Share statistics (million)		
Weighted average number of ordinary shares in issue	448.3	448.3
Diluted weighted average number of ordinary shares in issue	448.3	448.3
Share statistics (cents)		
Headline earnings per ordinary share (HEPS)	2 532.9	592.0
Diluted headline earnings per ordinary share (DHEPS)	2 532.9	592.0
Basic earnings per ordinary share (EPS)	2 507.0	564.4
Diluted basic earnings per ordinary share (DEPS)	2 507.0	564.4
Dividend per ordinary share relating to income for the reporting period	446.12851	—
Dividend payout ratio	18	—
NAV per ordinary share	19 191	17 247
Tangible NAV per ordinary share	17 516	15 972
Capital adequacy (%)[(3)]		
Absa Bank Limited	17.9	15.6
Common Equity Tier 1(%)[(3)]		
Absa Bank Limited	12.4	10.6

(1) Please refer to the summary consolidated normalised reconciliation for the period ended 31 December 2021 for further information as presented on pages 44 to 45.
(2) After allowing for **R242m** (2020: R307m) profit attributable to preference equity holders and **R585m** (2020: R589m) profit attributable to additional Tier 1 capital holders.
(3) Due to the completion of the Bank's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Bank will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting standards.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	31 December 2021		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	38 301	(25)	38 276
Non-interest income	20 191	1	20 192
Total income	58 492	(24)	58 468
Impairment losses	(6 395)	(1)	(6 396)
Operating expenses	(35 232)	1 007	(34 225)
Other expenses	(1 461)	(61)	(1 522)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	15 536	921	16 457
Tax expenses	(4 139)	(254)	(4 393)
Profit for the reporting period	11 397	667	12 064
Profit attributable to:			
Ordinary equity holders	10 573	667	11 240
Ordinary shares	(3)	—	(3)
Preference shares	242	—	242
Additional Tier 1	585	—	585
	11 397	667	12 064
Headline earnings	10 726	629	11 355
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.60	n/a	3.60
Credit loss ratio on gross loans and advances to customers and banks	0.67	n/a	0.67
Non-interest income as % of total income	34.5	n/a	34.5
Income growth (%)	9.0	n/a	9.4
Operating expenses growth (%)	6.1	n/a	8.5
Cost-to-income ratio	60.2	n/a	58.5
Effective tax rate	26.6	n/a	26.7
Statement of financial position (Rm)			
Loans and advances	932 775	—	932 775
Investment securities	116 265	—	116 265
Other assets	301 958	(3 223)	298 735
Total assets	1 350 998	(3 223)	1 347 775
Deposits	974 121	—	974 121
Debt securities in issue	128 571	—	128 571
Other liabilities[4]	146 587	814	147 401
Total liabilities	1 249 279	814	1 250 093
Equity	101 719	(4 037)	97 682
Total equity and liabilities	1 350 998	(3 223)	1 347 775
Key performance ratios (%)			
RoA	0.8	n/a	0.8
RoE	12.5	n/a	13.9
Capital adequacy[5]	17.9	n/a	17.9
Common Equity Tier 1[5]	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 392.6	n/a	2 532.9

[1] IFRS Bank performance, presents the IFRS information as extracted from the Bank's summary consolidated financial results for the reporting period ended 31 December 2021.
[2] Barclays separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Bank.
[3] Normalised Bank performance, presents the summary consolidated financial results of the Bank, after adjusting for the consequences of the separation.
[4] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.
[5] Due to the completion of the Bank's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Bank will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting standards.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	31 December 2020		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	33 184	(67)	33 117
Non-interest income	20 503	(156)	20 347
Total income	53 687	(223)	53 464
Impairment losses	(15 829)	—	(15 829)
Operating expenses	(33 202)	1 649	(31 553)
Other expenses	(1 798)	200	(1 598)
Share of post-tax results of associates and joint ventures	(36)	—	(36)
Operating profit before income tax	2 822	1 626	4 448
Tax expenses	(750)	(272)	(1 022)
Profit for the reporting period	2 072	1 354	3 426
Profit attributable to:			
Ordinary equity holders	1 176	1 354	2 530
Ordinary shares	—	—	—
Preference shares	307	—	307
Additional Tier 1	589	—	589
	2 072	1 354	3 426
Headline earnings	1 402	1 252	2 654
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.24	n/a	3.25
Credit loss ratio on gross loans and advances to customers and banks	1.74	n/a	1.74
Non-interest income as % of total income	38.2	n/a	38.1
Income growth (%)	1.8	n/a	1.7
Operating expenses growth (%)	(5.4)	n/a	(5.4)
Cost-to-income ratio	61.8	n/a	59.0
Effective tax rate	26.6	n/a	23.0
Statement of financial position (Rm)			
Loans and advances[6]	877 275	—	877 275
Investment securities	99 489	—	99 489
Other assets	309 511	(4 789)	304 722
Total assets	1 286 275	(4 789)	1 281 486
Deposits[6]	980 416	—	980 416
Debt securities in issue	144 159	—	144 159
Other liabilities[4]	67 301	646	67 947
Total liabilities	1 191 876	646	1 192 522
Equity	94 399	(5 435)	88 964
Total equity and liabilities	1 286 275	(4 789)	1 281 486
Key performance ratios (%)			
RoA	0.1	n/a	0.2
RoE	1.7	n/a	3.5
Capital adequacy[5]	15.6	n/a	15.6
Common Equity Tier 1[5]	10.6	n/a	10.6
Share statistics (cents)			
Diluted headline earnings per ordinary share	312.5	n/a	592.0

[1] IFRS Bank performance, presents the IFRS information as extracted from the Bank's IFRS summary consolidated financial results for the reporting period ended 31 December 2020.
[2] Barclays separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Bank
[3] Normalised performance, presents the summary consolidated financial results of the Bank, after adjusting for the consequences of the separation.
[4] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.
[5] Due to the completion of the Bank's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Bank will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting standards.
[6] The numbers have been restated, refer to reporting changes overview note 15.4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Return on assets (RoA)
Annualised headline earnings as a proportion of total average assets.

Return on average equity (RoE)
Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital
Measure of efficient use, by segment, of regulatory capital.

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

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

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

Contact information

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