Absa Group Limited

Interim financial results for the reporting period ended 30 June 2021

Report overview

Absa Group Limited (1986/003934/06)
The term Absa Group or the Group, refers to Absa Group Limited and its subsidiaries.

Absa reporting suite for the interim reporting period ended 30 June 2021

This financial results booklet for the reporting period ended 30 June 2021 is one of the publications released at the time of the Absa Group's financial results announcement. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the interim financial results presentation.

The documents are available on www.absa.africa.

Reportable segment changes

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

A portion of the Commercial Property Finance portfolio, which was previously reported in RBB SA, has been moved to CIB in line with portfolio segmentation criteria.

The ARO term debt book was moved from Corporate ARO to IBD ARO to align to the SA statutory reporting structure.

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

The aforementioned changes resulted in the restatement of the business portfolios' financial results for comparative periods, but have had no impact on the overall financial position or net earnings of the Group.

Icons used with this report

- Negative increase
- Negative unchanged
- Negative decrease
- Positive increase
- Positive unchanged
- Positive decrease
- Neutral increase
- Neutral unchanged
- Neutral decrease
- Unchanged

Financial director statement

These interim financial results for the reporting period ended 30 June 2021 were prepared by Absa Group Financial Control under the direction and supervision of the Absa Group Interim Financial Director, P Modise CA(SA).

Finance is led by the Financial Director who reports directly to the Chief Executive Officer.

The Financial Director has regular unrestricted access to the Board of Directors as well as to the Group Audit and Compliance Committee (GACC).

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

Board approval

The Board of Directors oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors view 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.

Together with the GACC, the Board has reviewed and approved the financial results announcement released on 16 August 2021.

Dividend per share
Interim: 310 cents

Key dates
Dividend payment: 20 September 2021
Financial year-end: 31 December 2021

Shareholder communications

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The Absa Group today

As a financial services provider, we play an integral role in the economic life of individuals, businesses, and nations. To this end, we offer a universal set of products and services across retail, business, corporate, investment and wealth banking, as well as investment management and insurance solutions.

We are listed on the Johannesburg Stock Exchange and have banks[1] in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and the United States as well as securities entities in the United Kingdom and the United States.

14 countries

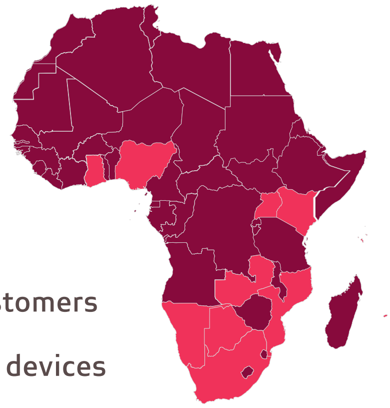
993 branches

9 502 ATMs

36 141 employees

2.6m digitally active customers

110 071 point-of-sale devices



We help create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

We bring possibilities to life

Possibilities come to life when we meet every challenge with tenacity, ingenuity, positivity and creativity. We coined a new word for our purpose, which is the driving force behind everything we do, a way of doing things that is unique to our continent.

We call it Africanacity

Results overview

Financial performance

Headline earnings	Revenue growth	Cost-to-income ratio	Credit loss ratio	Pre-provision profit
R8.6bn (2020: R1.5bn)	**3%** (2020: 3%)	**54.9%** (2020: 53.9%)	**0.88%** (2020: 2.77%)	**R18.6bn** (2020: R18.5bn)

Shareholder value

Return on equity	Headline earnings per share	Total dividend per ordinary share	Net asset value per share
15.3% (2020: 2.6%)	**1 019.7 cents** (2020: 173.6 cents)	**310 cents** (2020: Nil)	**13 859 cents** (2020: 13 080 cents)

Loans and deposits

Gross loans and advances to customers	Deposits due to customers
R999bn (2020: R975bn)	**R1 010bn** (2020: R920bn)

Liquidity and capital

Liquidity coverage ratio[3]	Common equity tier 1 ratio[2]
124.0% (2020: 126.6%)	**12.4%** (2020: 11.0%)

[1] Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, National Bank of Commerce, Tanzania 55% and Seychelles 99.8%.
[2] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.
[3] The Group LCR reflects an aggregation of the Bank LCR and the LCR of the Africa Regions. For this purpose, a simple average of the relevant three month-end data points is used for Africa Regions. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended

Group headline earnings of R8.6bn increased five-fold from the prior year (H1'20: R1.5bn) and higher than pre-COVID-19 levels, supported by resilient pre-provision profit growth (+1%; +5% ex FX) and lower impairments (-68%). This resulted in a Return on Equity of 15.3% which was materially higher than the prior year (H1'20: 2.6%) and above Cost of Equity.

Impairment charges of R4.7bn were significantly lower than prior year (H1'20: R14.7bn) and were supported by an improvement in portfolio performance and benefits realised from model enhancements in RBB; this resulted in a decrease in the credit loss ratio to 88bps (H1'20: 277bps) which is at the mid-point of our through-the-cycle range. Overall Group loan coverage ratio remains strong at 4.51% (H1'20: 4.46%).

Net interest income increased by 6% (+12% ex FX) from the prior year base which included the impact of significant policy rate cuts and was supported by strong growth in core deposits. Net interest margin expanded to 4.41% (H1'20: 4.23%) supported by a stable rates environment in the current period underpinned by the benefit realised from the structural hedging programme.

A strong liquidity position has been maintained as reflected in the Group Liquidity Coverage Ratio[1] of 124.0% and a Net Stable Funding Ratio of 118.3%, well above the regulatory minimum. Customer deposits grew faster (+10%, +14% ex FX) than advances (+2%, +5% ex FX).

The Group has strengthened its Capital position with the CET 1[2] ratio improving to 12.4% (H1'20: 11.0%) supported by strong earnings generated in the first half, and is now at the upper end of the Board target level and comfortably above the minimum regulatory capital requirement level.

Operating cost growth of 5% (+9% ex FX) reflects higher performance costs in line with the Group's stronger results and a post-COVID-19 normalisation of activity-related costs, whilst underlying cost growth continues to be well contained. The cost-to-income ratio increased to 54.9% (H1'20: 53.9%) however remained lower than the full year 2020 position (56.0%).

The SA Insurance business was severely impacted by the effects of COVID-19 in the current period resulting in a loss of R0.3bn in the current year (H1'20: R0.6bn profit) following higher claims related to the 2nd wave and additional provisioning for the 3rd and 4th waves in the Life Insurance business.

Non-interest income declined by 2% on the prior year (+1% ex FX) and has been adversely impacted by the Insurance business and low growth in fee income (+1%, +4% ex FX) which was impacted by customer centric pricing changes in RBB; this was partially offset by a stronger Trading performance in both SA and ARO.

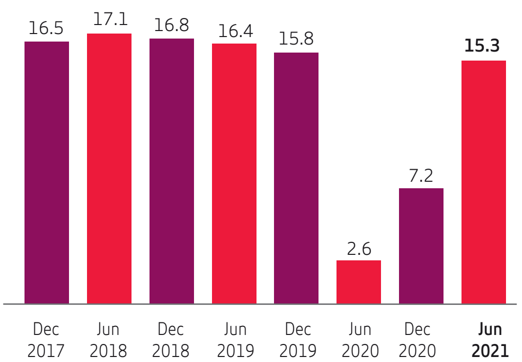
[1] The Group LCR reflects an aggregation of the Bank LCR and the LCR of the Africa Regions. For this purpose, a simple average of the relevant three month-end data points is used for Africa Regions. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

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

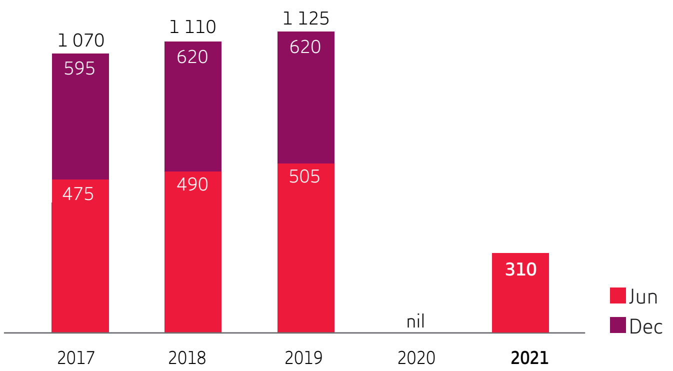
Normalised Group performance overview

for the reporting period ended

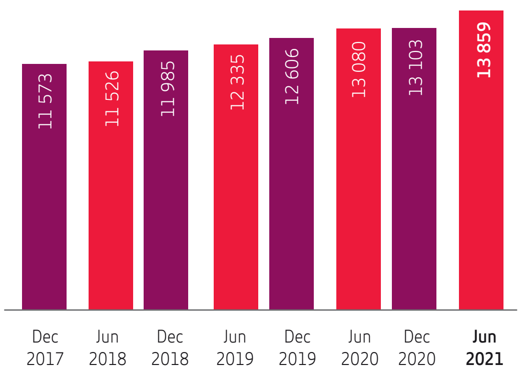
Return on equity (RoE) (%)



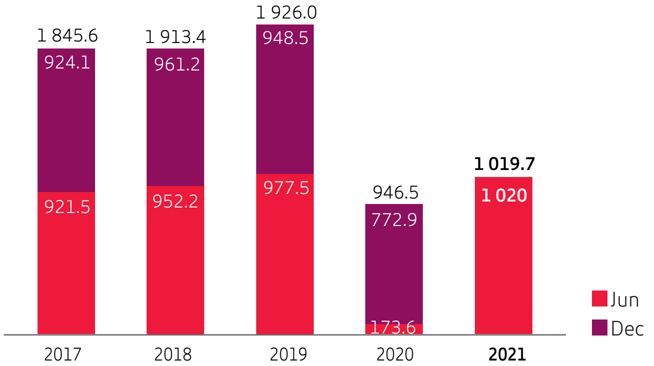
Dividend per ordinary shares (DPS) (cents)



Net asset value (NAV) per ordinary share (cents)



Headline earnings per ordinary share (HEPS) (cents)



Normalised Group performance overview

for the reporting period ended

	30 June 2021		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	25 597	(12)	25 585
Non-interest income	15 633	(8)	15 625
Total income	41 230	(20)	41 210
Impairment losses	(4 702)	—	(4 702)
Operating expenses	(23 259)	654	(22 605)
Other expenses	(1 028)	(4)	(1 032)
Share of post-tax results of associates and joint ventures	40	—	40
Operating profit before income tax	12 281	630	12 911
Tax expenses	(3 335)	(176)	(3 511)
Profit for the reporting period	8 946	454	9 400
Profit attributable to:			
Ordinary equity holders	8 162	445	8 607
Non-controlling interest – ordinary shares	374	9	383
Non-controlling interest – preference shares	120	—	120
Non-controlling interest – Additional Tier 1	290	—	290
	8 946	454	9 400
Headline earnings	8 186	442	8 628
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.41	n/a	4.41
Credit loss ratio on gross loans and advances to customers and banks	0.88	n/a	0.88
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	2	n/a	3
Operating expenses growth	1	n/a	5
Cost-to-income ratio	56.4	n/a	54.9
Effective tax rate	27.2	n/a	27.2
Statement of financial position (Rm)			
Loans and advances to customers	955 838	—	955 838
Loans and advances to banks	80 765	—	80 765
Investment securities	182 623	—	182 623
Other assets	361 309	(3 973)	357 336
Total assets	1 580 535	(3 973)	1 576 562
Deposits due to customers	1 009 954	—	1 009 954
Debt securities in issue	129 601	—	129 601
Other liabilities	302 482	215[1]	302 697
Total liabilities	1 442 037	215	1 442 252
Equity	138 498	(4 188)	134 310
Total equity and liabilities	1 580 535	(3 973)	1 576 562
Key performance ratios (%)			
Return on average assets (RoA)	1.06	n/a	1.12
Return on equity (RoE)	13.9	n/a	15.3
Capital adequacy[2]	16.9	n/a	16.9
Common Equity Tier 1[2]	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	984.6	n/a	1 018.2

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loans from Barclays separation segment' in the consolidated normalised statement of financial position. (refer to page 32).

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

Normalised Group performance overview

for the reporting period ended

		30 June 2020	
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	24 124	(52)	24 072
Non-interest income	16 231	(225)	16 006
Total income	40 355	(277)	40 078
Impairment losses	(14 661)	—	(14 661)
Operating expenses	(23 040)	1 427	(21 613)
Other expenses	(1 185)	142	(1 043)
Share of post-tax results of associates and joint ventures	(8)	—	(8)
Operating profit before income tax	1 461	1 292	2 753
Tax expenses	(471)	(247)	(718)
Profit for the reporting period	990	1 045	2 035
Profit attributable to:			
Ordinary equity holders	485	958	1 443
Non-controlling interest – ordinary shares	(1)	87	86
Non-controlling interest – preference shares	172	—	172
Non-controlling interest – Additional Tier 1	334	—	334
	990	1 045	2 035
Headline earnings	559	900	1 459
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.23	n/a	4.23
Credit loss ratio on gross loans and advances to customers and banks	2.77	n/a	2.77
Non-interest income as % of total income	40.2	n/a	39.9
Income growth	3	n/a	3
Operating expenses growth	0	n/a	(2)
Cost-to-income ratio	57.1	n/a	53.9
Effective tax rate	32.2	n/a	26.1
Statement of financial position (Rm)			
Loans and advances to customers	932 293	—	932 293
Loans and advances to banks	113 168	—	113 168
Investment securities	156 665	—	156 665
Other assets	364 193	(5 323)	358 870
Total assets	1 566 319	(5 323)	1 560 996
Deposits due to customers	919 620	—	919 620
Debt securities in issue	178 795	—	178 795
Other liabilities	335 958	443[1]	336 401
Total liabilities	1 434 373	443	1 434 816
Equity	131 946	(5 766)	126 180
Total equity and liabilities	1 566 319	(5 323)	1 560 996
Key performance ratios (%)			
Return on average assets (RoA)	0.07	n/a	0.20
Return on equity (RoE)	1.0	n/a	2.6
Capital adequacy[2]	14.9	n/a	14.9
Common Equity Tier 1[2]	11.0	n/a	11.0
Share statistics (cents)			
Diluted headline earnings per ordinary share	67.7	n/a	173.4

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loans from Barclays separation segment' in the consolidated normalised statement of financial position. (refer to page 32).

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

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

	31 December 2020		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	48 857	(67)	48 790
Non-interest income	32 736	(144)	32 592
Total income	81 593	(211)	81 382
Impairment losses	(20 569)	—	(20 569)
Operating expenses	(48 111)	2 535	(45 576)
Other expenses	(2 508)	270	(2 238)
Share of post-tax results of associates and joint ventures	(36)	—	(36)
Operating profit before income tax	10 369	2 594	12 963
Tax expenses	(3 156)	(450)	(3 606)
Profit for the reporting period	7 213	2 144	9 357
Profit attributable to:			
Ordinary equity holders	5 880	2 032	7 912
Non-controlling interest – ordinary shares	437	112	549
Non-controlling interest – preference shares	307	—	307
Non-controlling interest – Additional Tier 1	589	—	589
	7 213	2 144	9 357
Headline earnings	6 038	1 927	7 965
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.17	n/a	4.17
Credit loss ratio on gross loans and advances to customers and banks	1.92	n/a	1.92
Non-interest income as % of total income	40.1	n/a	40.0
Income growth	2	n/a	2
Operating expenses growth	(1)	n/a	(2)
Cost-to-income ratio	59.0	n/a	56.0
Effective tax rate	30.4	n/a	27.8
Statement of financial position (Rm)			
Loans and advances to customers	929 969	—	929 969
Loans and advances to banks	84 538	—	84 538
Investment securities	153 504	—	153 504
Other assets	363 109	(5 156)	357 953
Total assets	1 531 120	(5 156)	1 525 964
Deposits due to customers	951 894	—	951 894
Debt securities in issue	145 740	—	145 740
Other liabilities	301 183	(399)[1]	300 784
Total liabilities	1 398 817	(399)	1 398 418
Equity	132 303	(4 757)	127 546
Total equity and liabilities	1 531 120	(5 156)	1 525 964
Key performance ratios (%)			
Return on average assets (RoA)	0.40	n/a	0.52
Return on equity (RoE)	5.2	n/a	7.2
Capital adequacy[2]	15.0	n/a	15.0
Common Equity Tier 1[2]	11.2	n/a	11.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	730.5	n/a	946.0

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loans from Barclays separation segment' in the consolidated normalised statement of financial position. (refer to page 32).

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

Normalised salient features

for the reporting period ended

	30 June 2021	30 June 2020	Change %	31 December 2020
Statement of comprehensive income (Rm)				
Income	**41 210**	40 078	3	81 382
Operating expenses	**22 605**	21 613	5	45 576
Profit attributable to ordinary equity holders	**8 607**	1 443	>100	7 912
Headline earnings	**8 628**	1 459	>100	7 965
Statement of financial position				
Gross loans and advances to customers (Rm)	**998 954**	975 484	2	973 602
Total assets (Rm)	**1 576 562**	1 560 996	1	1 525 964
Deposits due to customers (Rm)	**1 009 954**	919 620	10	951 894
Loans-to-deposits and debt securities ratio (%)	**83.9**	84.9		84.7
Average loans-to-deposits and debt securities ratio (%)	**83.6**	87.8		86.2
Financial performance (%)				
Return on equity (RoE)	**15.3**	2.6		7.2
Return on average assets (RoA)	**1.12**	0.20		0.52
Return on risk-weighted assets (RoRWA)	**1.93**	0.32		0.86
Stage 3 loans ratio on gross loans and advances	**5.64**	5.65		6.28
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.41**	4.23		4.17
Credit loss ratio on gross loans and advances to customers and banks	**0.88**	2.77		1.92
Non-interest income as percentage of total income	**37.9**	39.9		40.0
Cost-to-income ratio	**54.9**	53.9		56.0
Jaws	**(2)**	5		3
Effective tax rate	**27.2**	26.1		27.8
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**846.0**	842.9		844.8
Weighted average number of ordinary shares in issue	**846.1**	840.6		841.5
Diluted weighted average number of ordinary shares in issue	**847.4**	841.2		842.0
Share statistics (cents)				
Headline earnings per ordinary share	**1 019.7**	173.6	>100	946.5
Diluted headline earnings per ordinary share	**1 018.2**	173.4	>100	946.0
Basic earnings per ordinary share	**1 017.3**	171.7	>100	940.2
Diluted basic earnings per ordinary share	**1 015.7**	171.5	>100	939.7
NAV per ordinary share	**13 859**	13 080	6	13 103
Tangible NAV per ordinary share	**12 952**	12 277	6	12 258
Dividend per ordinary share relating to income for the reporting period	**310**	—	100	—
Dividend payout ratio (%)	**30**	—	100	—
Capital adequacy (%)				
Absa Group Limited[1]	**16.9**	14.9		15.0
Absa Bank Limited[1]	**17.7**	15.8		15.6
Common Equity Tier 1 (%)				
Absa Group Limited[1]	**12.4**	11.0		11.2
Absa Bank Limited[1]	**11.8**	10.6		10.6

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

Normalised salient features by segment

for the reporting period ended

	30 June 2021	30 June 2020	Change %	31 December 2020
Headline earnings (Rm)				
RBB[1]	**4 192**	460	>100	4 239
CIB[1]	**4 049**	1 645	>100	5 054
Head Office, Treasury and other operations[1]	**387**	(646)	<(100)	(1 328)
Return on average risk-weighted assets (%)				
RBB[1, 2]	**1.79**	0.19		0.89
CIB[1]	**2.54**	1.00		1.50
Return on regulatory capital (%)				
RBB[1]	**15.3**	1.6		7.6
CIB[1]	**22.7**	9.0		13.5
Credit loss ratio (%)				
RBB[1]	**1.33**	3.88		2.78
CIB[1]	**0.24**	1.30		0.75
Gross loans and advances to customers (Rm)				
RBB[1]	**628 831**	598 613	5	610 761
CIB[1]	**369 667**	376 394	(2)	362 229
Head Office, Treasury and other operations[1]	**456**	477	(4)	612
Deposits due to customers (Rm)				
RBB[1]	**521 769**	486 574	7	500 342
CIB[1]	**396 718**	320 585	24	353 693
Head Office, Treasury and other operations[1]	**91 467**	112 461	(19)	97 859

[1] These numbers have been restated, refer to the report overview.

[2] The RoRWA includes Insurance cluster returns, but risk-weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.

Profit commentary

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the normalised financial results for the current reporting period to 30 June 2020, unless stated otherwise.

Salient features

- Diluted headline earnings per share (HEPS) grew 487% to 1 018.2 cents from 173.4 cents (4% above H1 2019 levels).
- Declared 310 cents dividend per ordinary share for the interim period.
- Retail and Business Banking (RBB) headline earnings increased 811% to R4 192m and Corporate and Investment Bank (CIB) headline earnings grew 146% to R4 049m.
- Return on equity (RoE) improved to 15.3% from 2.6%.
- Revenue grew 3% to R41.2bn and operating expenses rose 5% to R22.6bn, resulting in a 54.9% cost-to-income ratio.
- Pre-provision profit increased 1% to R18.6bn.
- Credit impairments decreased 68% to R4.7bn, resulting in a 0.88% credit loss ratio from 2.77%.
- IFRS common equity tier 1 (CET 1) ratio increased to 12.4% and remains well above regulatory requirements and is at the top end of the Board's target range.
- Net asset value (NAV) per share rose 6% to 13 859 cents.

Normalised reporting

As the process of separating from Barclays PLC continues to have a material financial impact, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation to better reflect the Group's underlying performance.

Normalisation adjusted for the following items: **R12m** (2020: R52m) of interest earned on the remaining capital invested; foreign currency revaluation gains of **R8m** (2020: R225m); operating expenses of **R654m** (2020: R1 427m) mainly relating to amortisation of intangible assets and depreciation; recovery of other operating expense of **R4m** (2020: R142m charge) and a **R176m** (2020: R247m) tax impact of the aforementioned items. In total, these adjustments added **R442m** (2020: R900m) to the Group's normalised headline earnings during the period. As normalisation occurs at a Group level, it does not affect divisional disclosures.

Overview of results

Absa Group's headline earnings increased 491% to R8 628m from R1 459m and diluted HEPS grew 487% to 1 018.2 cents from 173.4 cents. The Group's RoE increased to 15.3% from 2.6% and its return on assets was 1.1% from 0.2%.

Revenue grew 3% to R41 210m, with net interest income rising 6% and non-interest income declining 2%. The Group's net interest margin on average interest-bearing assets increased to 4.41% from 4.23%, primarily due to significant policy rate cuts in 2020. With operating expenses increasing 5%, the cost-to-income ratio grew to 54.9% from 53.9%. Pre-provision profit grew 1% to R18.6bn, or 5% in constant currency (CCY). Credit impairments fell 68% to R4.7bn, resulting in a 0.88% credit loss ratio down from 2.77%. Gross loans and advances to customers grew 2% to R999bn, while deposits due to customers rose 10% to R1 010bn. The Group's NAV per share increased 6% to 13 859 cents. An ordinary dividend of 310 cents per ordinary share was declared for the period.

RBB's headline earnings increased 811% to R4 192m and CIB's increased 146% to R4 049m. Head office, Treasury and other operations headline earnings rose to R387m from a loss of R646m, largely due to the non-recurrence of losses in the prior period as a result of the large policy rate cuts.

On a geography basis, South Africa's headline earnings increased 687% to R7 164m, while Africa regions grew 167% to R1 464m.

Operating environment

The COVID-19 pandemic upended the global economy in 2020, and although recovery is expected in 2021, its pace is uneven and uncertainty around it remains pronounced, particularly as vaccination continues to roll out and new variants of the virus complicate the achievement of global herd immunity. Countries with the most extensive fiscal and monetary support have led the rebound, such as the US, where growth is expected to reach 7% this year. So have countries where the 2020 recession was particularly deep, including the UK and India. Monetary and fiscal policies across all major economies remain highly accommodative.

South Africa's economy was already under pressure before the onset of the pandemic. It has generally recovered faster than expected since the depths of the hard lockdown in the second quarter last year. Real output grew 4.6% in the first quarter and the gains were broad-based, although most sectors of the economy remain below pre-pandemic levels. The policy rate was unchanged in the first half of 2021, as were South Africa's sovereign credit ratings, although Fitch and Moody's both have it on a negative outlook.

All our ARO presence countries showed positive economic growth during the first half of 2021, although the country-specific experiences differed widely, as the incidence of waves of COVID-19 infection were highly varied. Generally speaking, the East African economies continue to do relatively better and commodity exporters have tended to recover more quickly, albeit from deeper 2020 downturns. Economies reliant on tourism are however still amongst the most challenged.

Group performance

Statement of financial position

Total assets increased 1% to R1 577bn, reflecting 3% growth in net loans and advances to customers and 17% higher investment securities, which were partially offset by 29% lower loans and advances to banks.

Gross loans and advances to customers

Gross loans and advances to customers increased 2% to R999bn. RBB loans rose 5% to R629bn, as instalment credit agreements grew 13% to R108bn, mortgages increased 6% to R289bn, credit cards rose 3% to R45bn, while personal loans declined 8% to R23bn and RBB ARO decreased 7% to R61bn (12% higher in CCY). CIB gross loans declined 2% to R370bn. CIB SA grew 2% to R314bn, including 12% growth in mortgages, 11% higher preference shares and 80% growth inreverse repurchase agreements, while foreign currency loans and term loans declined 37% and 5% respectively. CIB ARO decreased 18% to R56bn (up 1% in CCY).

Profit commentary

Group performance (continued)

Statement of financial position (continued)

Funding

Group liquid assets and other sources of liquidity decreased 11% to R284bn, which equates to 28% of customer deposits. The Group's liquidity coverage ratio was 124% and the net stable funding ratio was 118%, both well above the minimum regulatory requirement. Deposits due to customers grew 10%, or 14% in CCY, to R1 010bn. The loans-to-deposits and debt securities ratio decreased to 84% from 85%. Deposits due to customers constituted 82% of total funding, up from 76%. RBB's deposits grew 7% to R522bn, with RBB SA increasing 11% while RBB ARO declined 7% (up 13% in CCY). Within RBB SA, saving and transmission deposits increased 12% and cheque account deposits rose 21%, this growth partially offset by 2% lower fixed deposits. CIB's deposits grew 24% to R397bn, with CIB SA up 35% largely due to 47% higher cheque account deposits. CIB ARO's deposits decreased 12% to R68bn (up 7% in CCY).

Net asset value

The Group's NAV increased 6% to R117bn and NAV per share grew 6% to 13 859 cents. During the six months ending 30 June 2021, it generated retained earnings of R9.1bn and paid no ordinary dividends.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) declined 5% to R892bn, largely due to 5% lower credit risk RWAs, while traded market risk RWAs reduced 17%. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. Its IFRS CET 1 ratio increased to 12.4%, at the top end of the Board target range of 11.0% to 12.5%.

Statement of comprehensive income

Net interest income

Net interest income increased 6% to R25 585m from R24 072m, or 12% in CCY, while average interest-bearing assets grew 2%. The Group's net interest margin improved to 4.41% from 4.23%, mainly due to a stable rate environment in South Africa in the first half of 2021, compared to the 275 bps reduction in the first half of 2020. Improved client pricing in the secured portfolio in RBB and Investment Banking in SA added 4 bps to the margin. Deposit margins declined in RBB SA and RBB ARO reflecting the impact of lower rates, and in Corporate SA where the Group cannot apply an equal rate reduction for clients. Reduced reliance on wholesale funding had a positive composition impact, partially offset by growth in low-margin deposits in Corporate SA. Lower policy rates resulted in the Group earning lower returns on structural deposit and equity balances , which resulted in a 8 bps and 10 bps drag on the Group margin respectively. Given lower policy rates in South Africa, the structural hedge released R1 518m to the income statement for the six months ending 30 June 2021, which increased the Group margin by 10 bps (versus R914m in the first half of 2020). The programme's after-tax cash flow hedging reserve decreased to R1.8bn at 30 June 2021 from R4.3bn at 31 December 2020. After hedging, the endowment on equity and liabilities had a net 5 bps negative contribution.

Non-recurrence of prime rate reset losses from the 275 bps of rate cuts in the prior year improved the Group's margin by 15 bps.

Non-interest income

Non-interest income decreased 2% (up 1% in CCY) to R15 625m from R16 006m and accounts for 37.9% of total revenue, down from 39.9%. Net fee and commission income grew 1% to R10 765m, representing 69% of total non-interest income. Within this, transactional fees and commissions increased 1%, with cheque account fees down 7% while electronic banking fees grew 10% and credit card fees rose 7%. Merchant income rose 14%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 20% to R3 686m, as Global Markets income increased by 21% to R3 819m up from R3 155m, with Markets South Africa up 35% and Markets ARO up 2% (or 22% in CCY).

RBB SA's non-interest income fell 12% to R9 233m, predominantly due to an 87% decline in Insurance, reflecting significantly higher mortality and retrenchment claims, as well as increasing reserves related to the COVID-19 pandemic to R836m. CIB SA's non-interest income increased 74% to R3 142m, given significant growth in Markets and negative fair value adjustments in the first half of 2020. CIB ARO grew 1% (20% in CCY) largely reflecting the Markets growth.

Impairment losses (credit impairments)

Credit impairments fell 68% to R4 702m from R14 661m, which improved the Group's credit loss ratio to 0.88%, the mid-point of the Group's through-the-cycle range, from 2.77%. The comparative period included a management adjustment of R5 517m, to reflect the deterioration of forward-looking macroeconomic variables and the substantial payment relief granted to customers. This macro-overlay was retained. Single name provisions totalled R1 295m, down from R1 819m. Total coverage of the Group's loans increased to 4.51% from 4.46%, while stage 3 loans remained unchanged at 5.6% of total gross loans and advances.

RBB's credit impairments dropped 64% to R4 196m from R11 788m, resulting in a 1.33% credit loss ratio, down from 3.88%. RBB SA's charge fell 65% to R3 667m from R10 333m. Home Loans' charge decreased to a R290m credit, producing a -0.22% credit loss ratio from 1.43%. Vehicle and Asset Finance credit impairments declined 65% to R755m, improving its credit loss ratio to 1.58% from 4.91%. Everyday Banking's credit impairments (including Personal Loans, Card and Overdrafts) dropped 52% to R2 469m, resulting in a 5.72% credit loss ratio, down from 11.76%. Relationship Banking's credit impairments fell 46% to R732m, reducing its credit loss ratio to 1.14% from 2.15%. RBB SA refined its default definition for cures out of default and the treatment of performing restructured accounts. This change reduced credit impairments by R166m. RBB SA also made other enhancements to achieve better consistency between regulatory and IFRS models, to refine certain assumptions and to reduce complex methodologies in accordance with experience and new information available. These model enhancements reduced credit impairments by R1 138m.

CIB's credit impairments decreased 82% to R510m from R2 797m, resulting in a credit loss ratio of 0.24% from 1.30%. CIB SA's credit impairments fell 66% to R557m from R1 657m, resulting in a credit loss ratio of 0.31%, down from 0.93%. CIB ARO's charge decreased from R1 140m to a R47m credit. Corporate Bank's credit impairments dropped 99% from R943m to R14m, a 0.04% credit loss ratio. Investment Bank's credit impairments fell 73% from R1 854m to R496m, a credit loss ratio of 0.28%.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Operating expenses

Operating expenses grew 5%, or 9% in CCY, to R22 605m from R21 613m, increasing the Group's cost-to-income ratio to 54.9% from 53.9%. Staff costs rose 6% and accounted for 56% of total operating expenses. Salaries, the largest component of staff costs, declined 1%. Headcount decreased 4% to 36 141. Bonuses grew 928%, as the base contained almost no bonus provisions. Group costs were 1% higher excluding bonuses.

Non-staff costs grew 3%, with technology costs 18% higher reflecting continued investment in digital platforms. Total IT spend, including staff, amortisation and depreciation, grew 11% to R5.3bn, amounting to 24% of Group expenses. Investment in digital, data and automation saw amortisation of intangible assets increase 12%. Cash transportation costs grew 9%, given low volumes in the second quarter of 2020 due to the COVID-19 hard lockdown. Professional fees rose 2%, mainly from increased change and technology services spend. Telephone and postage costs rose 1%, given higher communication costs to support remote working. Depreciation decreased 6% mainly due to lower depreciation on IT infrastructure. Property costs declined 3%, reflecting the Group's property optimisation strategy and COVID-19 costs for protective equipment in the prior year. Marketing costs decreased 2%, with lower sponsorship spend offsetting higher campaigns spend. Other operating costs increased 5% and reflect higher fraud charges partially offset by lower travel and entertainment costs.

RBB's operating expenses grew 2% to R17 164m (7% in CCY). RBB SA's costs grew 6% to R13 111m, reflecting increased activity-related costs, continued investment in technology and digitisation, higher restructuring costs and increased bonuses. RBB ARO's expenses decreased 8% (up 8% in CCY) to R4 053m, due to the stronger Rand, which offset investment in IT and digital, and higher bonuses. CIB's costs grew 13% to R5 345m (19% in CCY) due to increased bonuses and higher incremental run costs. CIB SA's expenses grew 22% to R3 520m, with higher bonuses the principal driver. CIB ARO's expenses were flat at 0% (up 14% in CCY) at R1 825m as the stronger Rand offset higher bonuses, restructuring and incremental run costs, as well as investment in technology.

Taxation

The Group's taxation expense grew 389% to R3 511m from R718m, slightly more than the rise in operating profit before income tax, resulting in an effective tax rate of 27.2%, up from 26.1%.

Segment performance

RBB

Headline earnings grew 811% to R4 192m, due to 64% lower credit impairments while pre-provision profits declined 15% (down 13% in CCY). Revenue decreased 5% (down 2% in CCY), to R28 643m largely due to increased mortality and retrenchment claims and reserving for COVID-19 in Insurance. Net interest income fell 1% (up 4% in CCY) and non-interest income decreased 12% (down 10% in CCY). Costs increased 2% to R17 164m (7% in CCY) resulting in a cost-to-income ratio of 59.9%, up from 55.4%. Its credit loss ratio improved to 1.33% from 3.88%. RBB generated a return on regulatory capital (RoRC) of 15.3%, up from 1.6%, and contributed 51% of total Group headline earnings excluding Head office, Treasury and other operations.

Everyday Banking headline earnings grew 357% to R1 607m, given significantly lower credit impairments. Within this, Transactional and Deposits' headline earnings decreased 10% to R1 429m, considerably lower credit impairments saw Card's earnings rise to R302m from a loss of R643m, and Personal Loans' loss reduced to R124m from R599m. Home Loans' earnings increased to R1 368m, from a loss of R274m, given significantly lower credit impairments and 15% higher pre-provision profits. Vehicle and Asset Finance earnings swung to R240m, from a loss of R961m, due to a 27% pre-provision profit growth and materially lower credit impairments. Relationship Banking's headline earnings grew 53% to R1 462m, given 4% higher pre-provision profits and 46% lower credit impairments. Insurance SA's headline earnings fell to a R297m loss, from a profit of R642m, given 87% lower revenue on significantly higher claims and higher reserving in Life Insurance. Life Insurance's earnings dropped to a R449m loss, while Short-term Insurance's earnings decreased 3% to R152m. RBB ARO's headline earnings increased to R140m, from a loss of R77m, due to 64% lower credit impairments partially offset by 18% lower pre-provision profit (down 2% in CCY).

CIB

Headline earnings rose 146% to R4 049m, as credit impairments decreased 82% and pre-provision profits grew 15% (up 26% in CCY). Revenue grew 14% (up 23% in CCY) to R11 625m, given 21% higher Global Markets revenue. Net interest income grew 1% (up 8% in CCY) while non-interest income increased 38% (up 50% in CCY). Costs increased 13% to R5 345m (up 19% in CCY) resulting in a slightly lower cost-to-income ratio of 46.0% from 46.3%. CIB's credit loss ratio improved to 0.24% from 1.30%.

CIB contributed 49% of total headline earnings excluding Head Office, Treasury and other operations. It generated a 22.7% RoRC, up from 9.0%.

Investment Bank's headline earnings grew 158% to R2 890m, given 73% lower credit impairments combined with 26% higher pre-provision profits (up 36% in CCY) largely due to 57% higher non-interest income. Corporate Bank's headline earnings rose 121% to R1 159m, given 99% lower credit impairments. Its pre-provision profits declined 4% (up 7% in CCY) as 2% revenue growth (10% in CCY) was below 7% higher costs (12% in CCY). CIB SA's headline earnings grew 203% to R2 717m, reflecting 66% lower credit impairments and 39% higher pre-provision profits due to 74% non-interest income growth. CIB ARO's headline earnings rose 78% to R1 332m, as credit impairments reduced to a R47m credit from R1 140m. Its pre-provision profits decreased 13% (up 7% in CCY) given 8% lower revenue (up 10% in CCY).

Profit commentary

Prospects

The IMF forecasts 6% growth for the global economy in 2021 following the historic 3.2% fall in world GDP last year. It expects Sub-Saharan economies to grow 3.4% in 2021 after declining 1.8% in 2020. The varying pace of achieving the goal of herd immunity to COVID-19 and the evolving approach to social distancing contribute to continued uncertainty in the global environment, as does the timing and approach that countries will take towards normalising policy support.

For South Africa, the Group forecasts the economy will grow 4.0% in 2021 against last year's GDP contraction of 7.0%. It is expected that the positive effects of a growing global economy, higher commodity prices and supportive domestic monetary and fiscal policies are dampened somewhat by the health, economic and social impacts of further waves of COVID-19, the fragile business and consumer confidence, stretched electricity supply and the impact of the civil unrest in July 2021. Despite monetary and fiscal support, the Group believes that the economy is only likely to exceed fourth quarter 2019 levels by 2023. The Group does not expect the SA Reserve Bank to increase the policy rate this year, although it forecasts 75 bps in increases during 2022.

The Group forecasts GDP-weighted growth of 4.3% for its ARO presence countries following last year's small contraction. Economies dependent on tourism, such as Seychelles, Mauritius and Botswana, are likely to recover slower than the more diversified East African countries.

Policy rates are likely to rise, albeit gradually, in many of its ARO presence countries.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic or regulatory developments, the Group's guidance for 2021 is updated as follows:

Mid-single digit growth in net interest income is expected given an improved net interest margin.

Non-interest income is likely to decline slightly due to elevated Insurance claims and reserving for mortality and disability liabilities, with positive growth expected excluding these items.

The Group will continue to manage operating expenses carefully, while maintaining investment in systems and digitisation. Despite increased variable and performance costs due to higher earnings, low single digit cost growth is expected.

As a result, broadly flat operating JAWS in 2021 is expected. The Group's cost-to-income ratio is likely to be in line with 2020's 56%, resulting in low to mid-single digit growth in pre-provision profits.

After last year's substantial build in coverage, credit impairments are expected to decrease substantially, resulting in a credit loss ratio around the mid-point of our through-the-cycle range of 75 to 100 bps.

Consequently, it is expected that the Group's RoE will improve materially in 2021 relative to 2020 will be broadly in line with cost of equity, although second half returns are likely to be lower than the first half.

Finally, the Group's CET 1 ratio is likely to remain above the mid-point of the 11% to 12.5% Board target range. The Group currently expects a dividend pay-out ratio of 30% for 2021, increasing to 50% over the medium term.

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

Basis of presentation

Basis of presentation

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

The accounting policies, presentation and disclosure of the interim financial results comply with IAS 34 *interim Financial Reporting (IAS 34).*

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 continues to have an impact on estimation uncertainty during the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement include 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, post-retirement benefits, provisions, income taxes, liabilities arising from claims made under short-term and long-term insurance contracts.

Further information on changes in estimation uncertainty implemented during the reporting period is further detailed in the attached notes to the unaudited condensed consolidated interim financial results, refer to impact of COVID-19 section.

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

Accounting policies

The accounting policies applied in preparing the consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2020.

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:

(1) 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;

(2) 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

(3) Additional disclosure requirements.

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

Given a historical misalignment with the industry, specifically on the application of the definition of default, RBB SA embarked on a project to update capital and accounting IFRS 9 models to reflect a revised application of the existing definition of default as well as other model enhancements. The Group aligns its definition of default and its stage 3 accounting treatment to the regulatory definition of default.

RBB SA refined its application of the existing default definition as follows:

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

While models were redeveloped for the new definition of default, other model enhancements were made to achieve better consistency between regulatory and IFRS models, refine assumptions and methodologies in accordance with experience and new information available. The optimisations were limited to revising modelling methodologies and techniques and excluded customer behaviour as a result of the COVID-19 pandemic, which have been separately assessed and disclosed on page 22. These changes include:

- refined loss given default models to reflect empirical workout behaviour;
- revised application of stage 2, significant increase in credit risk criteria following the new application of the default definition;
- revised customer risk elements through refined behavioural scorecards;
- enhancements to more accurately reflect the effect of modification losses on the historical portfolio;
- revised lifetime assessment for revolving products;
- revised estimation of conversion rates of unused limits in revolving products; and
- enhanced modelling techniques and segmentation of models in line with best practice.

The model optimisations in Home Loans and Card are mainly due to refinements to the loss given default models. In Card, the revised lifetime assessments and estimation of conversion rates also resulted in a reduction of ECL.

The aforementioned model changes should not be viewed in isolation, as these are interlinked and offsetting may occur.

Basis of presentation

Accounting policies (continued)

These changes have been accounted for as a change in accounting estimate in accordance with *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*. The above changes have a prospective impact on the financial statements, consequently the Group has provided an updated ECL analysis by market segment and class of credit exposure view for RBB SA as a result of these changes, as at 31 December 2020. It is impracticable to disclose the future impacts of the model enhancements.

The impact of the change in application in default and other model changes, on the impairment charge in the first half of 2021, were as follows:

South African retail portfolio Product	Change in application of default Rm	Other model enhancements Rm
Home loans	5	(623)
Vehicle and asset finance	(5)	(211)
Everyday Banking	(166)	(304)
Card	(112)	(754)
Personal loans	(43)	350
Transactions and deposits	(11)	100
Total	(166)	(1 138)

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Basis of presentation

Accounting policies (continued)

ECL analysis by class of credit exposure based on the previous South African Retail definition of default – December 2020

	31 December 2020			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB[1]	—	488 486	5 538	1.13
Home Loans	—	210 738	666	0.32
Vehicle and Asset Finance	—	76 556	935	1.22
Everyday Banking	—	48 845	2 161	4.42
Card	—	31 726	1 389	4.38
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking[1]	—	101 918	800	0.78
RBB ARO	—	50 429	976	1.94
RBB Other	—	—	—	—

ECL analysis by class of credit exposure based on the revised South African Retail definition of default – December 2020

	31 December 2020			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB[1]	—	494 944	6 336	1.28
Home Loans	—	211 547	712	0.34
Vehicle and Asset Finance	—	79 838	1 232	1.54
Everyday Banking	—	51 212	2 616	5.11
Card	—	33 346	1 573	4.72
Personal Loans	—	14 896	679	4.56
Transactions and Deposits	—	2 970	364	12.26
Relationship Banking[1]	—	101 918	800	0.78
RBB ARO	—	50 429	976	1.94
RBB Other	—	—	—	—

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

Basis of presentation

31 December 2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
65 144	7 651	11.74	57 131	25 816	45.19	571 756
20 581	552	2.68	23 812	6 233	26.18	247 680
10 605	1 237	11.66	7 716	3 575	46.33	89 130
10 635	3 435	32.30	14 251	10 114	70.97	58 021
6 174	2 302	37.29	7 975	5 780	72.48	36 404
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	336	28.94	686	398	58.02	3 207
17 786	1 228	6.90	7 345	3 418	46.54	121 603
5 537	1 199	21.65	3 954	2 424	61.31	55 321
—	—	—	53	52	98.11	1

31 December 2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
64 538	6 888	10.67	51 274	24 447	47 68	573 085
23 830	701	2.94	19 754	5 354	27.10	248 364
8 498	1 186	13.96	6 536	3 123	47.78	89 331
8 887	2 574	28 .96	13 632	10 076	73.91	58 465
5 080	1 611	31.71	7 449	5 445	73.10	37 246
3 357	790	23.53	5 532	4 269	77.17	18 047
450	173	38.44	651	362	55.61	3 172
17 786	1 228	6.90	7 345	3 418	46.54	121 603
5 537	1 199	21.65	3 954	2 424	61.31	55 321
—	—	—	53	52	98.11	1

Basis of presentation

Events after the reporting period

Civil unrest, including riots and looting, occurred from 9 to 17 July 2021 in KwaZulu-Natal and Gauteng provinces, South Africa. Direct impacts included damage to Absa's physical property and the interruption of sales and service capabilities in affected areas which is being alleviated through Absa's Bank on Wheels capabilities. While the longer-term impacts of this civil unrest are still to be fully determined, the current assessment of the overall risk of financial loss to Absa is limited due to mitigants such as SASRIA insurance. Consistent with the Group's comprehensive and empathetic response to the onset of the pandemic in 2020, RBB SA has implemented various relief mechanisms to support affected customers, and CIB SA will provide bespoke solutions to qualifying clients if required. The impact of the events will be continuously monitored and managed accordingly. The directors are not aware of any events, other than the aforementioned event (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 30 June 2021 and the date of authorisation of these condensed consolidated interim financial results.

On behalf of the Board

W E Lucas-Bull
Group Chairman

P Modise
Interim Financial Director

Johannesburg
16 August 2021

Dividend announcement

Declaration of interim ordinary dividend number 68

Shareholders are advised that an interim ordinary dividend of 310 cents per ordinary share was declared on 16 August 2021, for the period ended 30 June 2021. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 17 September 2021. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 310 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 248 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 17 771 580[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 14 September 2021
Shares commence trading ex-dividend	Wednesday, 15 September 2021
Record date	Friday, 17 September 2021
Payment date	Monday, 20 September 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both dates inclusive. On Monday, 20 September 2021, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 20 September 2021.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
16 August 2021

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

[1] Includes 15 980 155 shares to be utilised when establishing a BBBEE structure.

Impact of COVID-19

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

This section provides information on the approach taken in estimating ECL allowance. Readers are referred to the Risk Management section of the Booklet for all other risk disclosures.

Impairment losses pre- and post-management adjustments

As IFRS 9 models are not calibrated for events such as the COVID-19 pandemic, management adjustments were used in conjunction with model outputs to provide a more appropriate assessment of risk. The macroeconomic variable management adjustment caters for the following factors:

- The impact of the macroeconomic expectation as a result of the COVID-19 pandemic.
- The complexities introduced by the payment relief programme, as uptake by clients has not automatically meant a significant increase in long-term credit risk and defaults. Assessment of underlying credit risk has been made, where historical data, such as probability of default (PD) and loss given default (LGD) would not accurately reflect client performance in the current macroeconomic environment.
- Significant uncertainty around the timing of defaults materialising from the pandemic and taking into account any lag periods from the current models.
- Uncertainty around the impact of future waves and the timing of government's vaccine programme.
- High risk geographies and sectors where the underlying models were unable to sufficiently identify the risk of default.
- Expert credit judgement on large single name exposures.

The table below reflects the impact of the macroeconomic variables management adjustment on each period's impairment charge:

	30 June (unaudited)				31 December	
	2021		2020		2020	
	Total impairment losses Rm	Macro-overlay contribution Rm	Total impairment losses[1] Rm	Macro-overlay contribution[1] Rm	Total impairment losses[1] Rm	Macro-overlay contribution[1] Rm
RBB	**4 196**	**86**	11 788	4 199	17 128	4 094
Home Loans	**(290)**	**—**	1 750	950	2 189	950
Vehicle and Asset Finance	**755**	**—**	2 129	926	3 062	926
Everyday Banking	**2 469**	**176**	5 107	1 221	7 337	1 177
Card	**1 286**	**176**	2 897	673	3 883	628
Personal Loans	**963**	**—**	1 867	466	2 893	466
Transactions and Deposits	**220**	**—**	343	82	561	83
Relationship Banking	**732**	**(4)**	1 348	468	2 032	471
RBB ARO	**529**	**(86)**	1 455	634	2 507	570
RBB Other	**1**	**—**	(1)	—	1	—
CIB	**510**	**(77)**	2 797	1 259	3 291	1 217
CIB SA	**557**	**(41)**	1 657	776	1 951	776
CIB ARO	**(47)**	**(36)**	1 140	483	1 340	441
Head Office, Treasury and other operations	**(4)**	**(9)**	76	59	150	46
Total	**4 702**	**—**	14 661	5 517	20 569	5 357

A material macro-overlay (R5.4bn) was raised for the deterioration of forward-looking macroeconomic variables in 2020. The macro-overlay was re-assessed in the first half of 2021 through a governed process whereby forward-looking macroeconomic assumptions were updated and applied in various business unit modelling approaches.

The results of this process indicated a potential release as the improvement in the macroeconomic environment during the early parts of 2021 was faster than anticipated. However, given the renewed uncertainty emerging from the severity of the third wave and the potential of a protracted lockdown, the macro-overlay was largely retained across portfolios. This is in line with the 2020 approach taken in the midst of the uncertainty of the second wave.

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

Impact of COVID-19

Impact of COVID-19 (continued)

Payment relief measures

COVID-19 customer payment relief

The Group implemented a payment relief programme across segments from March 2020 for eligible customers, who required short-term financial relief, to reduce or defer their monthly instalments to assist with their cash flow needs.

The table below provides the staging split and repayment profile of the payment relief population. The payment relief population includes the carrying amount of active relief and loans and advances to customers that historically benefited from payment relief:

	30 June 2021						
	Gross loans and advances to customers Rm	Gross carrying amount of payments relief Rm	Percentage of portfolio %	In arrears %	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB	628 831	149 964	23.85	12.91	112 044	24 446	13 474
Home Loans	264 271	79 415	30.05	8.14	62 479	12 314	4 622
Vehicle and Asset Finance	99 957	21 947	21.96	16.12	15 647	3 622	2 678
Everyday Banking	72 883	15 442	21.19	28.29	8 617	2 730	4 095
Card	46 571	9 901	21.26	25.69	6 034	1 643	2 224
Personal Loans	22 658	5 497	24.26	32.79	2 574	1 071	1 852
Transactions and Deposits	3 654	44	1.20	51.65	9	16	19
Relationship Banking	130 280	21 948	16.85	6.41	18 694	2 407	847
RBB ARO	61 387	11 212	18.26	31.93	6 607	3 373	1 232
RBB Other	53	—	—	—	—	—	—
CIB	369 667	50 576	13.68	12.54	32 516	15 199	2 861
CIB SA	314 067	42 981	13.69	5.09	30 066	10 798	2 117
CIB ARO	55 600	7 595	13.66	54.74	2 450	4 401	744
Head Office, Treasury and other operations	456	—	—	—	—	—	—
Total	998 954	200 540	20.07	12.81	144 560	39 645	16 335

	31 December 2020						
	Gross loans and advances to customers Rm	Gross carrying amount of payments relief Rm	Percentage of portfolio %	In arrears %	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB[1]	610 761	164 145	26.88	8.70	130 645	26 123	7 377
Home Loans	255 130	84 492	33.12	5.54	71 484	10 305	2 703
Vehicle and Asset Finance	94 876	25 892	27.29	11.99	17 922	5 907	2 063
Everyday Banking	73 731	16 492	22.37	20.68	10 215	4 482	1 795
Card	45 874	9 832	21.43	16.50	6 132	2 833	867
Personal Loans	23 785	6 607	27.78	26.70	4 070	1 629	908
Transactions and Deposits	4 072	53	1.30	45.28	13	20	20
Relationship Banking[1]	127 051	24 782	19.51	6.42	21 101	3 166	515
RBB ARO	59 920	12 487	20.84	11.96	9 923	2 263	301
RBB Other	53	—	—	—	—	—	—
CIB[1]	362 229	54 436	15.03	4.70	41 762	11 021	1 653
CIB SA	307 084	39 793	12.96	2.60	29 460	9 300	1 033
CIB ARO	55 145	14 643	26.55	10.43	12 302	1 721	620
Head Office, Treasury and other operations	612	—	—	—	—	—	—
Total	973 602	218 581	22.45	7.70	172 407	37 144	9 030

As at 30 June 2021, the vast majority of the Group's payment relief programme has been concluded and customers were required to recommence payment in terms of their normal payment conditions. The gross carrying amount of active payment relief amounts to R8 753m split across CIB SA (R2 324m), CIB ARO (R4 616m) and RBB ARO (R1 813m).

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

Impact of COVID-19

Impact of COVID-19 (continued)

Payment relief measures (continued)

Government Guaranteed Loan Scheme

As at 30 June 2021, Government Guaranteed loans to the value of **R2 602m** (30 June 2020: R500m; 31 December 2021: R2 331m) have been granted, with an outstanding balance of **R2 432m**. (30 June 2020: R50m; 31 December 2020: R2 179m),

Macroeconomic scenarios

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa and various ARO presence countries had started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment and the resurgence of the COVID-19 virus. Such risks have been incorporated in the scenarios used to calculate the Group's ECL charge as at 30 June 2021.

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

The following table shows the key forecast assumptions used for South Africa to calculate the Group's ECL allowance for the reporting period ended 30 June 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Real GDP (%)	3.8	2.3	2.1	2.1	2.2	4.4	2.9	2.3	2.5	2.5	3.3	0.6	1.0	1.2	1.3
CPI (%)	3.7	4.0	4.1	4.4	4.6	3.8	4.2	4.3	4.5	4.6	4.0	4.6	4.7	5.0	5.1
Average repo rate (%)	3.5	3.9	4.6	4.8	4.8	3.5	4.2	5.1	5.5	5.5	3.6	4.9	5.9	6.0	6.0

The following table shows the key forecast assumptions used for South Africa to calculate the Group's ECL allowance for the reporting period ended 30 June 2020:

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

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

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

Baseline scenarios as at 30 June 2021

South Africa

The evolution of the COVID-19 pandemic, its impact on the economy, the response of policymakers, and the reaction of financial markets are the biggest factors in our macroeconomic modelling, and uncertainties remain elevated. South Africa's second COVID-19 wave had a significantly smaller impact on economic activity than that of the first, and that pattern is expected to repeat in subsequent waves of infection and consequent lockdown restrictions. The country is expected to largely achieve herd immunity by end-2021, which will improve the economic resilience of the economy from 2022.

The 2020 recession was somewhat shallower, and the 2021 recovery is forecast to be stronger, as compared to forecasts made in late 2020. South Africa's GDP shrunk by 7.0% in 2020, with sectors outside of construction, transport and hospitality showing somewhat stronger resilience than earlier projected. GDP growth of 3.8% is forecasted for 2021 with a recovery to end-2019 levels by end-2022. The baseline assumes that load-shedding will be modest for the remainder of 2021 and diminish further from 2022.

Job losses were significant during 2020, with as much as 8% of formal employment lost, while pay restraint and reduced working hours also weighed on disposable income. Working hours are projected to improve in 2021, in the absence of severe lockdown measures, boosting household incomes even as wage growth itself remains low. Recovering incomes are projected to see household debt ratios improve from 2021.

In the baseline forecast, policy rates are unlikely to move during 2021, before rising by 75bps during 2022. The market is currently pricing in slightly more rate hikes and remains sensitive to external events. Housing market data has revised earlier forecasts to the high side, and with household finance improving and interest rates expected to remain low, modest positive house price inflation is expected to continue. As public finance and the financial performance of many state-owned companies is expected to remain under pressure, South Africa's credit rating is likely to be downgraded further during 2021/22. The yield curve is expected to remain very steep.

Impact of COVID-19

Impact of COVID-19 (continued)

Macroeconomic scenarios (continued)

ARO

The economic impact of the global pandemic has varied widely across ARO. At a general level, the economies of East Africa have generally been impacted less, as restrictions to economic activity were generally more modest, and their economies are more diversified. Those economies with less diversification, and particularly those where tourism and/or commodity exports are a focus, have been very hard hit. Against an estimated economic contraction of 0.4% in 2020 on a GDP-weighted basis, the baseline macroeconomic forecast for 2021 will see the ARO's growing by 4.3% in 2021 and by 5.3% in 2022.

Large fiscal deficits and weak fiscal buffers raise the risk of unsustainable public debt trajectories for some countries in the ARO, whilst a number of economies have already received assistance from multilaterals for balance of payments and budget support, and a number of ARO countries are in talks with the IMF for formal programmes.

Central banks were able to reduce policy rates in response to the pandemic, but rates are assumed to have bottomed. As inflation gradually moves higher and country risk premia are generally expected to rise, monetary policy tightening is expected for the bulk into 2022.

Sensitivity of expected credit losses

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

	30 June 2021		31 December 2020	
	Unaudited			
	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances to bank and customers.	**14 513**	**—**	15 451	—
Baseline	**14 261**	**(2)**	15 268	(1)
Upside	**14 115**	**(3)**	14 050	(9)
Downside	**15 230**	**5**	17 085	11

In addition, the impact on expected credit losses were analysed should 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2 as at 30 June 2021. 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:

	30 June 2021		31 December 2020[1]	
	Stage 2		Stage 2	
	Unaudited			
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	**25 717**	**2 353**	24 424	2 591
CIB	**10 967**	**121**	11 975	127

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

Impact of COVID-19

Impact of COVID-19 (continued)

Single name impairments

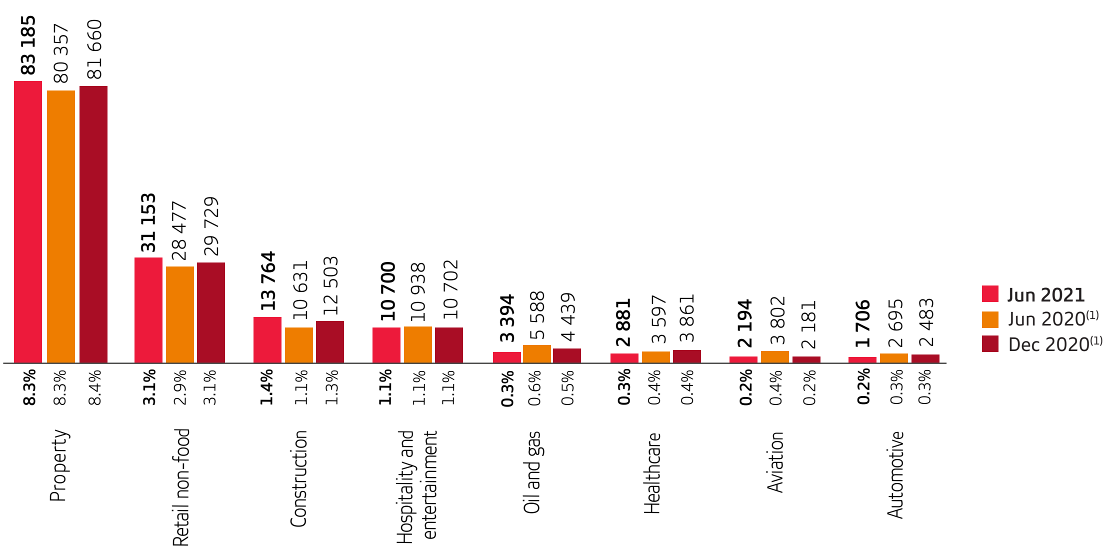
Impairment charges have been adversely impacted by increased level of risk for single name wholesale exposures that are currently categorised as stage 3. The Group continuously monitored these exposures through the Group Distressed Assets Committee to ensure any potential risk was appropriately identified, mitigated, and/or adequately provided for. As at 30 June 2021 the following impairment charges were raised for single name exposures:

	30 June (unaudited) 2021 Rm	30 June (unaudited) 2020 Rm	31 December 2020 Rm
RBB	**615**	376	617
Relationship Banking	**464**	246	287
Business Bank ARO	**151**	130	330
CIB	**680**	1 443	2 117
CIB SA	**680**	662	1 040
CIB ARO	**—**	781	1 077
Total	**1 295**	1 819	2 734

Wholesale lending in key COVID-19 impacted industries

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

Concentration risk exposures (Rm and % of total loans)



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

Impact of COVID-19

Impact of COVID-19 (continued)

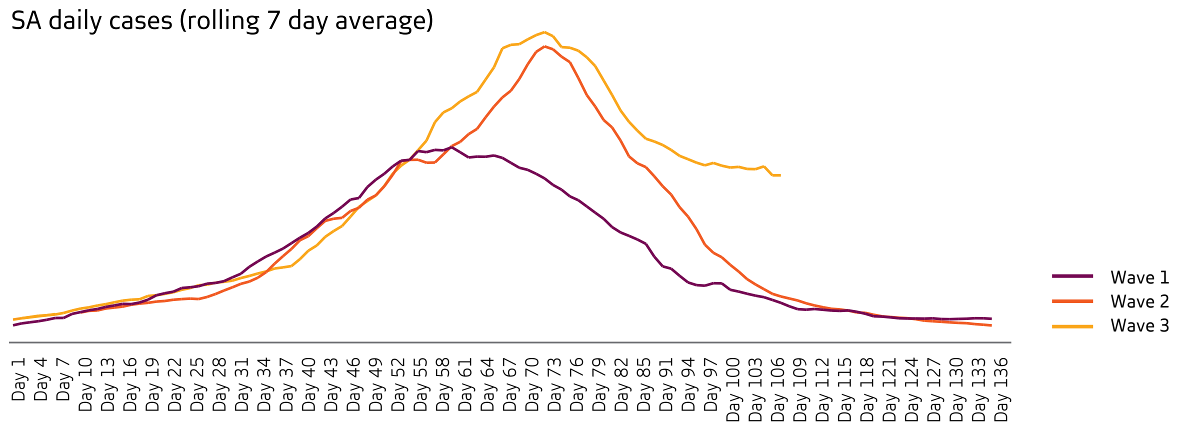
Insurance risk

The COVID-19 pandemic has had a significant impact on the assumptions used in the determination of policyholder liabilities due to the significant adverse impact on short term experience and the high level of uncertainty of the long term effects of the pandemic.

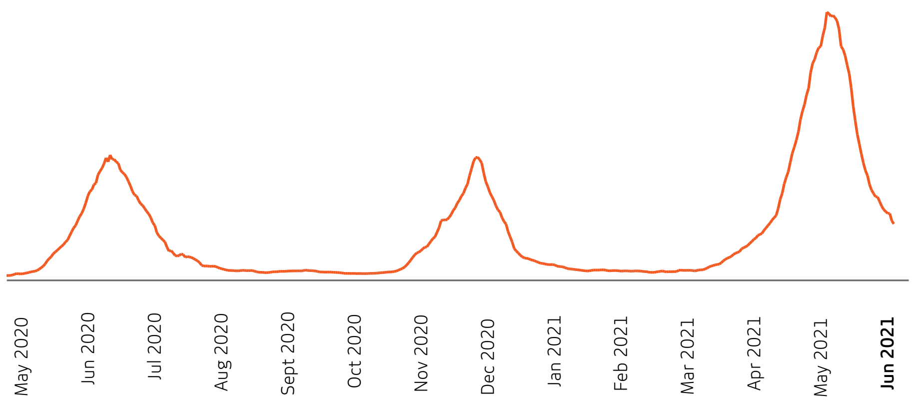
A higher degree of prudence has been exercised in the setting of long term assumptions given that there is no clear indication of the material adverse long-term impact of the pandemic, other than adjustments to retrenchment incidence rates which were made during the 2020 financial year. However, the onset of the second wave in South Africa towards the end of the last quarter of 2020 necessitated a strengthening of life insurance reserves through the establishment of a short term provision of R200m as at end December 2020, reflecting the expectation of worsening mortality and persistency experience. The provision was a best estimate of the likely financial outcome of the second wave, based on all relevant and reliable external data sources that were available at that time and allowed for excess claims in the first quarter of 2021 at a similar level to those experienced in wave one of the pandemic and a worsening in persistency equivalent to a 10% increase in lapse rates.

The second wave of COVID-19 infections in South Africa peaked in the first quarter of 2021 and was more severe than the first wave as seen in the data from the South African Medical Research Council (SAMRC) where the peak of wave 2 weekly deaths was approximately 2.5x higher than forecasts of the national mortality rate. In line with the steep increase in national experience, Absa Life has experienced claims in excess of best estimate assumptions and the short term pandemic provisions. This was as a result of the variances between the assumptions underlying the short term provisions and actual experience with the peak in weekly infection rates occurring later than expected, higher average claim amounts being reported and the adverse impact of wave 2 on claims experience lasting longer than expected. However, persistency has been stronger than expected over the reporting period supported by customer relief propositions.

National progression



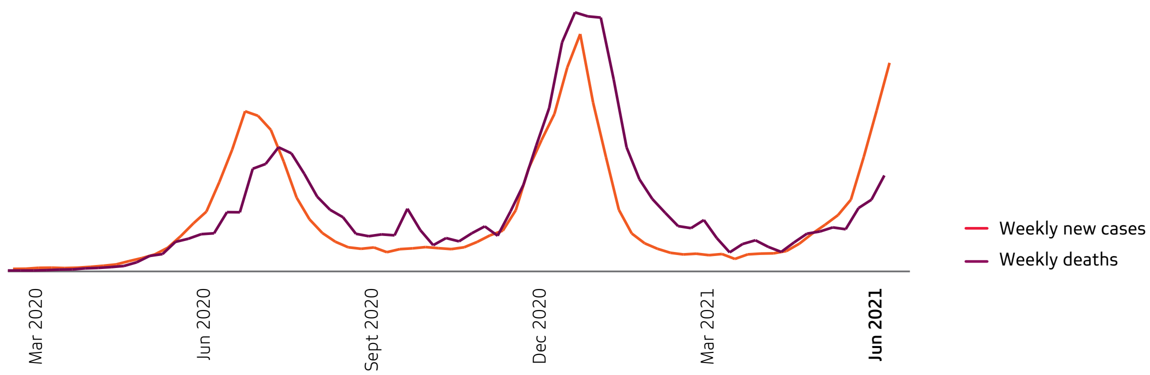
Gauteng progression



Impact of COVID-19

Impact of COVID-19 (continued)

Infections vs excess deaths



Reserves were reassessed as at 30 June 2021 taking into account all available data on the third wave, the possibility of further waves and other developments relating to the pandemic such as the impact of further COVID-19 variants and vaccination roll-out programmes. The national daily infections of wave 3 has peaked at approximately double the level reported in wave 2 due to the highly infectious Delta-variant with the Gauteng province contributing a larger proportion of cases than seen in previous waves. A greater exposure to Gauteng relative to the South African population has been taken into account in the setting of the short term provisions to be held as at 30 June 2021. The provision assumes that excess deaths relative to COVID-19 infections will be similar to the experience observed in the second wave of infections. Based on the current progress of the vaccination rollout Absa Life is not expecting a material impact on the mortality rate from the third wave, however does expect the majority of the insurable high risk population to be fully vaccinated in the event of a fourth wave. Based on these factors the business has raised a short term provision of R836m for the 3rd and 4th waves.

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

Impact of COVID-19

Impact of COVID-19 (continued)

Other estimates and judgements

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

Impairment of internally generated intangible assets, property and equipment, and goodwill

Positive economic recovery and stability together with an overall improvement in Group profitability has resulted in no indicators of impairment in relation to the Group's internally generated intangible assets, property, plant and equipment and goodwill as at 30 June 2021. Consequently, in absence of these indicators, the Group has not performed an impairment test.

Post-retirement benefits

While the Absa Pension Fund meets the definition of a defined benefit pension plan, the Group's employees are part of the defined contribution portion of the fund, and as a result the Group's actuarial risk exposure is limited. In ARO subsidiaries, there are certain legacy defined benefit pension plans, however, the majority of employees in these countries belong to defined contribution pension plans.

Defined benefit pension plan valuations are determined using actuarial assumptions and due to the long-term nature of these plans, such estimates are subject to significant uncertainty. These include: inflation **5.2%** (30 June 2020: 4.6% and 31 December 2020: 5.2%) and future salary increases **6.2%** (30 June 2020: 5.6% and 31 December 2020: 6.2%).

The most significant defined benefit pension plan in ARO is that of Mauritius. The key assumptions for the Mauritius defined benefit pension plan is a discount rate of **5.1%** (30 June 2020: 3.1% and 31 December 2020: 3.2%) inflation of **2.8%** (30 June 2020: 0.4% and 31 December 2020: 0.5%) and salary increases of **2.8%** (30 June 2020: 0.4% and 31 December 2020: 0.5%).

Furthermore, IAS 19 limits the recognition of any pension fund surpluses depending on the fund's statutory rules. The statutory valuation of the Absa Pension Fund continues to indicate that the value of pension fund assets exceeds the actuarially determined liability whilst the valuation also indicated positive returns attributable to the employer. The positive returns attributable to the employer for the Absa Pension Fund resulted in an increase in other comprehensive income (after tax) of **R70m** (30 June 2020: R62m decrease and 31 December 2020: R104m decrease). Adjustments in the assumptions applied to ARO subsidiary funds, primarily the Mauritius Pension Fund, resulted in an increase in other comprehensive income (after tax) of **R203m** (30 June 2020: R487m decrease and 31 December 2020: R416m decrease).

Hedge accounting

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group's exposure to interest rate and foreign currency risk. The Group's structural interest rate hedge in South Africa represents the most significant cash flow hedge. An assessment of the Group's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Group manages its risk. At 30 June 2021, the Group recognised a net decrease (after tax) of **R3 147m** (30 June 2020: R4 706m net increase, 31 December 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 (30 June 2020 net increase; 31 December 2020 net increase) is after a release of **R2 125m** (30 June 2020: R998m, 31 December 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 30 June 2021.

Consolidated normalised statement of comprehensive income

for the reporting period ended

	Note	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Net interest income	2	**25 585**	24 072	6	48 790
Interest and similar income		**44 132**	48 920	(10)	93 045
Effective interest income		**43 219**	48 006	(10)	91 257
Other interest income		**913**	914	(0)	1 788
Interest expense and similar charges		**(18 547)**	(24 848)	(25)	(44 255)
Non-interest income	3	**15 625**	16 006	(2)	32 592
Net fee and commission income		**10 765**	10 630	1	21 598
Fee and commission income	3.1	**12 520**	12 360	1	25 120
Fee and commission expense	3.1	**(1 755)**	(1 730)	1	(3 522)
Net insurance premium income	3.2	**4 282**	4 091	5	8 286
Net claims and benefits incurred on insurance contracts	3.3	**(2 621)**	(1 905)	38	(4 205)
Changes in investment and insurance contract liabilities	3.4	**(1 684)**	(127)	>100	(2 262)
Gains from banking and trading activities	3.5	**3 597**	2 813	28	6 216
Gains and losses from investment activities	3.6	**1 088**	24	>100	2 199
Other operating income	3.7	**198**	480	(59)	760
Total income		**41 210**	40 078	3	81 382
Impairment losses	4	**(4 702)**	(14 661)	(68)	(20 569)
Operating income before operating expenses		**36 508**	25 417	44	60 813
Operating expenses	5	**(22 605)**	(21 613)	5	(45 576)
Other expenses		**(1 032)**	(1 043)	(1)	(2 238)
Other impairments		**(121)**	(114)	6	(345)
Indirect taxation	6	**(911)**	(929)	(2)	(1 893)
Share of post-tax results of associates and joint ventures		**40**	(8)	<(100)	(36)
Operating profit before income tax		**12 911**	2 753	>100	12 963
Taxation expense	7	**(3 511)**	(718)	>100	(3 606)
Profit for the reporting period		**9 400**	2 035	>100	9 357
Profit attributable to:					
Ordinary equity holders		**8 607**	1 443	>100	7 912
Non-controlling interest – ordinary shares		**383**	86	>100	549
Non-controlling interest – preference shares		**120**	172	(30)	307
Non-controlling interest – Additional Tier 1 capital		**290**	334	(13)	589
		9 400	2 035	>100	9 357
Earnings per share:					
Basic earnings per share (cents)	1	**1 017.3**	171.7	>100	940.2
Diluted earnings per share (cents)	1	**1 015.7**	171.5	>100	939.7

Consolidated normalised statement of comprehensive income

for the reporting period ended

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Profit for the reporting period	**9 400**	2 035	>100	9 357
Other comprehensive income				
Items that will not be reclassified to profit or loss	**295**	(520)	<(100)	(578)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**7**	(9)	<(100)	(5)
Fair value gains/(losses)	**9**	(12)	<(100)	(7)
Deferred tax	**(2)**	3	<(100)	2
Movement on liabilities designated at FVTPL due to changes in own credit risk	**15**	22	(32)	(82)
Fair value movements	**20**	28	(29)	(116)
Deferred tax	**(5)**	(6)	(17)	34
Movement in retirement benefit fund assets and liabilities	**273**	(533)	<(100)	(491)
Increase/(decrease) in retirement benefit surplus	**91**	(91)	<(100)	(100)
Decrease/(increase) in retirement benefit deficit	**230**	(485)	<(100)	(433)
Deferred tax	**(48)**	43	<(100)	42
Items that are or may be subsequently reclassified to profit or loss	**(2 567)**	9 011	<(100)	2 553
Movement in foreign currency translation reserve	**(366)**	5 082	<(100)	(903)
Differences in translation of foreign operations	**(366)**	5 082	<(100)	(785)
Release to profit or loss	**—**	—	—	(118)
Movement in cash flow hedging reserve	**(3 147)**	4 706	<(100)	3 997
Fair value (losses)/gains	**(2 246)**	7 535	<(100)	9 034
Amounts transferred within other comprehensive income	**—**	(1)	(100)	5
Amount removed from other comprehensive income and recognised in profit or loss	**(2 125)**	(998)	>100	(3 488)
Deferred tax	**1 224**	(1 830)	<(100)	(1 554)
Movement in fair value of debt instruments measured at FVOCI	**946**	(777)	<(100)	(541)
Fair value gains/(losses)	**1 606**	(1 143)	<(100)	(772)
Release to profit or loss	**(230)**	(14)	>100	(32)
Deferred tax	**(430)**	380	<(100)	263
Total comprehensive income for the reporting period	**7 128**	10 526	(32)	11 332
Total comprehensive income attributable to:				
Ordinary equity holders	**6 421**	9 203	(30)	9 816
Non-controlling interest – ordinary shares	**297**	817	(64)	620
Non-controlling interest – preference shares	**120**	172	(30)	307
Non-controlling interest – Additional Tier 1 capital	**290**	334	(13)	589
	7 128	10 526	(32)	11 332

Consolidated normalised statement of financial position

as at

	Note	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Assets					
Cash, cash balances and balances with central banks		**56 610**	62 393	(9)	60 682
Investment securities		**182 623**	156 665	17	153 504
Loans and advances to banks		**80 765**	113 168	(29)	84 538
Trading portfolio assets		**206 163**	200 087	3	213 521
Hedging portfolio assets		**6 851**	11 260	(39)	11 000
Other assets		**32 553**	31 339	4	20 071
Current tax assets		**490**	1 805	(73)	531
Non-current assets held for sale		**1 373**	212	>100	144
Loans and advances to customers	8	**955 838**	932 293	3	929 969
Reinsurance assets		**510**	745	(32)	680
Investments linked to investment contracts		**22 190**	20 316	9	21 273
Investments in associates and joint ventures		**1 641**	1 640	0	1 601
Investment properties		**487**	555	(12)	496
Property and equipment		**15 639**	18 390	(15)	16 476
Goodwill and intangible assets		**7 667**	6 768	13	7 140
Deferred tax assets		**5 162**	3 360	54	4 338
Total assets		**1 576 562**	1 560 996	1	1 525 964
Liabilities					
Deposits from banks		**95 283**	108 774	(12)	96 106
Trading portfolio liabilities		**82 839**	106 651	(22)	108 976
Hedging portfolio liabilities		**3 804**	3 824	(1)	4 868
Other liabilities		**57 084**	57 388	(1)	33 570
Provisions		**3 711**	2 338	59	3 839
Current tax liabilities		**550**	336	64	268
Non-current liabilities held for sale		**542**	171	>100	—
Deposits due to customers	9	**1 009 954**	919 620	10	951 894
Debt securities in issue	10	**129 601**	178 795	(28)	145 740
Loans from Barclays separation segment		**481**	1 158	(58)	78
Liabilities under investment contracts		**25 258**	27 687	(9)	27 533
Policyholder liabilities under insurance contracts		**5 297**	4 422	20	4 198
Borrowed funds	11	**27 426**	23 299	18	20 761
Deferred tax liabilities		**422**	353	20	587
Total liabilities		**1 442 252**	1 434 816	1	1 398 418
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 692**	1 686	0	1 689
Share premium	11	**4 081**	3 781	8	4 006
Retained earnings		**106 063**	90 757	17	97 010
Other reserves		**5 403**	14 017	(61)	7 988
		117 239	110 241	6	110 693
Non-controlling interest – ordinary shares		**5 423**	5 500	(1)	5 205
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**7 004**	5 795	21	7 004
Total equity		**134 310**	126 180	6	127 546
Total liabilities and equity		**1 576 562**	1 560 996	1	1 525 964

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Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181
Total comprehensive income	—	—	—	8 905	(2 484)	—
Profit for the period	—	—	—	8 607	—	—
Other comprehensive income	—	—	—	298	(2 484)	—
Dividends paid during the reporting period	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(264)	5	—	—
Elimination of the movement in Treasury shares held by Group entities	1 190	3	75	—	—	—
Movement in share-based payment reserve	—	—	264	—	42	—
Transfer from share-based payment reserve	—	—	264	—	(264)	—
Value of employee services	—	—	—	—	281	—
Deferred tax	—	—	—	—	25	—
Movement in general credit risk reserve	—	—	—	185	(185)	(185)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2	—
Share of post-tax results of associates and joint ventures	—	—	—	(40)	40	—
Balance at the end of the reporting period	845 959	1 692	4 081	106 063	5 403	996

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2021

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546
960	(3 147)	(297)	—	—	—	6 421	297	120	290	7 128
—	—	—	—	—	—	8 607	383	120	290	9 400
960	(3 147)	(297)	—	—	—	(2 186)	(86)	—	—	(2 272)
—	—	—	—	—	—	—	(79)	(120)	—	(199)
—	—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	—	(259)	—	—	—	(259)
—	—	—	—	—	—	78	—	—	—	78
—	—	—	—	42	—	306	—	—	—	306
—	—	—	—	(264)	—	—	—	—	—	—
—	—	—	—	281	—	281	—	—	—	281
—	—	—	—	25	—	25	—	—	—	25
—	—	—	—	—	—	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—	—
—	—	—	—	—	40	—	—	—	—	—
(265)	2 166	527	42	415	1 522	117 239	5 423	4 644	7 004	134 310

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	843 530	1 687	3 875	95 021	5 745	912
Total comprehensive income	—	—	—	923	8 286	—
Profit for the period	—	—	—	1 443	—	—
Other comprehensive income	—	—	—	(520)	8 286	—
Dividends paid during the reporting period	—	—	—	(5 126)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	29	—	—
Elimination of the movement in Treasury shares held by Group entities	(677)	(1)	(94)	—	—	—
Movement in share-based payment reserve	—	—	235	—	(104)	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—
Value of employee services	—	—	—	—	224	—
Deferred tax	—	—	—	—	(93)	—
Movement in general credit risk reserve	—	—	—	(74)	74	74
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—
Balance at the end of the reporting period	842 853	1 686	3 781	90 757	14 017	986

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2020

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840
(840)	4 706	4 420	—	—	—	9 209	817	172	334	10 532
—	—	—	—	—	—	1 443	86	172	334	2 035
(840)	4 706	4 420	—	—	—	7 766	731	—	—	8 497
—	—	—	—	—	—	(5 126)	(390)	(172)	—	(5 688)
—	—	—	—	—	—	—	—	—	(334)	(334)
—	—	—	—	—	—	(206)	—	—	—	(206)
—	—	—	—	—	—	(95)	—	—	—	(95)
—	—	—	—	(104)	—	131	—	—	—	131
—	—	—	—	(235)	—	—	—	—	—	—
—	—	—	—	224	—	224	—	—	—	224
—	—	—	—	(93)	—	(93)	—	—	—	(93)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	24	—	—	—	—	—	—	—
—	—	—	—	—	(8)	—	—	—	—	—
(1 468)	6 022	6 155	37	775	1 510	110 241	5 500	4 644	5 795	126 180

Consolidated normalised statement of changes in equity

for the reporting period

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	843 530	1 687	3 875	95 021	5 745	912
Total comprehensive income	—	—	—	7 327	2 489	—
Profit for the period	—	—	—	7 912	—	—
Other comprehensive income	—	—	—	(585)	2 489	—
Dividends paid during the reporting period	—	—	—	(5 115)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(965)	88	—	—
Elimination of the movement in Treasury shares held by Group entities	1 239	2	131	—	—	—
Movement in share-based payment reserve	—	—	965	—	(506)	—
Transfer from share-based payment reserve	—	—	965	—	(965)	—
Value of employee services	—	—	—	—	445	—
Deferred tax	—	—	—	—	14	—
Movement in general credit risk reserve	—	—	—	(269)	269	269
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(27)	27	—
Share of post-tax results of associates and joint ventures	—	—	—	36	(36)	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—
Acquisition of non-controlling interest[2]	—	—	—	(51)	—	—
Balance at the end of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181

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

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

Consolidated normalised statement of changes in equity

for the reporting period

31 December 2020

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840
(597)	3 997	(911)	—	—	—	9 816	620	307	589	11 332
—	—	—	—	—	—	7 912	549	307	589	9 357
(597)	3 997	(911)	—	—	—	1 904	71	—	—	1 975
—	—	—	—	—	—	(5 115)	(450)	(307)	—	(5 872)
—	—	—	—	—	—	—	—	—	(589)	(589)
—	—	—	—	—	—	—	—	—	1 209	1 209
—	—	—	—	—	—	(877)	—	—	—	(877)
—	—	—	—	—	—	133	—	—	—	133
—	—	—	—	(506)	—	459	—	—	—	459
—	—	—	—	(965)	—	—	—	—	—	—
—	—	—	—	445	—	445	—	—	—	445
—	—	—	—	14	—	14	—	—	—	14
—	—	—	—	—	—	—	—	—	—	—
—	—	—	27	—	—	—	—	—	—	—
—	—	—	—	—	(36)	—	—	—	—	—
—	—	—	—	—	—	—	(14)	—	—	(14)
—	—	—	—	—	—	(51)	(24)	—	—	(75)
(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546

Condensed consolidated normalised statement of cash flows

for the reporting period ended

	Note	30 June 2021 Rm	30 June Restated[1] 2020 Rm	Change %	31 December 2020 Rm
Net cash (utilised in)/generated from operating activities		**(4 627)**	3 637	>(100)	6 916
Net cash (utilised in)/generated from investing activities		**(1 586)**	1 966	>(100)	(740)
Net cash generated from/(utilised in) financing activities		**5 402**	(6 736)	>(100)	(8 186)
Net cash decrease in cash and cash equivalent		**(811)**	(1 134)	(28)	(2 010)
Cash and cash equivalents at the beginning of the interim reporting period	1	**16 796**	18 288	(8)	18 288
Effect of foreign exchange rate movement on cash and cash equivalents		**237**	(541)	>(100)	518
Cash and cash equivalents at the end of the interim reporting period	2	**16 222**	16 613	(2)	16 796

Notes to the condensed consolidated normalised statement of cash flows

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

	30 June 2021 Rm	30 June Restated[1] 2020 Rm	Change %	31 December 2020 Rm
Cash, cash balances and balances with central banks[2]	**14 403**	14 033	3	14 033
Loans and advances to banks[3]	**2 393**	4 255	(44)	4 255
	16 796	18 288	(9)	18 288

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

	30 June 2021 Rm	30 June Restated[1] 2020 Rm	Change %	31 December 2020 Rm
Cash, cash balances and balances with the central banks[2]	**12 896**	12 833	0	14 403
Loans and advances to banks[3]	**3 326**	3 780	(12)	2 393
	16 222	16 613	(2)	16 796

[1] In December 2020, The Group voluntarily amended the basis on which the statement of cash flows is presented, from the direct to indirect method. The change has not had an impact on the condensed consolidated statement of cashflows.

[2] Includes coins and bank note.

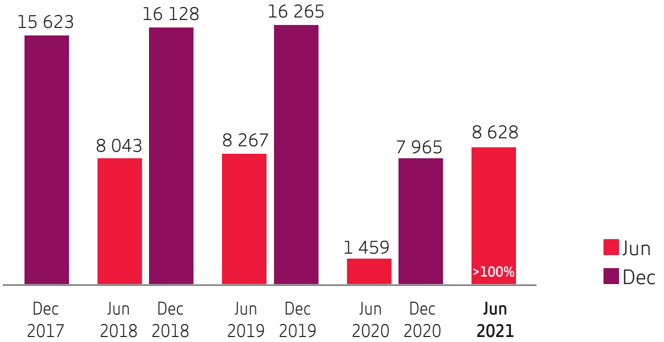
[3] Includes call advances which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



	30 June					31 December	
	2021		2020			2020	
Headline earnings	Gross Rm	Net Rm	Gross Rm	Net Rm	Net change %	Gross Rm	Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		**8 607**		1 443	>100		7 912
Total headline earnings adjustment		**21**		16	31		53
IFRS 3 – Goodwill impairment	**—**	**—**	2	2	(100)	2	2
IFRS 3 – Gain on bargain purchase	**—**	**—**	(86)	(66)	(100)	(86)	(86)
IFRS 5 – Profit on disposal of non-current assets held for sale	**(9)**	**(7)**	—	—	100	(1)	1
IFRS 5 – Re-measurement of non-current assets held for sale	**—**	**—**	22	20	(100)	33	29
IAS 16 – Profit on disposal of property and equipment	**(16)**	**(13)**	(12)	(9)	44	(65)	(48)
IAS 21 – Recycled foreign currency translation reserve	**—**	**—**	—	—	—	(118)	(92)
IAS 28 – Impairment of investments in associates and joint ventures	**—**	**—**	—	—	—	11	11
IAS 36 – Impairment of property and equipment	**56**	**41**	75	55	(25)	218	158
IAS 36 – Impairment of intangible assets	**—**	**—**	15	14	(100)	81	74
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	—	5	4
		8 628		1 459			7 965

Notable adjustments to headline earnings

- 'Profit on disposal of property and equipment' relates to disposal of equipment and branch assets.
- 'Profit on disposal of non-current assets held for sale' includes profits on property disposed in Nelspruit, Port Shepstone, Kroonstad and Mthatha.
- 'Impairment of property and equipment' arose due to retired branch assets.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share (continued)

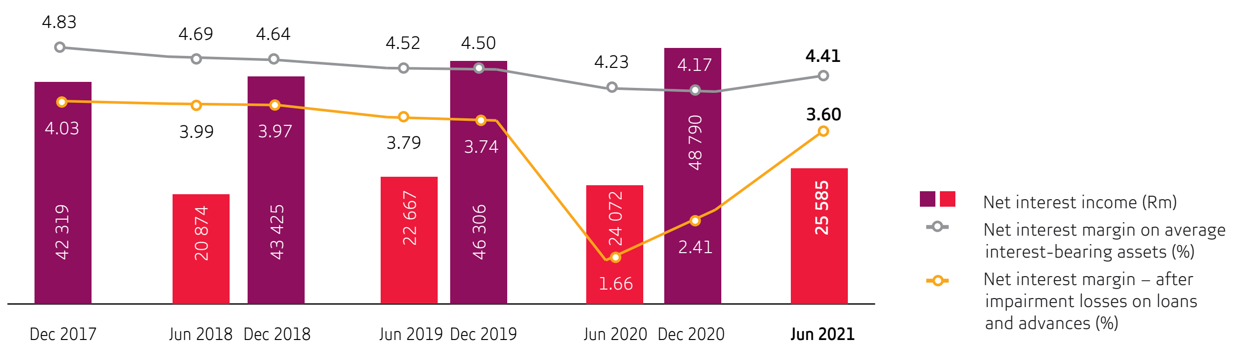
	30 June 2021 Rm	30 June 2020 Rm	Change value/ %	31 December 2020 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 607**	1 443	>100	7 912
Weighted average number of ordinary shares in issue (million)	**846.1**	840.6	5.5	841.5
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(1.7)**	(7.2)	5.5	(6.3)
Basic earnings per ordinary share (cents)	**1 017.3**	171.7	>100	940.2
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 607**	1 443	>100	7 912
Diluted weighted average number of ordinary shares in issue (million)	**847.4**	841.2	6.2	842.0
Weighted average number of ordinary shares in issue (million)	**846.1**	840.6	5.5	841.5
Adjustments for share options issued at no value (million)	**1.3**	0.6	0.7	0.5
Diluted basic earnings per ordinary share (cents)	**1 015.7**	171.5	>100	939.7
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 628**	1 459	>100	7 965
Weighted average number of ordinary shares in issue (million)	**846.1**	840.6	5.5	841.5
Headline earnings per ordinary share (cents)	**1 019.7**	173.6	>100	946.5
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 628**	1 459	>100	7 965
Diluted weighted average number of ordinary shares in issue (million)	**847.4**	841.2	6.2	842.0
Diluted headline earnings per ordinary share (cents)	**1 018.2**	173.4	>100	946.0

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin



	30 June						31 December		
	2021			2020			2020		
Group average statement of financial position	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**3 201**	**0.76**	**12**	3 191	1.94	31	3 284	0.69	23
Investment securities[2]	**146 227**	**7.87**	**5 708**	121 442	7.78	4 698	132 599	7.81	10 350
Loans and advances to banks and customers[2]	**1 020 601**	**7.59**	**38 412**	1 018 825	8.72	44 191	1 034 879	7.99	82 673
Interest-bearing assets	**1 170 028**	**7.61**	**44 132**	1 143 458	8.60	48 920	1 170 762	7.95	93 045
Non-interest-bearing assets	**386 527**	**—**	**—**	352 553	—	—	350 284	—	—
Total assets	**1 556 555**	**—**	**44 132**	1 496 011	—	48 920	1 521 046	—	93 045
Liabilities									
Deposits due to banks and customers	**884 618**	**(3.35)**	**(14 691)**	817 666	(4.44)	(18 036)	831 618	(3.72)	(30 941)
Debt securities in issue	**116 453**	**(5.36)**	**(3 093)**	146 645	(7.86)	(5 730)	143 770	(7.76)	(11 162)
Borrowed funds	**20 311**	**(7.57)**	**(763)**	22 794	(9.56)	(1 083)	21 676	(9.93)	(2 153)
Interest-bearing liabilities	**1 021 382**	**(3.66)**	**(18 547)**	987 105	(5.06)	(24 849)	997 065	(4.44)	(44 255)
Non-interest-bearing liabilities	**407 315**	**—**	**—**	387 603	—	—	401 212	—	—
Total liabilities	**1 428 698**	**—**	**(18 547)**	1 374 708	—	(24 849)	1 398 277	—	(44 255)
Total equity	**127 857**	**—**	**—**	121 303	—	—	122 769	—	—
Total equity and liabilities	**1 556 555**	**—**	**(18 547)**	1 496 011	—	(24 849)	1 521 046	—	(44 255)
Net interest margin on average interest-bearing assets		**4.41**			4.23			4.17	

[1] Average balances are calculated based on daily weighted average balances.

[2] For qualifying cash flow hedges, the fair value gain or loss on the hedging instruments associated with the effective portion of the cash flow hedge was recognised initially in other comprehensive income, and then recycled to net interest income in the reporting period when the hedged item will affect profit or loss. During the current year, a change was made in relation to the balance sheet category in which the recycle component of qualifying cash flow hedges is reported within net interest income. The recycled amount was previously reported within Investment Securities and has been amended to Loans and Advances to Customers in order to match the category of the hedged item. This has resulted in a restatement of the June 2020 amount related to Investment Securities and Loans and advances to banks and customers to **R4 698m** (previously R5 405m) and **R44 191m** (previously R43 485m) respectively.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income (continued)

	30 June		31 December
	2021 bps	2020[1] bps	2020[1] bps
Net interest margin at the end of the previous reporting period	**423**	452	450
Loans and advances to customers (i)	**4**	4	(4)
Change in rates (pricing)	**4**	(1)	(13)
Change in composition	**—**	5	9
Deposits due to customers (ii)	**(12)**	(17)	(10)
Change in rates (pricing)	**(10)**	(4)	4
Change in composition	**6**	(2)	—
Endowment (iii)	**(8)**	(11)	(14)
Equity endowment (iii)	**(10)**	(3)	(10)
SA	**(7)**	(7)	(12)
Africa Regional Operations	**(3)**	4	2
Interest rate risk management (hedging strategy) (iii)	**10**	11	16
Other (iv)	**26**	(24)	(25)
Change in net interest margin	**18**	(29)	(33)
Net interest margin at the end of the current reporting period	**441**	423	417

Performance

The Group's net interest margin of **441 bps** (2020: 423 bps) is 18 bps higher than the previous reporting period (2020: decreased by 29 bps) mainly reflecting a stable rate environment in South Africa in the current reporting period compared to the reduction of 275 bps noted in the previous reporting period. Lower rates have adversely impacted margin year-on-year across markets although the structural hedge has provided some protection in South Africa. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Improved client pricing in the secured portfolio in RBB SA as well as higher margins in Investment Banking in South Africa supported Group margin, partially offset by higher suspended interest and the negative impact of lower rates on the unsecured portfolio in RBB SA.
- Faster growth in the Home Loans and VAF portfolio relative to the Group's interest-bearing assets created a negative composition impact and was offset by the positive mix impact of the decline in CIB loans and advances.

(ii) Deposits due to customers

- Deposit margins declined in RBB SA and RBB ARO markets reflecting the impact of lower rates and in Corporate SA where the Group cannot apply an equal rate reduction for clients.
- Decreased reliance on wholesale funding had a positive composition effect, partially offset by growth in low-margin deposits in Corporate SA.

[1] These numbers have been restated to align to the changes in the reportable segments.

Performance indicators and condensed normalised notes to the consolidated financial statements

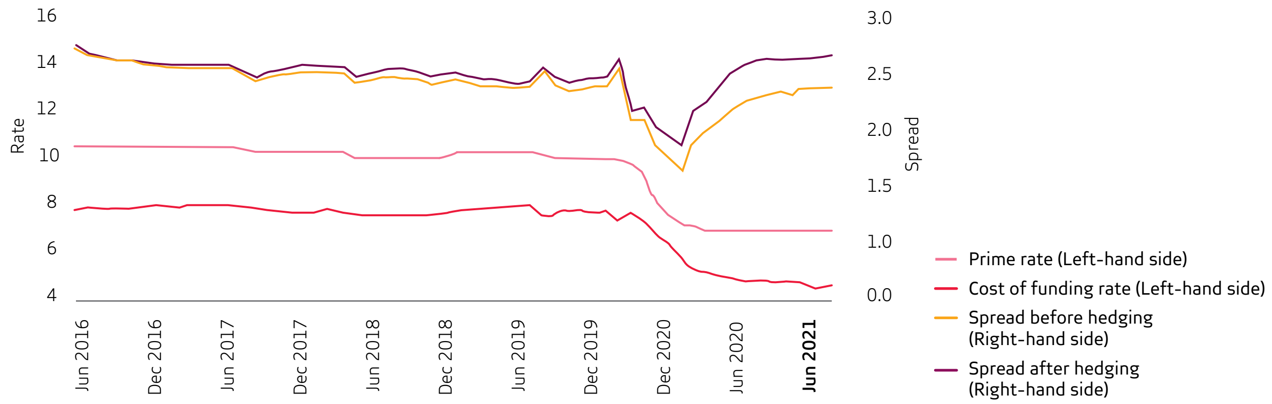
for the reporting period ended

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin[1] (%)



- Absa Bank Limited employs a governed interest rate risk management strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 30 June 2021 an aggregate of **12%** (20 June 2020: 13%; 31 December 2020: 12%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme in South Africa. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a credit balance of **R1.8bn** (30 June 2020: R4.5bn; 31 December 2020: R4.3bn). The year-on-year benefit realised on the structural hedging program is 10 bps higher, releasing **R1 518** (30 June 2020: R914m; 31 December 2020: R2 553m) to the statement of comprehensive income.
- The impact of endowment on equity and liabilities in South Africa after hedging on the Group's net interest margin was negative (-5 bps) as result of a lower rate earned on the hedging programme.
- The impact of endowment on equity in ARO on the Group's net interest margin was negative **(-3 bps)** (30 June 2020: 4 bps; 31 December 2020: 2 bps). The reduction in margin is largely due to lower rates across the regions we operate. The positive mix impact that would result from the increase in equity in constant currency was largely offset by the effect of weaker Africa Regions exchange rates.

(iv) Other

Other items have had a cumulative 26 bps positive impact mainly representing:

- The non-recurrence of prime rate reset losses from the 275 basis points of rate cuts in the prior year improved our margin by 15 basis points.
- The positive impact on margin of an increase in the basis differential between prime and JIBAR.
- Higher yields earned on the Liquid Asset Portfolio had a positive impact on margin (price impact).

[1] Absa Bank Limited hedging strategy:
- The hedging programme provides grater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and the three-month Johannesburg Interbank Agreed Rate (JIBAR) repricing liabilities after hedging.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.1 Net fee and commission income

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Consulting and administration fees	**256**	331	(23)	575
Transactional fees and commissions	**9 570**	9 490	1	19 301
Cheque accounts	**2 388**	2 569	(7)	5 112
Credit cards (includes card issuing fees)	**1 226**	1 147	7	2 340
Electronic banking	**2 778**	2 517	10	5 333
Other (includes fees on mortgage loans and foreign currency transactions)	**2 403**	2 450	(2)	4 864
Savings accounts	**775**	807	(4)	1 652
Insurance commission received	**481**	410	17	766
Investment, markets execution and investment banking fees	**138**	208	(34)	390
Merchant income	**1 154**	1 015	14	2 209
Other fee and commission income	**269**	263	2	488
Trust and other fiduciary services fees	**652**	643	1	1 391
Portfolio and other management fees	**518**	517	0	1 092
Trust and estate income	**134**	126	6	299
Fee and commission income	**12 520**	12 360	1	25 120
Fee and commission expense	**(1 755)**	(1 730)	1	(3 522)
Brokerage fees	**(41)**	(59)	(31)	(100)
Cheque processing fees	**(9)**	(57)	(84)	(99)
Clearing and settlement charges	**(537)**	(472)	14	(999)
Insurance commission paid	**(567)**	(521)	9	(1 091)
Notification fees	**(113)**	(134)	(16)	(250)
Other	**(426)**	(453)	(6)	(897)
Valuation fees	**(62)**	(34)	82	(86)
	10 765	10 630	1	21 598
Segment split[1]				
RBB	**8 849**	8 824	0	17 956
CIB	**1 568**	1 409	11	2 879
Head Office, Treasury and other operations	**348**	397	(12)	763
	10 765	10 630	1	21 598

3.2 Net insurance premium income

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Gross insurance premiums	**4 832**	4 703	3	9 441
Premiums ceded to reinsurers	**(550)**	(612)	(10)	(1 155)
	4 282	4 091	5	8 286
Segment split				
RBB[2]	**4 282**	4 114	4	8 342
Head Office, Treasury and other operations	**—**	(23)	(100)	(56)
	4 282	4 091	5	8 286

[1] These numbers have been restated, refer to the report overview.
[2] Life Insurance and Short-term Insurance (including their Africa operations) are disclosed as part of Insurance in RBB.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Gross claims and benefits incurred on insurance contracts	**(3 122)**	(2 121)	47	(4 753)
Reinsurance recoveries	**501**	216	>100	548
	(2 621)	(1 905)	38	(4 205)
Segment split				
RBB[1]	**(2 595)**	(1 866)	39	(4 154)
Head Office, Treasury and other operations	**(26)**	(39)	(33)	(51)
	(2 621)	(1 905)	38	(4 205)

3.4 Changes in investment and insurance contract liabilities

	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Change in insurance contract liabilities	**(844)**	42	<(100)	(104)
Change in investment contract liabilities[2]	**(840)**	(169)	>100	(2 158)
	(1 684)	(127)	>100	(2 262)
Segment split				
RBB[1]	**(1 686)**	(130)	>100	(2 267)
Head Office, Treasury and other operations	**2**	3	(33)	5
	(1 684)	(127)	>100	(2 262)

[1] Life Insurance and Short-term Insurance (including their Africa operations) are disclosed as part of Insurance in RBB.

[2] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with 'Net gains on investments from insurance activities: Policyholder investment contracts' reported in 'Gains and losses from investment activities'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Net gains/(losses) on investments	**301**	(204)	<(100)	(77)
Debt instruments designated at fair value through profit or loss	**54**	82	(34)	179
Equity instruments at fair value through profit or loss	**17**	(300)	<(100)	(288)
Unwind from reserves for debt instruments at FVOCI	**230**	14	>100	32
Net trading result	**3 287**	3 329	(1)	6 593
Net trading income excluding the impact of hedge accounting	**3 686**	3 066	20	6 016
Ineffective portion of hedges	**(399)**	263	<(100)	577
Cash flow hedges	**(442)**	230	<(100)	566
Fair value hedges	**43**	33	30	11
Other gains/(losses)	**9**	(312)	<(100)	(300)
	3 597	2 813	28	6 216
Segment split[1]				
RBB	**549**	627	(12)	1 240
CIB	**3 324**	2 013	65	4 613
Head Office, Treasury and other operations[2]	**(276)**	173	<(100)	363
	3 597	2 813	28	6 216

3.6 Gains and losses from investment activities

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Net gains on investments from insurance activities	**1 081**	56	>100	2 216
Policyholder insurance contracts	**243**	23	>100	231
Policyholder investment contracts[3]	**754**	(168)	<(100)	1 701
Shareholders' funds	**84**	201	(58)	284
Other gains	**7**	(32)	<(100)	(17)
	1 088	24	>100	2 199
Segment split				
RBB	**1 193**	355	>100	2 712
Head Office, Treasury and other operations[2]	**(105)**	(331)	(68)	(513)
	1 088	24	>100	2 199

[1] These numbers have been restated, refer to the report overview.

[2] This includes the elimination of investment returns of Absa Life Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

[3] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contract liabilities' reported in 'Changes in investment and insurance contract liabilities'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Property-related income	**35**	35	—	107
Income from investment properties	**2**	3	(33)	—
Change in fair value	**—**	—	—	(5)
Rentals	**2**	3	(33)	5
Property-related income arising from contracts with customers	**33**	32	3	107
Profit on disposal of property and equipment	**16**	12	33	65
Profit on sale of developed properties	**3**	2	50	7
Profit on sale of repossessed properties	**3**	1	>100	4
Rental income	**11**	17	(35)	31
Other operating income	**163**	445	(63)	653
Foreign exchange differences, including recycle from other comprehensive income	**(6)**	94	<(100)	164
Income from maintenance contracts	**14**	25	(44)	36
Sundry income	**155**	326	(52)	453
	198	480	(59)	760
Segment split[1]				
Property-related income	**35**	35	—	107
RBB	**33**	22	50	62
CIB	**—**	9	(100)	8
Head Office, Treasury and other operations	**2**	4	(50)	37
Other operating income	**163**	445	(63)	653
RBB	**147**	318	(54)	401
CIB	**—**	102	(100)	103
Head Office, Treasury and other operations	**16**	25	(36)	149
	198	480	(59)	760

[1] These numbers have been restated, refer to the report overview.

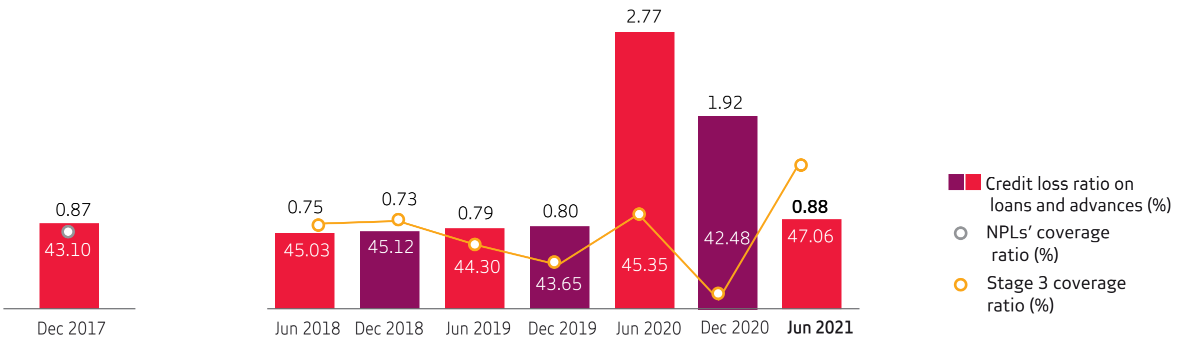
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses

4.1 Total charge to the statement of comprehensive income by market segment

Credit loss and Stage 3 coverage ratios/Non-performing loans (NPLs) coverage ratios (%)



Charge to the statement of comprehensive income by market segment	30 June 2021 Rm	30 June 2020[1] Rm	Change %	31 December 2020[1] Rm
RBB				
Home Loans	**(290)[2]**	1 750	<(100)	2 189
Vehicle and Asset Finance	**755**	2 129	(65)	3 062
Everyday Banking	**2 469**	5 107	(52)	7 337
Card	**1 286**	2 897	(56)	3 883
Personal Loans	**963**	1 867	(48)	2 893
Transactions and Deposits	**220**	343	(36)	561
Relationship Banking	**732**	1 348	(46)	2 032
RBB ARO	**529**	1 455	(64)	2 507
Retail and Business Banking Other (RBB Other)	**1**	(1)	<(100)	1
Total charge	**4 196**	11 788	(64)	17 128
Credit loss ratio (%)	**1.33**	3.88		2.78
CIB				
CIB SA	**557**	1 657	(66)	1 951
CIB ARO	**(47)**	1 140	<(100)	1 340
Total charge	**510**	2 797	(82)	3 291
Credit loss ratio (%)	**0.24**	1.30		0.75
Head Office, Treasury and other operations in South Africa				
Total charge	**(4)**	76	<(100)	150
Total charge to the statement of comprehensive income	**4 702**	14 661	(68)	20 569
Interest on cured accounts	**2 539**	535	>100	1 013
Total charge to the statement of comprehensive income before cured interest adjustment	**7 241**	15 196	(52)	21 582
Comprising:				
Impairment losses raised	**5 644**	15 832	(64)	23 203
Impairment on loans and advances to customers and undrawn facilities[3]	**5 330**	15 588	(66)	22 792
Impairment on loans and advances to banks	**6**	21	(74)	42
Impairment losses on other financial instruments subject to impairment	**117**	76	54	189
Impairment losses on guarantees and letters of credit	**191**	147	30	180
Recoveries of financial instruments subject to impairment previously written off	**(315)**	(312)	1	(656)
Net change in interest including other	**(627)**	(859)	(27)	(1 978)
Total charge to the statement of comprehensive income	**4 702**	14 661	(68)	20 569

[1] These numbers have been restated, refer to the reporting changes overview.
[2] The release in Home Loans includes a once-off benefit realised from model optimisation, refer to accounting policies.
[3] Impairment losses on loans and advances to customers and undrawn facilities includes net change in interest that has been suspended.

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Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	30 June 2021			
		Stage 1		
	Carrying amount of financial assets at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB	—	514 344	5 928	1.15
Home Loans	—	219 014	498	0.23
Vehicle and Asset Finance	—	85 223	1 210	1.42
Everyday Banking	—	52 481	2 327	4.43
Card	—	34 308	1 282	3.74
Personal Loans	—	15 366	716	4.66
Transactions and Deposits	—	2 807	329	11.72
Relationship Banking	—	107 946	950	0.88
RBB ARO	—	49 680	943	1.90
RBB Other	—	—	—	—
CIB	90 339	219 344	1 527	0.70
CIB SA	90 339	176 879	1 271	0.72
CIB ARO	—	42 465	256	0.60
Head Office, Treasury and other operations	—	317	(186)	—
Loans and advances to customers	—	317	4	1.26
Reclassification to provisions[1]	—	—	(190)	—
Loans and advances to customers	90 339	734 005	7 269	0.99
Loans and advances to banks	31 028	47 900	44	0.09
Total loans and advances to customers and banks	121 367	781 905	7 313	0.94

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

30 June 2021

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
61 602	6 342	10.30	52 885	26 041	49.24	590 520
25 265	839	3.32	19 992	5 735	28.69	257 199
7 630	948	12.42	7 104	3 817	53.73	93 982
7 530	2 476	32.88	12 872	9 712	75.45	58 368
4 555	1 808	39.69	7 708	5 847	75.86	37 634
2 678	574	21.43	4 614	3 440	74.56	17 928
297	94	31.65	550	425	77.27	2 806
14 032	1 033	7.36	8 302	3 915	47.16	124 382
7 145	1 046	14.64	4 562	2 810	61.60	56 588
—	—	—	53	52	98.11	1
51 944	934	1.80	8 040	2 683	33.37	364 523
41 632	302	0.73	5 217	1 385	26.55	311 109
10 312	632	6.13	2 823	1 298	45.98	53 414
139	(98)	—	—	(55)	—	795
139	—	—	—	—	—	452
—	(98)	—	—	(55)	—	343
113 685	7 178	6.31	60 925	28 669	47.06	955 838
1 903	22	1.16	—	—	—	80 765
115 588	7 200	6.23	60 925	28 669	47.06	1 036 603

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

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

	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB[1]	—	482 349	5 458	1.13
Home Loans	—	203 666	639	0.31
Vehicle and Asset Finance	—	70 073	918	1.31
Everyday Banking	—	50 114	2 351	4.69
Card	—	31 448	1 489	4.73
Personal Loans	—	16 239	726	4.47
Transactions and Deposits	—	2 427	136	5.60
Relationship Banking[1]	—	102 756	673	0.65
RBB ARO	—	55 740	877	1.57
RBB Other	—	—	—	—
CIB[1]	61 392	262 197	2 179	0.83
CIB SA	61 392	203 847	1 352	0.66
CIB ARO	—	58 350	827	1.42
Head Office, Treasury and other operations[1]	—	226	(199)	—
Loans and advances to customers	—	226	5	2.21
Reclassification to provisions[2]	—	—	(204)	—
Loans and advances to customers	61 392	744 772	7 438	1.00
Loans and advances to banks	57 630	54 395	42	0.08
Total loans and advances to customers and banks	119 022	799 167	7 480	0.94

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

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

30 June 2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
63 768	7 546	11.83	52 496	24 908	47.45	560 701
19 086	523	2.74	22 633	6 134	27.10	238 089
10 774	1 164	10.80	6 745	2 999	44.46	82 511
10 843	3 423	31.57	12 820	9 530	74.34	58 473
5 980	2 140	35.79	7 612	5 857	76.94	35 554
3 743	931	24.87	4 587	3 310	72.16	19 602
1 120	352	31.43	621	363	58.45	3 317
16 700	1 387	8.31	6 287	3 020	48.04	120 663
6 365	1 049	16.48	3 959	3 173	80.15	60 965
—	—	—	52	52	100.00	—
43 827	594	1.36	8 978	2 993	33.34	370 628
38 543	444	1.15	4 769	961	20.15	305 794
5 284	150	2.84	4 209	2 032	48.28	64 834
251	(268)	—	—	(20)	—	964
251	—	—	—	—	—	472
—	(268)	—	—	(20)	—	492
107 846	7 872	7.30	61 474	27 881	45.35	932 293
1 188	3	0.25	—	—	—	113 168
109 034	7 875	7.22	61 474	27 881	45.35	1 045 461

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

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

31 December 2020	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB[1]	—	488 486	5 538	1.13
Home Loans	—	210 738	666	0.32
Vehicle and Asset Finance	—	76 556	935	1.22
Everyday Banking	—	48 845	2 161	4.42
Card	—	31 726	1 389	4.38
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking[1]	—	101 918	800	0.78
RBB ARO	—	50 429	976	1.94
RBB Other	—	—	—	—
CIB[1]	63 901	239 507	1 710	0.71
CIB SA	63 901	196 221	1 318	0.67
CIB ARO	—	43 286	392	0.91
Head Office, Treasury and other operations[1]	—	390	(137)	—
Loans and advances to customers	—	390	5	1.28
Reclassification to provisions[2]	—	—	(142)	—
Loans and advances to customers	63 901	728 383	7 111	0.98
Loans and advances to banks	31 830	50 454	59	0.12
Total loans and advances to customers and banks	95 731	778 837	7 170	0.92

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

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

31 December 2020						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
65 144	7 651	11.74	57 131	25 816	45.19	571 756
20 581	552	2.68	23 812	6 233	26.18	247 680
10 605	1 237	11.66	7 716	3 575	46.33	89 130
10 635	3 435	32.30	14 251	10 114	70.97	58 021
6 174	2 302	37.29	7 975	5 780	72.48	36 404
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	336	28.94	686	398	58.02	3 207
17 786	1 228	6.90	7 345	3 418	46.54	121 603
5 537	1 199	21.65	3 954	2 424	61.31	55 321
—	—	—	53	52	98.11	1
49 465	874	1.77	9 356	2 497	26.69	357 148
40 827	377	0.92	6 135	1 169	19.05	304 220
8 638	497	5.75	3 221	1 328	41.23	52 928
222	(248)	—	—	(68)	—	1 065
222	—	—	—	—	—	607
—	(248)	—	—	(68)	—	458
114 831	8 277	7.21	66 487	28 245	42.48	929 969
2 317	4	0.17	—	—	—	84 538
117 148	8 281	7.07	66 487	28 245	42.48	1 014 507

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance

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

	30 June 2021			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances to customers	**38 311**	**5 144**	**(339)**	**43 116**
Stage 1	5 928	1 527	(186)	7 269
Stage 2	6 342	934	(98)	7 178
Stage 3	26 041	2 683	(55)	28 669
Undrawn facilities	**29**	**65**	**343**	**437**
Stage 1	17	45	190	252
Stage 2	12	8	98	118
Stage 3	—	12	55	67
Total loans and advances to customers and undrawn facilities	**38 340**	**5 209**	**4**	**43 553**

	30 June 2020			
	RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Loans and advances to customers	37 912	5 766	(487)	43 191
Stage 1	5 458	2 179	(199)	7 438
Stage 2	7 546	594	(268)	7 872
Stage 3	24 908	2 993	(20)	27 881
Undrawn facilities	25	55	492	572
Stage 1	17	45	204	266
Stage 2	9	10	268	287
Stage 3	(1)	—	20	19
Total loans and advances to customers and undrawn facilities	37 937	5 821	5	43 763

	31 December 2020			
	RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Loans and advances to customers	39 005	5 081	(453)	43 633
Stage 1	5 538	1 710	(137)	7 111
Stage 2	7 651	874	(248)	8 277
Stage 3	25 816	2 497	(68)	28 245
Undrawn facilities	52	84	458	594
Stage 1	31	62	142	235
Stage 2	21	11	248	280
Stage 3	—	11	68	79
Total loans and advances to customers and undrawn facilities	39 057	5 165	5	44 227

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 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 to customers, by market segment:

	30 June 2021			
Loans and advances to customers at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	39 057	5 165	5	44 227
Stage 1	5 569	1 772	5	7 346
Stage 2	7 672	885	—	8 557
Stage 3	25 816	2 508	—	28 324
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 737	(46)	—	1 691
Stage 2 net transfers	(2 161)	104	—	(2 057)
Stage 3 net transfers	424	(58)	—	366
Impairment losses raised and interest in suspense	5 029	302	(1)	5 330
Amounts written off	(5 634)	(202)	—	(5 836)
Foreign exchange movements	(112)	(56)	—	(168)
Balance at the end of the reporting period	38 340	5 209	4	43 553
Stage 1	5 945	1 572	4	7 521
Stage 2	6 354	942	—	7 296
Stage 3	26 041	2 695	—	28 736

	30 June 2020			
Loans and advances to customers at amortised cost and undrawn facilities	RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	27 200	3 169	12	30 381
Stage 1	3 703	885	12	4 600
Stage 2	4 718	514	—	5 232
Stage 3	18 779	1 770	—	20 549
Transfers between stages	—	—	—	—
Stage 1 net transfers	738	14	—	752
Stage 2 net transfers	(1 949)	(68)	—	(2 017)
Stage 3 net transfers	1 211	54	—	1 265
Impairment losses raised and interest in suspense	12 922	2 673	(7)	15 588
Amounts written off	(2 877)	(345)	—	(3 222)
Foreign exchange movements	692	324	—	1 016
Balance at the end of the reporting period	37 937	5 821	5	43 763
Stage 1	5 475	2 224	5	7 704
Stage 2	7 555	604	—	8 159
Stage 3	24 907	2 993	—	27 900

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

Loans and advances to customers at amortised cost and undrawn facilities	31 December 2020 RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	27 200	3 169	12	30 381
Stage 1	3 703	885	12	4 600
Stage 2	4 718	514	—	5 232
Stage 3	18 779	1 770	—	20 549
Transfers between stages	—	—	—	—
Stage 1 net transfers	718	(33)	—	685
Stage 2 net transfers	(2 005)	94	—	(1 911)
Stage 3 net transfers	1 287	(61)	—	1 226
Impairment losses raised and interest in suspense	19 300	3 499	(7)	22 792
Amounts written off	(6 410)	(1 005)	—	(7 415)
Foreign exchange movements	(1 033)	(498)	—	(1 531)
Balance at the end of the reporting period	39 057	5 165	5	44 227
Stage 1	5 569	1 772	5	7 346
Stage 2	7 672	885	—	8 557
Stage 3	25 816	2 508	—	28 324

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

Loans and advances to banks at amortised cost	30 June 2021 RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	—	49	14	63
Stage 1	—	46	13	59
Stage 2	—	3	1	4
Impairment losses raised	—	8	(2)	6
Foreign exchange movements	—	(3)	—	(3)
Balance at the end of the reporting period	—	54	12	66
Stage 1	—	37	7	44
Stage 2	—	17	5	22

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	30 June 2020			
Loans and advances to banks at amortised cost	RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	20	4	24
Stage 1	—	17	4	21
Stage 2	—	3	—	3
Impairment losses raised	—	9	12	21
Foreign exchange movements	—	—	—	—
Balance at the end of the reporting period	—	29	16	45
Stage 1	—	26	16	42
Stage 2	—	3	—	3

	31 December 2020			
Loans and advances to banks at amortised cost	RBB[1] Rm	CIB[1] Rm	Head Office, Treasury and other operations[1] Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	20	4	24
Stage 1	—	17	4	21
Stage 2	—	3	—	3
Impairment losses raised	—	32	10	42
Foreign exchange movements	—	(3)	—	(3)
Balance at the end of the reporting period	—	49	14	63
Stage 1	—	45	14	59
Stage 2	—	4	—	4

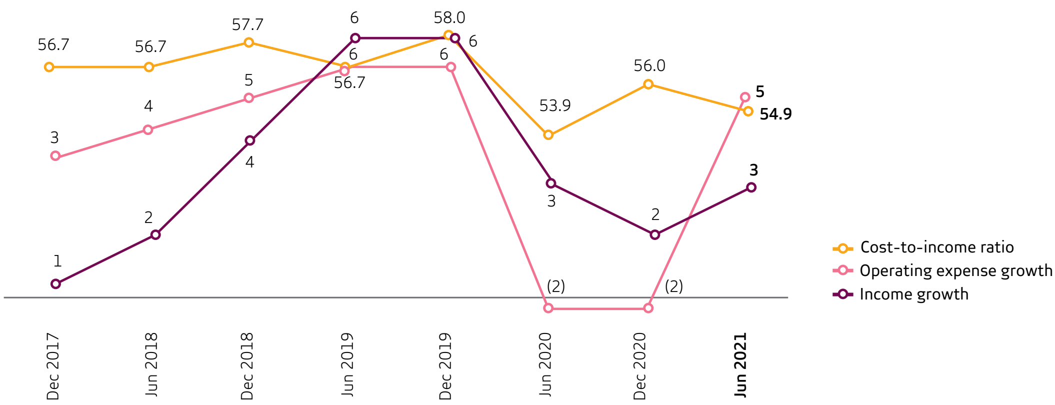
[1] These numbers have been restated, refer to the reporting changes overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Administration fees	**31**	150	(79)	497
Amortisation of intangible assets	**638**	572	12	1 286
Auditors' remuneration	**165**	157	5	403
Cash transportation	**606**	557	9	1 181
Depreciation	**1 691**	1 794	(6)	3 801
Equipment costs	**155**	174	(11)	339
Information technology	**2 368**	2 007	18	4 141
Marketing costs	**522**	534	(2)	1 114
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 095**	1 046	5	1 897
Printing and stationery	**136**	156	(13)	292
Professional fees	**985**	961	2	2 316
Property costs	**902**	933	(3)	1 878
Staff costs	**12 667**	11 919	6	25 140
Bonuses	**894**	87	>100	1 239
Deferred cash and share-based payments	**329**	250	32	468
Other[1]	**454**	464	(2)	1 293
Salaries and current service costs on post-retirement benefit funds	**10 857**	10 988	(1)	21 734
Training costs	**133**	130	2	406
Straight line lease expenses on short term leases and low value assets	**89**	101	(12)	181
Telephone and postage	**555**	552	1	1 110
	22 605	21 613	5	45 576

Breakdown of IT-related spend included in operating expenses	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Amortisation of intangible assets and depreciation of IT equipment	**1 123**	1 157	(3)	2 609
Information technology	**2 368**	2 007	18	4 141
Staff costs[2]	**1 315**	1 065	23	2 217
of which staff costs pre the capitalisation of project-related resource costs	**1 581**	1 256	26	2 598
Other[2]	**538**	576	(7)	1 161
	5 344	4 805	11	10 128

[1] Includes staff restructuring costs, recruitment costs, membership fees to professional bodies, staff parking, study assistance, staff relocation and refreshment costs.

[2] The current reporting period's staff cost growth reflects an increase relating to the insourcing of resources, into the newly formed Absa Technology Prague s.r.o., which in 2020 were outsourced through an external service provider and included as professional fees in Other.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses (continued)

On a normalised basis operating costs increased by **5%** (CCY 9%) to **R22 605m** (30 June 2020: R21 613m) reflecting an increase in staff costs of **6%** (CCY 11%) year-on-year whilst non-staff costs increased by **3%** (CCY 7%). Staff cost growth mainly reflects higher performance incentives from a very low base in the prior year, excluding which salaries and other remaining staff costs reflected low growth in constant currency terms. Non-staff cost growth was well-contained from very low property and discretionary cost growth despite an increase in information technology costs and amortisation charges from continuing investment.

- Administration fees decreased by **79%** (CCY 82%) and mainly reflect lower payments for externally managed product services following the sale of a store card portfolio.
- Amortisation of intangible assets increased by **12%** (CCY 13%) and reflects continuing investment in new digital, data and automation capabilities.
- Cash transportation costs increased by **9%** (CCY 10%) and reflect lower cash volumes in the second quarter of 2020 during the initial COVID-19 hard lock down period in South Africa.
- Depreciation decreased by **6%** (CCY 3%) mainly from lower depreciation on IT infrastructure.
- Information technology costs increased by **18%** (CCY 19 %) and mainly reflect continuing investment into digital platforms, as well as the annualisation impact of software and technology support costs incurred post the conclusion of separation from Barclays PLC in June 2020.
- Marketing costs decreased by **2%** (CCY 1% higher) and reflect higher campaigns spend which was offset by lower sponsorship spend.
- Other operating costs increased by **5%** (CCY 20%) and reflect higher fraud charges offset by lower travel and entertainment spend as a consequence of COVID-19 restrictions.
- Professional fees increased by **2%** (CCY 4%) mainly from increased change and technology services spend.
- Property costs decreased by **3%** (CCY 1% higher) and reflect the continued benefit of the Group's property optimisation strategy coupled with the impact of COVID-19 costs for protective equipment in the prior year base.
- Staff costs increased by **6%** (CCY 11%) to **R12 667m** (2020: R11 919m). Salaries and Other staff costs of R11 311m (2020: R11 452m) have decreased by **1%** (CCY 3% higher) with this low growth reflective of lower headcount levels despite the impact of staff restructuring costs during the half. Bonuses of **R894m** (2020: R87m) increased by more than 100% (similarly in constant currency) in line with the Group's results whilst deferred cash and share-based payments of **R329m** (2020: R250m) increased by **32%** (CCY 33%).
- Telephone and postage costs increased by **1%** (CCY 6%) and mainly reflect higher communication costs to support remote working.

6. Indirect taxation

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Training levy	**108**	85	27	177
Value-added tax net of input credits	**803**	844	(5)	1 716
	911	929	(2)	1 893

7. Taxation expense

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**12 911**	2 753	>100	12 963
Share of post-tax results of associates and joint ventures	**(40)**	8	<(100)	36
	12 871	2 761	>100	12 999
Tax calculated at a tax rate of 28%	**3 604**	773	>100	3 640
Effect of different tax rates in other countries	**131**	72	82	(23)
Expenses not deductible for tax purposes[1]	**378**	280	35	441
Assessed losses	**6**	6	—	9
Dividend income	**(401)**	(303)	32	(519)
Non-taxable interest[2]	**(247)**	(136)	82	(344)
Other income not subject to tax	**(81)**	(41)	98	(33)
Other	**108**	(24)	<(100)	324
Items of a capital nature	**13**	91	(86)	111
	3 511	718	>100	3 606

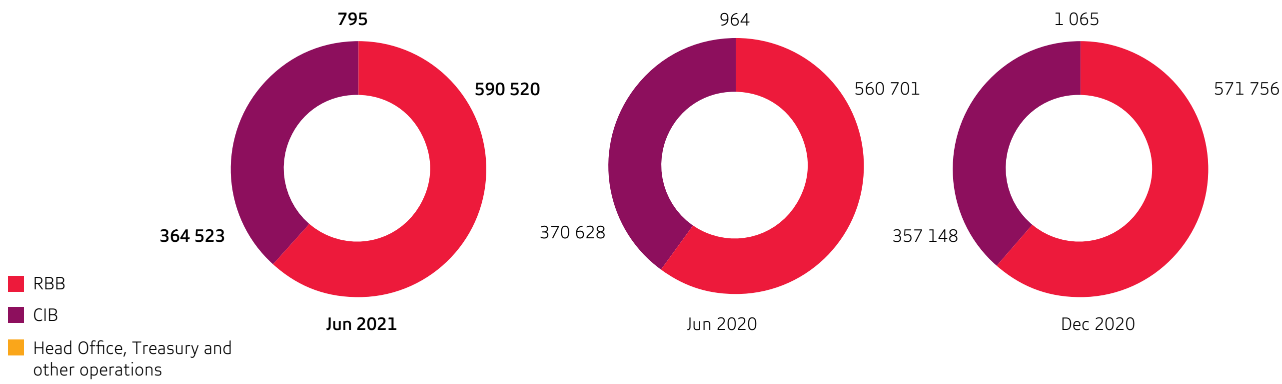
[1] This includes donations, non-deductible levies and other non-deductible expenses.
[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	30 June 2021 %	30 June 2020[1] %	31 December 2020[1] %
RBB	**61.8**	60.1	61.5
CIB	**38.1**	39.8	38.4
Head Office, Treasury and other operations in South Africa	**0.1**	0.1	0.1
	100.0	100.0	100.0

Loans and advances to customers by segment	30 June 2021 Rm	30 June 2020[1] Rm	Change %	31 December 2020[1] %
RBB				
RBB SA	**567 444**	532 549	7	550 841
Credit cards	**44 596**	43 259	3	44 460
Instalment credit agreements	**107 984**	95 736	13	103 544
Loans to associates and joint ventures	**25 088**	23 877	5	24 563
Mortgages	**288 720**	271 375	6	279 583
Other loans and advances	**3 297**	4 412	(25)	3 395
Overdrafts	**34 397**	35 360	(3)	33 167
Personal and term loans	**63 362**	58 530	8	62 129
ARO loans and advances	**61 387**	66 064	(7)	59 920
Gross loans and advances to customers	**628 831**	598 613	5	610 761
Impairment losses on loans and advances to customers	**(38 311)**	(37 912)	1	(39 005)
	590 520	560 701	5	571 756
CIB				
CIB SA	**314 067**	308 551	2	307 084
Foreign currency loans	**30 446**	48 124	(37)	39 274
Mortgages	**50 458**	44 859	12	47 507
Term loans	**105 519**	110 729	(5)	113 605
Overdrafts	**11 561**	15 287	(24)	12 695
Overnight finance	**16 014**	18 970	(16)	19 419
Preference shares	**26 998**	24 257	11	25 100
Reverse repurchase agreements	**62 702**	34 893	80	37 001
Other loans and advances	**10 369**	11 432	(9)	12 483
ARO loans and advances	**55 600**	67 843	(18)	55 145
Gross loans and advances to customers	**369 667**	376 394	(2)	362 229
Impairment losses on loans and advances to customers	**(5 144)**	(5 766)	(11)	(5 081)
	364 523	370 628	(2)	357 148

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

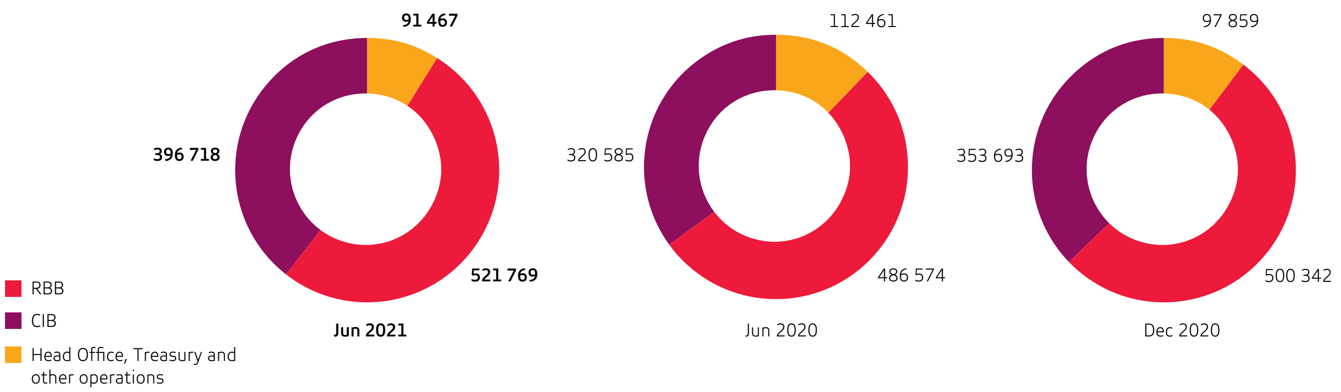
for the reporting period ended

8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	30 June 2021 Rm	30 June 2020[1] Rm	Change %	31 December 2020[1] Rm
Head Office, Treasury and other operations				
Gross loans and advances to customers	**456**	477	(4)	612
Impairment losses on loans and advances to customers	**339**	487	(30)	453
	795	964	(18)	1 065
Total loans and advances to customers				
Gross loans and advances to customers	**998 954**	975 484	2	973 602
Impairment losses on loans and advances to customers	**(43 116)**	(43 191)	0	(43 633)
Net loans and advances to customers including reverse repurchase agreements	**955 838**	932 293	3	929 969
Less: Reverse repurchase agreements	**(62 702)**	(34 893)	80	(37 001)
Net loans and advances to customers excluding reverse repurchase agreements	**893 136**	897 400	(0)	892 968

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Total funding mix	30 June 2021 %	30 June 2020 %	31 December 2020 %
Deposits due to customers	**81.8**	76.2	79.8
RBB[1]	**42.3**	40.3	42.0
CIB[1]	**32.1**	26.6	29.6
Head Office, Treasury and other operations[1]	**7.4**	9.3	8.2
Deposits from banks	**7.7**	9.0	8.0
Debt securities in issue	**10.5**	14.8	12.2
	100.0	100.0	100.0

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits due to customers (continued)

Deposits due to customers by segment	30 June 2021 Rm	30 June 2020[1] Rm	Change %	31 December 2020[1] Rm
RBB	521 769	486 574	7	500 342
RBB SA deposits	433 507	392 093	11	416 395
Call deposits	13 173	14 516	(9)	12 906
Cheque account deposits	103 435	85 514	21	97 560
Credit card deposits	1 954	1 973	(1)	2 033
Fixed deposits	90 079	92 299	(2)	92 219
Foreign currency deposits	1 218	876	39	1 074
Notice deposits	31 647	25 598	24	28 742
Other deposits	375	338	11	384
Saving and transmission deposits	191 626	170 979	12	181 477
ARO deposits	88 262	94 481	(7)	83 947
CIB	396 718	320 585	24	353 693
CIB SA deposits	328 511	243 055	35	282 771
Call deposits	43 552	39 145	11	37 033
Cheque account deposits	139 782	94 820	47	124 835
Fixed deposits	61 946	57 034	9	65 963
Foreign currency deposits	26 962	31 294	(14)	25 613
Notice deposits	21 199	9 888	>100	15 409
Other deposits	501	262	91	552
Repurchase agreements with non-banks	24 651	8 248	>100	10 991
Saving and transmission deposits	9 918	2 364	>100	2 375
ARO deposits	68 207	77 530	(12)	70 922
Head Office, Treasury and other operations	91 467	112 461	(19)	97 859
Total deposits due to customers including repurchase agreements with non-banks	1 009 954	919 620	10	951 894
Less: Repurchase agreements with non-banks	(24 651)	(8 248)	>100	(10 991)
Total deposits due to customers excluding repurchase agreements with non-banks	985 303	911 372	8	940 903

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

10. Debt securities in issue

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Commercial paper	**3 292**	4 468	(26)	4 504
Credit-linked notes	**11 126**	8 882	25	11 151
Floating rate notes	**33 963**	61 980	(45)	48 723
Negotiable certificates of deposit	**39 427**	65 783	(40)	42 670
Other	**2 387**	1 277	87	1 394
Promissory notes	**2**	1 043	(100)	49
Senior notes	**39 303**	35 259	11	37 149
Structured notes and bonds	**101**	103	(2)	100
	129 601	178 795	(28)	145 740
Segment split[1]				
RBB	**75**	91	(18)	77
CIB	**16 868**	15 911	6	18 276
Head Office, Treasury and other operations	**112 658**	162 793	(31)	127 387
	129 601	178 795	(28)	145 740

11. Equity and borrowed funds

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Authorised				
891 774 054 (30 June 2020: 880 467 500; 31 December 2020: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 761	1	1 784
Issued				
847 750 679 (30 June 2020: 847 750 679; 31 December 2020: 847 750 679) ordinary shares of R2.00	**1 696**	1 696	—	1 696
1 791 425 (30 June 2020: 4 898 026; 31 December 2020: 2 981 725) treasury shares held by Group entities	**(4)**	(10)	(63)	(7)
	1 692	1 686	0	1 689
Total issued capital				
Share capital	**1 692**	1 686	0	1 689
Share premium	**4 081**	3 781	8	4 006
	5 773	5 467	6	5 695

Number of ordinary shares in issue (after deduction of treasury shares)	30 June 2021 Number of shares (million)	30 June 2020 Number of shares (million)	Change %	31 December 2020 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(1.8)**	(4.9)	(63)	(3.0)
	846.0	842.9	0	844.8

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds (continued)

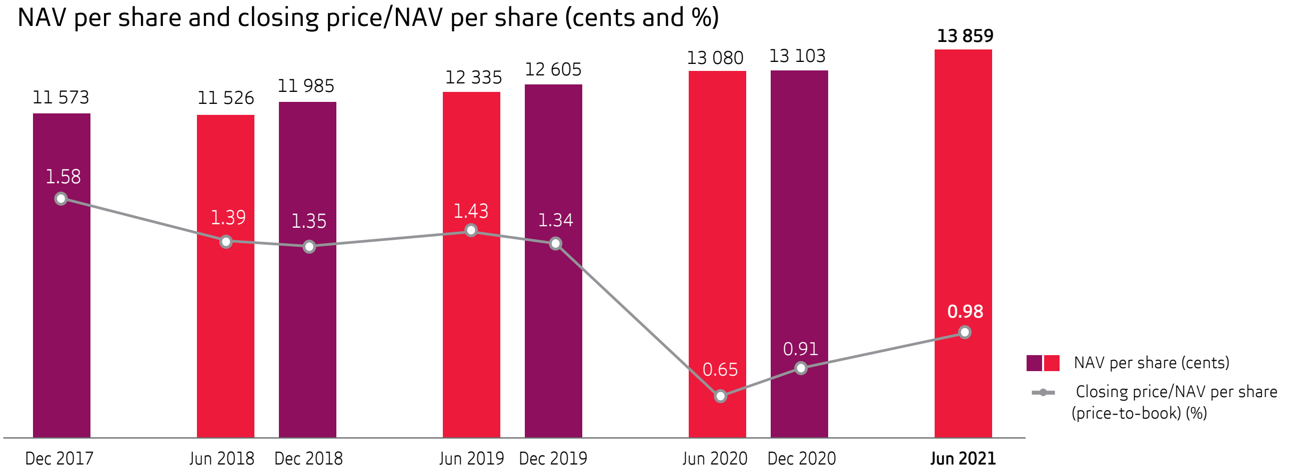
Borrowed funds		30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Subordinated callable notes issued by Absa Bank Limited					
Interest rate	**Final maturity date**				
Consumer Price Index link Note Fixed 5.50%	7 December 2028	**1 500**	1 500	—	1 500
Subordinated callable notes issued by Absa Group Limited					
11.365%	4 September 2027	**—**	508	(100)	—
11.40%	29 September 2025	**—**	288	(100)	—
11.74%	20 August 2025	**140**	140	—	140
11.81%	3 September 2025	**737**	737	—	737
12.43%	5 May 2026	**—**	200	(100)	200
Three-months JIBAR + 2.13%	17 May 2030	**2 676**	2 676	—	2 676
Three-months JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—	1 580
Three-months JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—	1 500
Three-months JIBAR + 3.50%	4 September 2025	**—**	437	(100)	—
Three-months JIBAR + 3.60%	3 September 2027	**30**	30	—	30
Three-months JIBAR + 4.00%	5 May 2026	**—**	31	(100)	31
Three-months JIBAR + 4.00%	20 August 2026	**1 510**	1 510	—	1 510
Three-months JIBAR + 4.00%	3 November 2026	**500**	500	—	500
Three-months JIBAR + 3.78%	20 March 2027	**642**	642	—	642
Three-months JIBAR + 3.85%	25 May 2025	**500**	500	—	500
Three-months JIBAR + 3.85%	14 August 2029	**390**	390	—	390
Three-months JIBAR + 3.15%	30 September 2027	**295**	295	—	295
Three-months JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—	1 014
USD 6.25%	25 April 2028	**4 952**	4 952	—	4 952
USD 5.41%	27 November 2027	**6 866**	—	100	—
Subordinated callable notes issued by other subsidiaries					
Absa Bank of Botswana limit Bank rate + 2.25%	14 November 2023	**133**	135	(1)	136
Other					
Accrued interest		**1 188**	1 141	4	1 108
Fair value adjustments		**282**	592	(52)	418
Foreign exchange movements		**991**	2 001	(50)	902
		27 426	23 299	18	20 761

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

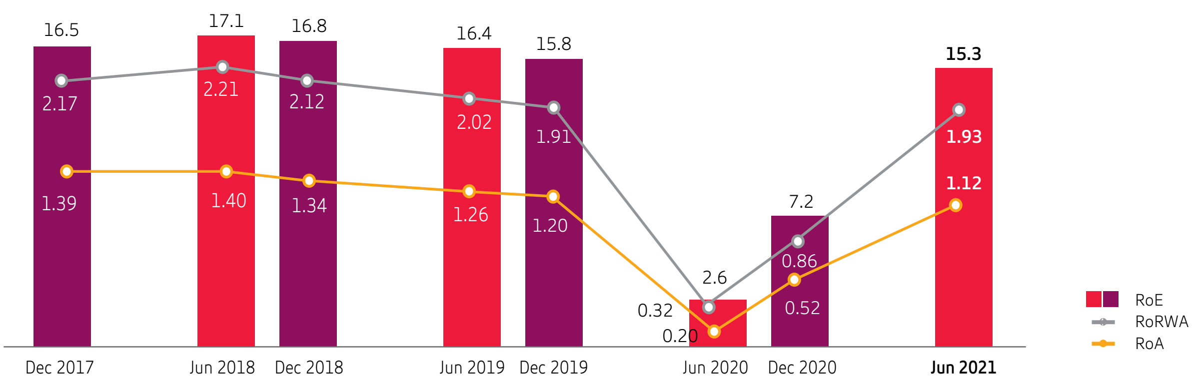
11. Equity and borrowed funds (continued)

NAV per share and closing price/NAV per share (cents and %)



12. Returns

RoE, RoA and RoRWA %

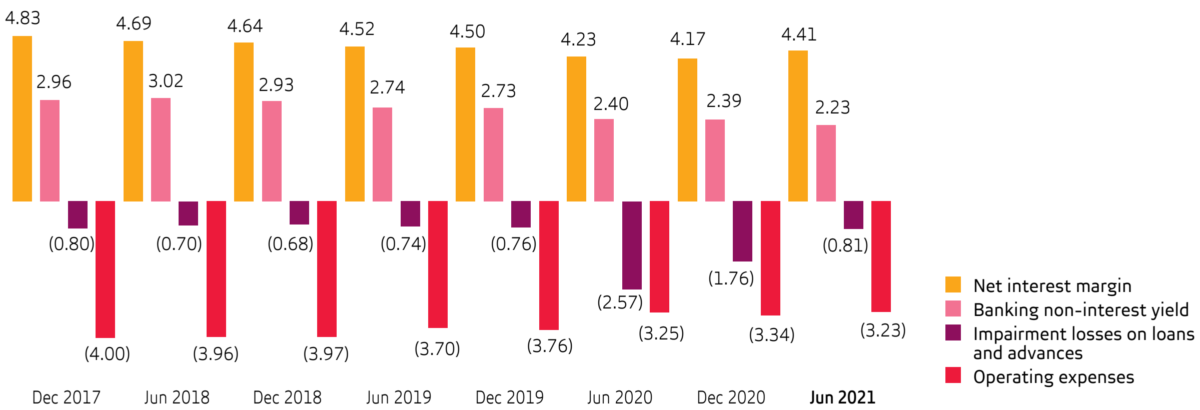


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

13. RoE decomposition

Major drivers of RoE (%)



		30 June 2021 %	30 June 2020 %	31 December 2020 %
	Net interest margin on average interest-bearing assets	**4.41**	4.23	4.17
Less:	Impairment losses/average interest-bearing assets	**0.81**	2.57	1.76
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**3.60**	1.66	2.41
Multiply:	Average interest-bearing assets/average banking assets	**82.98**	85.32	85.68
Equals:	Banking interest yield	**2.99**	1.41	2.07
Plus:	Banking non-interest yield	**2.23**	2.40	2.39
Equals:	Banking income yield	**5.22**	3.82	4.45
Less:	Operating expenses/average banking assets	**3.23**	3.25	3.34
Equals:	Net banking return	**1.99**	0.57	1.12
Less:	Other[1]	**0.75**	0.35	0.53
Equals:	Banking return	**1.23**	0.22	0.58
Multiply:	Average banking assets/total average assets	**90.60**	89.47	89.82
Equals:	RoA	**1.12**	0.20	0.52
Multiply:	Leverage	**13.67**	13.00	13.71
Equals:	RoE	**15.3**	2.6	7.2

[1] 'Other' includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

14. Off-statement of financial position items

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Contingencies, commitments and similar items				
Guarantees	**48 830**	56 289	(13)	45 405
Irrevocable debt facilities	**175 724**	183 793	(4)	176 264
Irrevocable equity facilities	**—**	7	(100)	—
Letters of credit	**13 739**	9 497	45	12 722
Other	**—**	7	(100)	—
	238 293	249 593	(5)	234 391
Authorised capital expenditure				
Contracted but not provided for	**935**	1 167	(20)	758

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument.

This amount represents the maximum off-statement of financial position exposure.

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

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

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

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

15. Legal proceedings

Legal matters

The Group has been party to proceedings against it during the reporting period. As at the reporting date the following material case remains open:

- Absa has received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US$64m. Absa is defending the matter.

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

15. Legal proceedings (continued)

Regulatory developments

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

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

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

The Group undertakes monitoring, review and assurance activities, and has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate. The Group continues to ensure we have a strengthened relationship with its Regulators and manage such engagements on a continuous basis.

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.

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

16. Income tax

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

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

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

17. Standards issued not yet effective

IFRS 17 – *Insurance Contracts*

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

Development of the end-to-end solution is on track in preparation for parallel run activities that are planned to commence in 2022.

Segment performance

Segment performance overview

for the reporting period ended

Segment reporting structure

The Group's main reportable segments are based on an operating model that is driven by customers and geography and are disclosed as the following market segments:

Absa Group Limited

RBB

- Home Loans
- Vehicle and Asset Finance
- Everyday Banking
- Relationship Banking
- Insurance SA
- RBB ARO*
- RBB Other – SA

CIB

Corporate Bank
- Corporate SA
- Corporate ARO

Investment Bank
- Global Markets
  - Markets SA
  - Markets ARO
- Investment Banking Division
  - Investment Banking Division SA
  - Investment Banking ARO
- Commercial Property Finance
  - Commercial Property Finance SA
  - Commercial Property Finance ARO
- Private Equity and Infrastructure Investments SA

Head Office, Treasury and Other Operations

- Group Treasury**
- Enterprise Functions
- Consolidation Centre
- Investment Management
- Terminating Lines

Barclays separation effects

- Financial impact of the Barclays PLC separation to differentiate between normal business activities and the IFRS impact of the separation.

\- - - Normalised
—— IFRS
* ARO Insurance disclosed as part of RBB ARO.
** Group Treasury includes both SA and ARO.

Operational metrics	30 June 2021	30 June 2020	Change %	31 December 2020
South Africa				
Outlets (including number of branches and sales centres)	**611**	630	(3)	619
ATMs	**8 435**	8 708	(3)	8 660
Absa Regional Operations				
Outlets (including number of branches and sales centres)	**382**	390	(2)	372
ATMs	**1 067**	1 062	0	1 074
Number of permanent and temporary employees	**36 141**	37 727	(4)	36 737
South Africa (excludes WFS employees)	**26 667**	27 868	(4)	27 160
Absa Regional Operations	**9 302**	9 827	(5)	9 543
International operations outside Africa[1]	**172**	32	>100	34

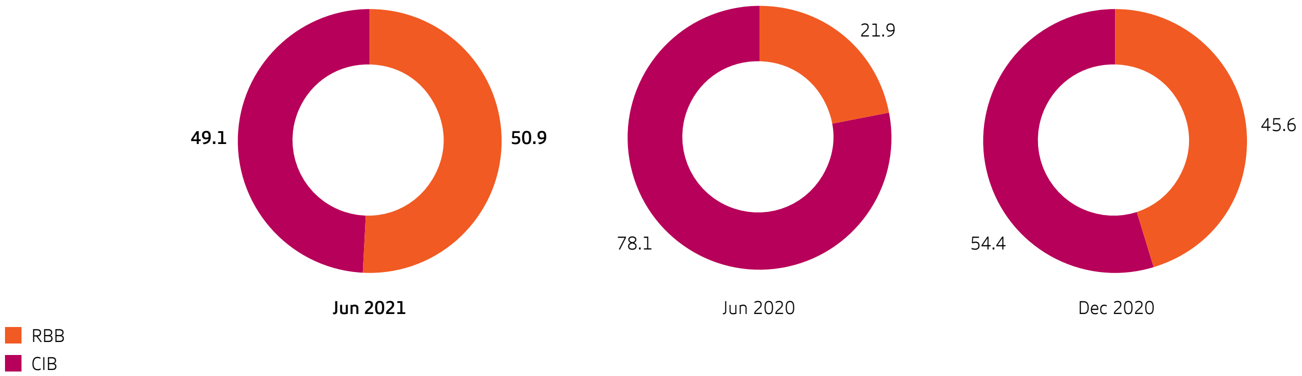
[1] Headcount as disclosed is in relation to the Group's international offices in the United States and United Kingdom. In the current year this number includes Absa employees in the Czech Republic.

Segment performance overview

for the reporting period ended

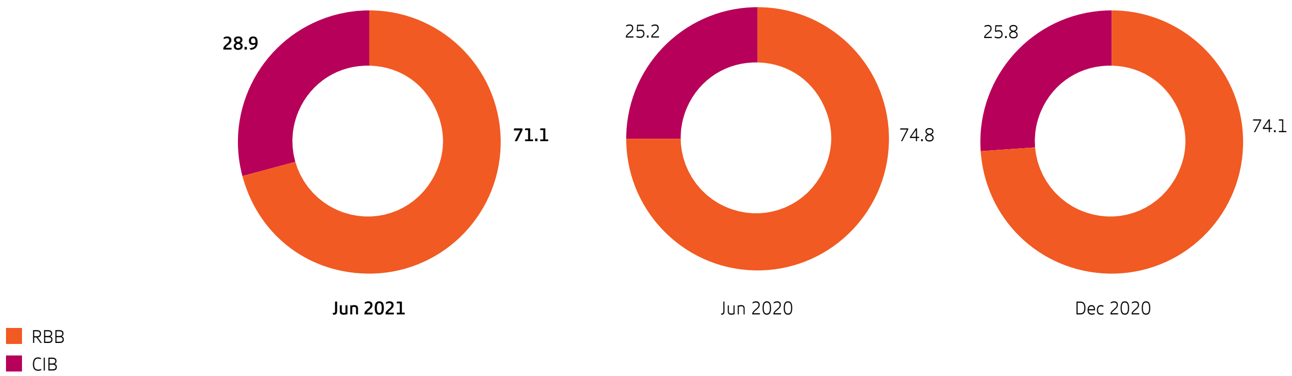
Performance per market segment

Headline earnings per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Headline earnings	30 June 2021 Rm	2020 Rm	Change %	31 December 2020 Rm
RBB	**4 192**	460	>100	4 239
CIB	**4 049**	1 645	>100	5 054
Head Office, Treasury and other operations	**387**	(646)	<(100)	(1 328)
	8 628	1 459	>100	7 965

Income per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Income	30 June 2021 Rm	2020 Rm	Change %	31 December 2020 Rm
RBB	**28 643**	30 253	(5)	60 340
CIB	**11 625**	10 174	14	21 026
Head Office, Treasury and other operations	**942**	(349)	<(100)	16
	41 210	40 078	3	81 382

Segment report per market segment

for the reporting period ended

	RBB[1]					CIB[1]				
	30 June				31 Dec	30 June				31 Dec
	2021	2020	CCY %	Change %	2020	**2021**	2020	CCY %	Change %	2020
Statement of comprehensive income (Rm)										
Net interest income	**17 871**	17 989	4	(1)	36 048	**6 733**	6 641	8	1	13 423
Non-interest income	**10 772**	12 264	(10)	(12)	24 292	**4 892**	3 533	50	38	7 603
Total income	**28 643**	30 253	(2)	(5)	60 340	**11 625**	10 174	23	14	21 026
Impairment losses	**(4 196)**	(11 788)	(64)	(64)	(17 128)	**(510)**	(2 797)	(81)	(82)	(3 291)
Operating expenses	**(17 164)**	(16 765)	7	2	(34 545)	**(5 345)**	(4 711)	19	13	(10 114)
Other expenses	**(480)**	(487)	13	(1)	(1 167)	**(138)**	(135)	12	2	(250)
Operating profit/(loss) before income tax	**6 803**	1 213	>100	>100	7 500	**5 632**	2 531	>100	>100	7 371
Tax expense	**(2 126)**	(443)	>100	>100	(2 447)	**(1 235)**	(505)	>100	>100	(1 604)
Profit/(loss) for the reporting period	**4 677**	770	>100	>100	5 053	**4 397**	2 026	>100	>100	5 767
Profit attributable to:										
Ordinary equity holders	**4 196**	445	>100	>100	4 144	**4 049**	1 718	>100	>100	5 145
Non-controlling interest – ordinary shares	**235**	18	>100	>100	371	**184**	109	94	69	264
Non-controlling interest – preference shares	**72**	105	(32)	(31)	185	**48**	67	(28)	(28)	122
Non-controlling interest – Additional Tier 1	**174**	202	(14)	(14)	353	**116**	132	(12)	(12)	236
	4 677	770	>100	>100	5 053	**4 397**	2 026	>100	>100	5 767
Headline earnings	**4 192**	460	>100	>100	4 239	**4 049**	1 645	>100	>100	5 054
Operating performance (%)										
Net interest margin on average interest-bearing assets	**3.62**	3.93			3.81	**2.26**	2.50			2.39
Credit loss ratio	**1.33**	3.88			2.78	**0.24**	1.30			0.75
Non-interest income as % of income	**37.6**	40.5			40.3	**42.1**	34.7			36.2
Income growth	**(5)**	2			0	**14**	15			14
Operating expenses growth	**2**	(4)			27	**13**	6			5
Cost-to-income ratio	**59.9**	55.4			57.3	**46.0**	46.3			48.1
Statement of financial position (Rm)										
Loans and advances to customers	**590 520**	560 701	7	5	571 756	**364 523**	370 628	2	(2)	357 148
Loans and advances to banks	**14 717**	15 990	(8)	(8)	15 459	**54 812**	94 957	(41)	(42)	65 757
Investment securities	**32 936**	31 250	6	5	31 176	**43 990**	45 404	(3)	(3)	44 274
Other assets	**458 173**	417 925	12	10	444 904	**510 678**	433 254	20	18	472 632
Total assets	**1 096 346**	1 025 866	9	7	1 063 295	**974 003**	944 243	6	3	939 811
Deposits due to customers	**521 769**	486 574	11	7	500 342	**396 718**	320 585	29	24	353 693
Debt securities in issue	**75**	91	0	(18)	77	**16 868**	15 911	6	6	18 276
Other liabilities	**566 705**	534 065	7	6	554 402	**556 906**	606 016	(7)	(8)	563 336
Total liabilities	**1 088 549**	1 020 730	9	7	1 054 821	**970 492**	942 512	5	3	935 305
Financial performance (%)										
RoRWA[2]	**1.79**	0.19			0.89	**2.54**	1.00			1.50
RoA	**0.79**	0.09			0.41	**0.85**	0.38			0.56
RoRC	**15.3**	1.6			7.6	**22.7**	9.0			13.5

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

[2] The RoRWA includes Insurance cluster returns, but risk-weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk–weighted asset regulations that apply to banking entities.

Segment report per market segment

for the reporting period ended

Head Office, Treasury and other operations[1]					Normalised Group performance				
30 June				31 Dec	30 June				31 Dec
2021	2020	CCY %	Change %	2020	2021	2020	CCY %	Change %	2020
981	(558)	<(100)	<(100)	(681)	25 585	24 072	12	6	48 790
(39)	209	<(100)	<(100)	697	15 625	16 006	1	(2)	32 592
942	(349)	<(100)	<(100)	16	41 210	40 078	7	3	81 382
4	(76)	<(100)	<(100)	(150)	(4 702)	(14 661)	(67)	(68)	(20 569)
(96)	(137)	(27)	(30)	(917)	(22 605)	(21 613)	9	5	(45 576)
(374)	(429)	(11)	(13)	(857)	(992)	(1 051)	3	(6)	(2 274)
476	(991)	<(100)	<(100)	(1 908)	12 911	2 753	>100	>100	12 963
(150)	230	<(100)	<(100)	445	(3 511)	(718)	>100	>100	(3 606)
326	(761)	<(100)	<(100)	(1 463)	9 400	2 035	>100	>100	9 357
362	(720)	<(100)	<(100)	(1 377)	8 607	1 443	>100	>100	7 912
(36)	(41)	6	(12)	(86)	383	86	>100	>100	549
—	—	—	—	—	120	172	(30)	(30)	307
—	—	—	—	—	290	334	(13)	(13)	589
326	(761)	<(100)	<(100)	(1 463)	9 400	2 035	>100	>100	9 357
387	(646)	<(100)	<(100)	(1 328)	8 628	1 459	>100	>100	7 965
n/a	n/a			n/a	4.41	4.23			4.17
n/a	n/a			n/a	0.88	2.77			1.92
n/a	n/a			n/a	37.9	39.9			40.0
n/a	n/a			n/a	3	3			2
n/a	n/a			n/a	5	(2)			(2)
n/a	n/a			n/a	54.9	53.9			56.0
795	964	(18)	(18)	1 065	955 838	932 293	5	3	929 969
11 236	2 221	>100	>100	3 322	80 765	113 168	(26)	(29)	84 538
105 697	80 011	49	32	78 054	182 623	156 665	24	17	153 504
(611 515)	(492 309)	23	24	(559 583)	357 336	358 870	5	(0)	357 953
(493 787)	(409 113)	16	21	(477 142)	1 576 562	1 560 996	5	1	1 525 964
91 467	112 461	(18)	(19)	97 859	1 009 954	919 620	14	10	951 894
112 658	162 793	(30)	(31)	127 387	129 601	178 795	(27)	(28)	145 740
(820 914)	(803 680)	1	2	(816 954)	302 697	336 401	(5)	(10)	300 784
(616 789)	(528 426)	15	17	(591 708)	1 442 252	1 434 816	4	1	1 398 418
n/a	n/a			n/a	1.93	0.32			0.86
n/a	n/a			n/a	1.12	0.20			0.52
n/a	n/a			n/a	n/a	n/a			n/a

Restatement reconciliation

for the reporting period ended

	30 June 2020							
	RBB SA (previously reported)	Other restate-ments	Adjusted from ARO	RBB[1]	CIB SA (previously reported)	Other restate-ments	Adjusted from ARO	CIB[1]
Statement of comprehensive income (Rm)								
Net interest income	13 540	(19)	4 468	**17 989**	3 977	20	2 644	**6 641**
Non-interest income	10 736	(1)	1 529	**12 264**	1 803	—	1 730	**3 533**
Total income	24 276	(20)	5 997	**30 253**	5 780	20	4 374	**10 174**
Impairment losses	(10 333)	—	(1 455)	**(11 788)**	(1 657)	—	(1 140)	**(2 797)**
Operating expenses	(12 829)	208	(4 144)	**(16 765)**	(2 975)	59	(1 795)	**(4 711)**
Other expenses	(298)	—	(189)	**(487)**	(86)	—	(49)	**(135)**
Operating profit/(loss) before income tax	816	188	209	**1 213**	1 062	79	1 390	**2 531**
Tax expense	(173)	(54)	(216)	**(443)**	19	(22)	(502)	**(505)**
Profit/(loss) for the reporting period	643	134	(7)	**770**	1 081	57	888	**2 026**
Profit attributable to:								
Ordinary equity holders	397	136	(88)	**445**	884	55	779	**1 718**
Non-controlling interest – ordinary shares	(63)	—	81	**18**	—	—	109	**109**
Non-controlling interest – preference shares	106	(1)	—	**105**	66	1	—	**67**
Non-controlling interest – Additional Tier 1	203	(1)	—	**202**	131	1	—	**132**
	643	134	(7)	**770**	1 081	57	888	**2 026**
Headline earnings	415	133	(91)	**460**	817	49	773	**1 645**
Operating performance (%)								
Net interest margin on average interest-bearing assets	3.29			**3.93**	1.96			**2.50**
Credit loss ratio	3.77			**3.88**	0.93			**1.30**
Non-interest income as % of income	44.2			**40.5**	31.2			**34.7**
Income growth	0			**2**	9			**15**
Operating expenses growth	(8)			**(4)**	(4)			**6**
Cost-to-income ratio	52.8			**55.4**	51.5			**46.3**
Statement of financial position (Rm)								
Loans and advances to customers	500 758	(1 023)	60 966	**560 701**	304 772	1 023	64 833	**370 628**
Loans and advances to banks	15 987	1	2	**15 990**	85 683	—	9 274	**94 957**
Investment securities	31 294	(49)	5	**31 250**	44 580	49	775	**45 404**
Other assets	371 400	1 265	45 260	**417 925**	361 189	39 535	32 530	**433 254**
Total assets	919 439	194	106 233	**1 025 866**	796 224	40 607	107 412	**944 243**
Deposits due to customers	392 093	—	94 481	**486 574**	243 056	(1)	77 530	**320 585**
Debt securities in issue	—	—	91	**91**	15 911	—	—	**15 911**
Other liabilities	518 949	58	15 058	**534 065**	533 805	40 535	31 676	**606 016**
Total liabilities	911 042	58	109 630	**1 020 730**	792 772	40 534	109 206	**942 512**

[1] Refer to the reporting changes overview for more detail around the restatement.

Restatement reconciliation

for the reporting period ended

30 June 2020									
ARO (previously reported)	Adjusted from ARO	ARO[1]	Head Office, Treasury and other operations (previously reported)	Other restate-ments	Adjusted from ARO	Head Office, Treasury and other operations[1]	Normalised Group performance (previously reported)	Adjusted from ARO	Normalised Group performance
7 052	(7 052)	—	(497)	(1)	(60)	**(558)**	24 072	—	**24 072**
3 296	(3 296)	—	171	1	37	**209**	16 006	—	**16 006**
10 348	(10 348)	—	(326)	—	(23)	**(349)**	40 078	—	**40 078**
(2 672)	2 672	—	1	—	(77)	**(76)**	(14 661)	—	**(14 661)**
(5 954)	5 954	—	145	(267)	(15)	**(137)**	(21 613)	—	**(21 613)**
(239)	239	—	(428)	—	(1)	**(429)**	(1 051)	—	**(1 051)**
1 483	(1 483)	—	(608)	(267)	(116)	**(991)**	2 753	—	**2 753**
(746)	746	—	182	76	(28)	**230**	(718)	—	**(718)**
737	(737)	—	(426)	(191)	(144)	**(761)**	2 035	—	**2 035**
577	(577)	—	(415)	(191)	(114)	**(720)**	1 443	—	**1 443**
160	(160)	—	(11)	—	(30)	**(41)**	86	—	**86**
—	—	—	—	—	—	**—**	172	—	**172**
—	—	—	—	—	—	**—**	334	—	**334**
737	(737)	—	(426)	(191)	(144)	**(761)**	2 035	—	**2 035**
569	(569)	—	(342)	(191)	(113)	**(646)**	1 459	—	**1 459**
6.88		—	n/a			**n/a**	4.23		**4.23**
3.58		—	n/a			**n/a**	2.77		**2.77**
31.8		—	n/a			**n/a**	39.9		**39.9**
16		—	n/a			**n/a**	3		**3**
17		—	n/a			**n/a**	(2)		**(2)**
57.5		—	n/a			**n/a**	53.9		**53.9**
125 799	(125 799)	—	964	—	—	**964**	932 293	—	**932 293**
21 283	(21 283)	—	(9 785)	(1)	12 007	**2 221**	113 168	—	**113 168**
50 193	(50 193)	—	30 598	—	49 413	**80 011**	156 665	—	**156 665**
59 503	(59 503)	—	(433 222)	(40 800)	(18 287)	**(492 309)**	358 870	—	**358 870**
256 778	(256 778)	—	(411 445)	(40 801)	43 133	**(409 113)**	1 560 996	—	**1 560 996**
175 937	(175 937)	—	108 534	1	3 926	**112 461**	919 620	—	**919 620**
3 756	(3 756)	—	159 128	—	3 665	**162 793**	178 795	—	**178 795**
50 251	(50 251)	—	(766 604)	(40 593)	3 517	**(803 680)**	336 401	—	**336 401**
229 944	(229 944)	—	(498 942)	(40 592)	11 108	**(528 426)**	1 434 816	—	**1 434 816**

Restatement reconciliation

for the reporting period ended

	31 December 2020							
	RBB SA (previously reported)	Other restate-ments	Adjusted from ARO	**RBB[1]**	CIB SA (previously reported)	Other restate-ments	Adjusted from ARO	**CIB[1]**
Statement of comprehensive income (Rm)								
Net interest income	27 182	(27)	8 893	**36 048**	8 276	28	5 119	**13 423**
Non-interest income	21 395	—	2 897	**24 292**	4 258	1	3 344	**7 603**
Total income	48 577	(27)	11 790	**60 340**	12 534	29	8 463	**21 026**
Impairment losses	(14 621)	—	(2 507)	**(17 128)**	(1 951)	—	(1 340)	**(3 291)**
Operating expenses	(26 406)	206	(8 345)	**(34 545)**	(6 490)	125	(3 749)	**(10 114)**
Other expenses	(758)	(2)	(407)	**(1 167)**	(121)	—	(129)	**(250)**
Operating profit/(loss) before income tax	6 792	177	531	**7 500**	3 972	154	3 245	**7 371**
Tax expense	(1 907)	(48)	(492)	**(2 447)**	(495)	(44)	(1 065)	**(1 604)**
Profit/(loss) for the reporting period	4 885	129	39	**5 053**	3 477	110	2 180	**5 767**
Profit attributable to:								
Ordinary equity holders	4 173	131	(160)	**4 144**	3 121	108	1 916	**5 145**
Non-controlling interest – ordinary shares	172	—	199	**371**	—	—	264	**264**
Non-controlling interest – preference shares	186	(1)	—	**185**	121	1	—	**122**
Non-controlling interest – Additional Tier 1	354	(1)	—	**353**	235	1	—	**236**
	4 885	129	39	**5 053**	3 477	110	2 180	**5 767**
Headline earnings	4 270	130	(161)	**4 239**	3 035	109	1 910	**5 054**
Operating performance (%)								
Net interest margin on average interest-bearing assets	3.19			**3.81**	1.90			**2.39**
Credit loss ratio	2.64			**2.78**	0.54			**0.75**
Non-interest income as % of income	44.0			**40.3**	34.0			**36.2**
Income growth	(2)			**0**	14			**14**
Operating expenses growth	(8)			**27**	0			**5**
Cost-to-income ratio	54.4			**57.3**	51.8			**48.1**
Statement of financial position (Rm)								
Loans and advances to customers	517 253	(818)	55 321	**571 756**	303 402	818	52 928	**357 148**
Loans and advances to banks	15 458	—	1	**15 459**	58 203	—	7 554	**65 757**
Investment securities	31 212	(40)	4	**31 176**	43 122	40	1 112	**44 274**
Other assets	404 169	1 030	39 705	**444 904**	408 004	31 666	32 962	**472 632**
Total assets	968 092	172	95 031	**1 063 295**	812 731	32 524	94 556	**939 811**
Deposits due to customers	416 395	—	83 947	**500 342**	282 771	—	70 922	**353 693**
Debt securities in issue	—	—	77	**77**	18 276	—	—	**18 276**
Other liabilities	540 246	42	14 114	**554 402**	506 309	32 402	24 625	**563 336**
Total liabilities	956 641	42	98 138	**1 054 821**	807 356	32 402	95 547	**935 305**

[1] Refer to the reporting changes overview for more detail around the restatement.

Restatement reconciliation

for the reporting period ended

31 December 2020									
ARO (previously reported)	Adjusted from ARO	ARO[1]	Head Office, Treasury and other operations (previously reported)	Other restate-ments	Adjusted from ARO	Head Office, Treasury and other operations[1]	Normalised Group performance (previously reported)	Adjusted from ARO	Normalised Group performance
13 879	(13 879)	—	(547)	(1)	(133)	**(681)**	48 790	—	**48 790**
6 270	(6 270)	—	669	(1)	29	**697**	32 592	—	**32 592**
20 149	(20 149)	—	122	(2)	(104)	**16**	81 382	—	**81 382**
(3 995)	3 995	—	(2)	—	(148)	**(150)**	(20 569)	—	**(20 569)**
(12 085)	12 085	—	(595)	(331)	9	**(917)**	(45 576)	—	**(45 576)**
(537)	537	—	(858)	2	(1)	**(857)**	(2 274)	—	**(2 274)**
3 532	(3 532)	—	(1 333)	(331)	(244)	**(1 908)**	12 963	—	**12 963**
(1 556)	1 556	—	352	92	1	**445**	(3 606)	—	**(3 606)**
1 976	(1 976)	—	(981)	(239)	(243)	**(1 463)**	9 357	—	**9 357**
1 595	(1 595)	—	(977)	(239)	(161)	**(1 377)**	7 912	—	**7 912**
381	(381)	—	(4)	—	(82)	**(86)**	549	—	**549**
—	—	—	—	—	—	**—**	307	—	**307**
—	—	—	—	—	—	**—**	589	—	**589**
1 976	(1 976)	—	(981)	(239)	(243)	**(1 463)**	9 357	—	**9 357**
1 589	(1 589)	—	(929)	(239)	(160)	**(1 328)**	7 965	—	**7 965**
6.64		—	n/a			**n/a**	4.17		**4.17**
2.66		—	n/a			**n/a**	1.92		**1.92**
31.1		—	n/a			**n/a**	40.0		**40.0**
8		—	n/a			**n/a**	2		**2**
12		—	n/a			**n/a**	(2)		**(2)**
60.0		—	n/a			**n/a**	56.0		**56.0**
108 249	(108 249)	—	1 065	—	—	**1 065**	929 969	—	**929 969**
18 910	(18 910)	—	(8 033)	—	11 355	**3 322**	84 538	—	**84 538**
47 165	(47 165)	—	32 005	—	46 049	**78 054**	153 504	—	**153 504**
50 914	(50 914)	—	(505 134)	(32 696)	(21 753)	**(559 583)**	357 953	—	**357 953**
225 238	(225 238)	—	(480 097)	(32 696)	35 651	**(477 142)**	1525 964	—	**1 525 964**
159 233	(159 233)	—	93 495	—	4 364	**97 859**	951 894	—	**951 894**
2 105	(2 105)	—	125 359	—	2 028	**127 387**	145 740	—	**145 740**
42 585	(42 585)	—	(788 356)	(32 444)	3 846	**(816 954)**	300 784	—	**300 784**
203 923	(203 923)	—	(569 502)	(32 444)	10 238	**(591 708)**	1398 418	—	**1 398 418**

Segment report per geographical segment

for the reporting period ended

	South Africa[1]			
	30 June			31 December
	2021	2020	Change %	2020
Statement of comprehensive income (Rm)				
Net interest income	**19 260**	17 007	13	34 898
Non-interest income	**12 325**	12 435	(1)	25 783
Total income	**31 585**	29 442	7	60 681
Impairment losses	**(4 219)**	(11 989)	(65)	(16 574)
Operating expenses	**(16 711)**	(15 325)	9	(32 787)
Other expenses	**(736)**	(791)	(7)	(1 710)
Operating profit before income tax	**9 919**	1 337	>100	9 609
Tax expenses	**(2 353)**	14	<(100)	(2 113)
Profit for the reporting period	**7 566**	1 351	>100	7 497
Profit attributable to:				
Ordinary equity holders	**7 140**	904	>100	6 445
Non-controlling interest – ordinary shares	**16**	(59)	<(100)	156
Non-controlling interest – preference shares	**120**	172	(30)	307
Non-controlling interest – Additional Tier 1	**290**	334	(13)	589
	7 566	1 351	>100	7 497
Headline earnings	**7 164**	910	>100	6 484
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.96**	3.65		3.63
Credit loss ratio	**0.90**	2.64		1.80
Non-interest income as % of income	**39.0**	42.2		42.5
Income growth	**7**	(1)		(0)
Cost growth	**9**	(9)		(6)
Cost-to-income ratio	**52.9**	52.1		54.0
Statement of financial position (Rm)				
Loans and advances to customers	**845 836**	806 495	5	821 720
Loans and advances to banks	**59 326**	91 549	(35)	65 342
Investment securities	**125 426**	105 512	19	105 525
Other assets	**304 776**	296 866	3	305 031
Total assets	**1 335 364**	1 300 422	3	1 297 618
Deposits due to customers	**848 760**	743 683	14	792 661
Debt securities in issue	**126 860**	175 038	(28)	143 635
Other liabilities	**248 001**	283 148	(12)	255 629
Total liabilities	**1 223 621**	1 201 869	2	1 191 925
Financial performance (%)				
RoRWA	**2.15**	0.28		0.99
RoA	**1.09**	0.15		0.51
RoE	**14.9**	2.1		7.2

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

Segment report per geographical segment

for the reporting period ended

Africa regions[1]					Normalised Group performance				
30 June				31 December	30 June				31 December
2021	2020	CCY%	Change %	2020	2021	2020	CCY%	Change %	2020
6 325	7 065	7	(10)	13 892	**25 585**	24 072	12	6	48 790
3 300	3 571	10	(8)	6 809	**15 625**	16 006	1	(2)	32 592
9 625	10 636	8	(10)	20 701	**41 210**	40 078	7	3	81 382
(483)	(2 672)	(78)	(82)	(3 995)	**(4 702)**	(14 661)	(67)	(68)	(20 569)
(5 894)	(6 288)	10	(6)	(12 789)	**(22 605)**	(21 613)	9	5	(45 576)
(256)	(260)	15	(2)	(564)	**(992)**	(1 051)	3	(6)	(2 274)
2 992	1 416	>100	>100	3 354	**12 911**	2 753	>100	>100	12 963
(1 158)	(732)	83	58	(1 493)	**(3 511)**	(718)	>100	>100	(3 606)
1 834	684	>100	>100	1 860	**9 400**	2 035	>100	>100	9 357
1 467	539	>100	>100	1 467	**8 607**	1 443	>100	>100	7 912
367	145	>100	>100	393	**383**	86	>100	>100	549
—	—	—	—	—	**120**	172	(30)	(30)	307
—	—	—	—	—	**290**	334	(13)	(13)	589
1 834	684	>100	>100	1 860	**9 400**	2 035	>100	>100	9 357
1 464	549	>100	>100	1 481	**8 628**	1 459	>100	>100	7 965
6.74	6.89			6.65	**4.41**	4.23			4.17
0.71	3.57			2.66	**0.88**	2.77			1.92
34.3	33.6			32.9	**37.9**	39.9			40.0
(10)	16			9	**3**	3			2
(6)	18			11	**5**	(2)			(2)
61.2	59.1			61.8	**54.9**	53.9			56.0
110 002	125 798	6	(13)	108 249	**955 838**	932 293	5	3	929 969
21 439	21 619	23	(1)	19 196	**80 765**	113 168	(26)	(29)	84 538
57 197	51 153	37	12	47 979	**182 623**	156 665	24	17	153 504
52 560	62 004	20	(15)	52 922	**357 336**	358 870	5	(0)	357 953
241 198	260 574	17	(7)	228 346	**1 576 562**	1 560 996	5	1	1 525 964
161 194	175 937	11	(8)	159 233	**1 009 954**	919 620	14	10	951 894
2 741	3 757	(11)	(27)	2 105	**129 601**	178 795	(27)	(28)	145 740
54 696	53 253	48	3	45 155	**302 697**	336 401	(5)	(10)	300 784
218 631	232 947	18	(6)	206 493	**1 442 252**	1 434 816	4	1	1 398 418
1.28	0.42			0.57	**1.93**	0.32			0.86
1.29	0.44			0.59	**1.12**	0.20			0.52
16.4	4.8			6.7	**15.3**	2.6			7.2

RBB

for the reporting period ended

RBB earnings grew eight times as a substantially lower impairment charge, from the balance sheet resilience built in 2020, was partially offset by a **15%** decline in pre-provision profit given high mortality claims in the life insurance business, customer-centric fee reductions, increased performance incentives, restructuring costs and faster growth in activity-based costs.

Customer advances grew by 5% to **R591bn** reflecting the growth in the secured portfolios.

Deposits grew 7% to **R522bn** further securing the funding base.

Built balance sheet resiliency in the Insurance business

Net interest income grew 4% (CCY), reflecting the balance sheet growth, although tempered by lower interest rates.

Return on Regulatory Capital (RoRC) increased to 15.3%
(30 June 2020: 1.6%) above cost of equity.

Interest margin contracted given the lower interest rates and adverse product mix.

Non-interest income declined by 10% (CCY) reflecting higher mortality claims, fee reductions and the impact of lockdowns on economic activity.

Cost-to-income ratio increased to 59.9%
(30 June 2020: 55.4%) reflecting the insurance resiliency built.

Credit loss ratio decreased to 1.33%
(30 June 2020: 3.88%) given the non-recurrence of the balance sheet resiliency built in 2020.

	30 June			31 December
Salient features	**2021**	2020	Change %	2020
Income (Rm)	**28 643**	30 253	(5)	60 340
Pre-provision profit (Rm)	**11 479**	13 488	(15)	25 795
Headline earnings (Rm)	**4 192**	460	>100	4 239
Credit loss ratio (%)	**1.33**	3.88		2.78
Cost-to-income ratio (%)	**59.9**	55.4		57.3
RoRWA (%)	**1.79**	0.19		0.89
RoA (%)	**0.79**	0.09		0.41
RoRC (%)	**15.3**	1.6		7.6

RBB

for the reporting period ended

Business profile

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

Key business areas

- **Home Loans –** offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF) –** offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF's joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking –** offers the day-to-day banking services for the retail customer and includes:
  - **Card –** offers credit cards through the branch network and digital channels. Included in this portfolio is Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
  - **Personal Loans –** offers unsecured instalment loans through face-to-face engagements and digital channels.
  - **Transactional and Deposits –** offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.
- **Relationship Banking –** consists of the Business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional & deposit products), Private Banking, Wealth and Financial Advisory.

  Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Insurance SA** consists of:
  - **Life Insurance –** offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Short-term Insurance –** provides short-term insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions being iDirect and Activate, a recently launched digital offering, are also available to the retail market.
- **RBB Absa Regional Operations –** offers a comprehensive suite of retail and business banking products and insurance products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions.
- **Retail and Business Banking Other –** includes investment spend, cost associated with the restructure, holding companies and related consolidation entries and allocated shareholder overhead expenses.
  - **Customer Value Management** (not reported separately) – supports the businesses to provide a singular view of the customer across RBB SA whilst ensuring alignment of the customer value propositions and a consistent voice in the market.

RBB

for the reporting period ended

	RBB SA			
	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Statement of comprehensive income (Rm)				
Net interest income	**13 832**	13 509	2	27 143
Non-interest income	**9 233**	10 455	(12)	20 854
Total income	**23 065**	23 964	(4)	47 997
Impairment losses	**(3 667)**	(10 333)	(65)	(14 621)
Operating expenses	**(13 111)**	(12 336)	6	(25 551)
Other expenses	**(277)**	(293)	(5)	(749)
Operating profit before income tax	**6 010**	1 002	>100	7 076
Tax expenses	**(1 694)**	(232)	>100	(2 010)
Profit/(loss) for the reporting period	**4 316**	770	>100	5 066
Profit attributable to:				
Ordinary equity holders	**4 054**	522	>100	4 372
Non-controlling interest – ordinary shares	**16**	(59)	<(100)	156
Non-controlling interest – preference shares	**72**	105	(31)	185
Non-controlling interest – Additional Tier 1	**174**	202	(14)	353
	4 316	770	>100	5 066
Headline earnings	**4 052**	537	>100	4 466
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.09**	3.28		3.18
Credit loss ratio	**1.29**	3.79		2.65
Non-interest income as % of income	**40.0**	43.6		43.4
Income growth	**(4)**	(1)		(2)
Operating expenses growth	**6**	(9)		(8)
Cost-to-income ratio	**56.8**	51.5		53.2
Statement of financial position (Rm)				
Loans and advances to customers	**533 932**	499 735	7	516 435
Loans and advances to banks	**14 192**	15 652	(9)	15 175
Investment securities	**32 011**	30 285	6	30 358
Other assets	**413 621**	370 350	12	403 391
Total assets	**993 756**	916 022	8	965 359
Deposits due to customers	**433 507**	392 093	11	416 395
Debt securities in issue	**—**	—	—	—
Other liabilities	**549 429**	516 226	6	537 967
Total liabilities	**982 936**	908 319	8	954 362
Financial performance (%)				
RoRWA	**2.06**	0.28		1.17
RoA	**0.85**	0.12		0.48
RoRC	**17.7**	2.4		10.0

RBB

for the reporting period ended

RBB ARO					RBB				
30 June				31 December	30 June				31 December
2021 Rm	2020 Rm	CCY %	Change %	2020 Rm	2021 Rm	2020 Rm	CCY %	Change %	2020 Rm
4 039	4 480	8	(10)	8 905	**17 871**	17 989	4	(1)	36 048
1 539	1 809	1	(15)	3 438	**10 772**	12 264	(10)	(12)	24 292
5 578	6 289	6	(11)	12 343	**28 643**	30 253	(2)	(5)	60 340
(529)	(1 455)	(55)	(64)	(2 507)	**(4 196)**	(11 788)	(64)	(64)	(17 128)
(4 053)	(4 429)	8	(8)	(8 994)	**(17 164)**	(16 765)	7	2	(34 545)
(203)	(194)	22	5	(418)	**(480)**	(487)	13	(1)	(1 167)
793	211	>100	>100	424	**6 803**	1 213	>100	>100	7 500
(432)	(211)	>100	>100	(437)	**(2 126)**	(443)	>100	>100	(2 447)
361	0	<(100)	100	(13)	**4 677**	770	>100	>100	5 053
142	(77)	<(100)	<(100)	(228)	**4 196**	445	>100	>100	4 144
219	77	>100	>100	215	**235**	18	>100	>100	371
—	—	—	—	—	**72**	105	(32)	(31)	185
—	—	—	—	—	**174**	202	(14)	(14)	353
361	0	<(100)	100	(13)	**4 677**	770	>100	>100	5 053
140	(77)	<(100)	<(100)	(227)	**4 192**	460	>100	>100	4 239
8.88	9.78			9.49	**3.62**	3.93			3.81
1.74	4.61			3.88	**1.33**	3.88			2.78
27.6	28.8			27.9	**37.6**	40.5			40.3
(11)	15			9	**(5)**	2			(0)
(8)	14			9	**2**	(4)			27
72.7	70.4			72.9	**59.9**	55.4			57.3
56 588	60 966	12	(7)	55 321	**590 520**	560 701	7	5	571 756
525	338	91	55	284	**14 717**	15 990	(8)	(8)	15 459
925	965	15	(4)	818	**32 936**	31 250	6	5	31 176
44 552	47 575	14	(6)	41 513	**458 173**	417 925	12	10	444 904
102 590	109 844	13	(7)	97 936	**1 096 346**	1 025 866	9	7	1 063 295
88 262	94 481	13	(7)	83 947	**521 769**	486 574	11	7	500 342
75	91	0	(18)	77	**75**	91	0	(18)	77
17 276	17 839	12	(3)	16 435	**566 705**	534 065	7	6	554 402
105 613	112 411	13	(6)	100 459	**1 088 549**	1 020 730	9	7	1 054 821
0.37	(0.16)			(0.24)	**1.79**	0.19			0.89
0.27	(0.15)			(0.22)	**0.79**	0.09			0.41
3.1	(1.3)			(2.0)	**15.3**	1.6			7.6

RBB

for the reporting period ended

RBB SA headline earnings increased 6.5 times to **R4 052m** (June 2020: R538m) reflecting the non-recurrence of the significant impairment charges in 2020 which improved overall balance sheet resilience, whilst the contraction in pre-provision profit of **14%** was driven by the impact of excess mortality claims, customer-centric fee decisions and increased costs related to incentives and restructuring costs.

Prioritisation of employee well-being

Remained close to customers in their time of need

Strong secured asset production since the second half of 2020.

Deposits grew faster than loans up 11% and 7% respectively.

Maintained balance sheet resilience built in 2020.

Credit loss ratio decreased to 1.29% (June 2020: 3.79%) which is within the through the cycle range of 110 to 155 bps.

Insurance COVID-19 provision related to the third and fourth wave strengthened given the severity of the third wave.

Accelerated investment in digital, data and risk management starting to show benefits.

Return on Regulatory Capital improved to 17.7% from 2.4% from improved earnings.

Net interest margin contracted from stronger secured asset growth and lower interest rates.

Cost-to-income ratio increased to 56.8% from 51.5% in the first half of 2020.

Transactional activity remains subdued

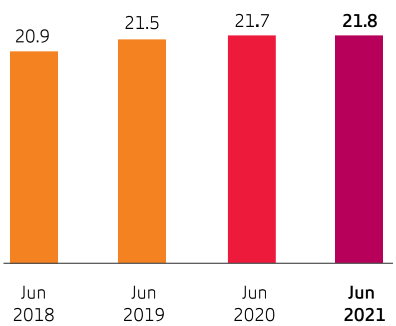
Salient features	30 June 2021	30 June 2020	Change %	31 December 2020
Income (Rm)	**23 065**	23 964	(4)	47 997
Pre-provision profit (Rm)	**9 954**	11 628	(14)	22 446
Headline earnings (Rm)	**4 052**	537	>100	4 466
Credit loss ratio (%)	**1.29**	3.79		2.65
Cost-to-income ratio (%)	**56.8**	51.5		53.2
RoRWA (%)	**2.06**	0.28		1.17
RoA (%)	**0.85**	0.12		0.48
RoRC (%)	**17.7**	2.4		10.0

Headline earnings by segment	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020
RBB SA	**4 052**	537	>100	4 466
Home Loans	**1 368**	(274)	<(100)	534
Vehicle and Asset Finance	**240**	(961)	<(100)	(927)
Everyday Banking	**1 607**	352	>100	2 405
Relationship Banking	**1 462**	953	53	2 317
Insurance Cluster	**(297)**	642	<(100)	993
Retail and Business Banking Other	**(328)**	(175)	87	(856)

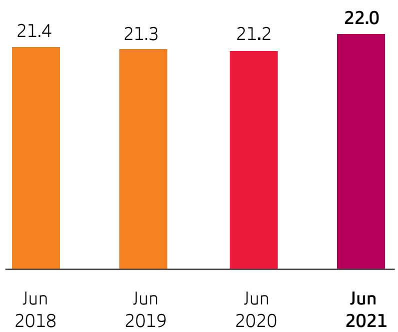
RBB

for the reporting period ended

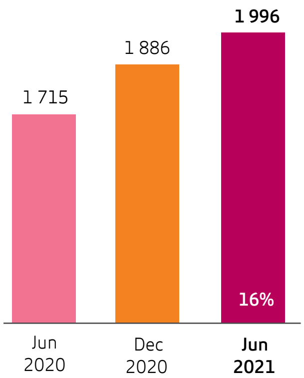
Retail deposits market share (%)[1]



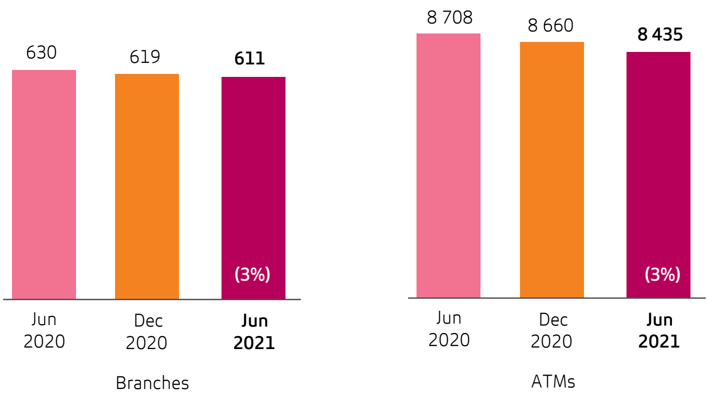
Retail Banking advances market share (%)[1]



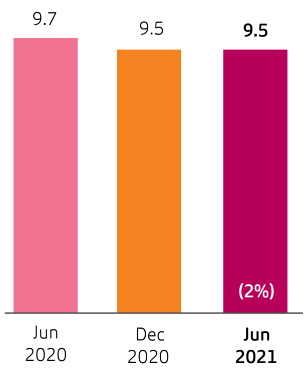
Number of digitally active customers (thousands and change %)



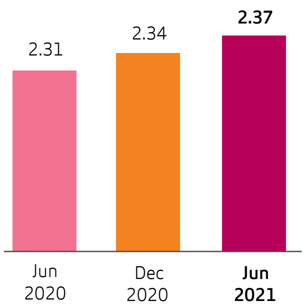
Physical footprint (number and change %)



Customer numbers (millions and % change)



Retail and Business Banking penetration rate (average number)



[1] Source: SARB BA900.

RBB

for the reporting period ended

	Home Loans				Vehicle and Asset Finance				Everyday Banking			
	30 June			31 Dec	30 June			31 Dec	30 June			31 Dec
	2021	2020	Change %	2020	**2021**	2020	Change %	2020	**2021**	2020	Change %	2020
Statement of comprehensive income (Rm)												
Net interest income	**2 427**	2 165	12	4 478	**1 500**	1 252	20	2 603	**6 080**	6 428	(5)	12 610
Non-interest income	**224**	228	(2)	457	**301**	250	20	540	**5 346**	5 623	(5)	11 278
Total income	**2 651**	2 393	11	4 935	**1 801**	1 502	20	3 143	**11 426**	12 051	(5)	23 888
Impairment losses	**290**	(1 750)	<(100)	(2 189)	**(755)**	(2 129)	(65)	(3 062)	**(2 469)**	(5 107)	(52)	(7 337)
Operating expenses	**(943)**	(912)	3	(1 827)	**(684)**	(622)	10	(1 244)	**(6 589)**	(6 389)	3	(12 737)
Other expenses	**(29)**	(24)	21	(46)	**(2)**	(35)	(94)	(48)	**(43)**	(66)	(35)	(125)
Operating profit/(loss) before income tax	**1 969**	(293)	<(100)	873	**360**	(1 284)	<(100)	(1 211)	**2 325**	489	>100	3 689
Tax expenses	**(539)**	96	<(100)	(205)	**(91)**	360	<(100)	346	**(648)**	(124)	>100	(1 022)
Profit/(loss) for the reporting period	**1 430**	(197)	<(100)	668	**269**	(924)	<(100)	(865)	**1 677**	365	>100	2 667
Profit attributable to:												
Ordinary equity holders	**1 368**	(273)	<(100)	534	**239**	(961)	<(100)	(929)	**1 607**	352	>100	2 391
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—	**16**	(58)	<(100)	152
Non-controlling interest – preference shares	**18**	26	(31)	46	**9**	13	(31)	22	**16**	24	(33)	43
Non-controlling interest – Additional Tier 1	**44**	50	(12)	88	**21**	24	(13)	42	**38**	47	(19)	81
	1 430	(197)	<(100)	668	**269**	(924)	<(100)	(865)	**1 677**	365	>100	2 667
Headline earnings	**1 368**	(274)	<(100)	534	**240**	(961)	<(100)	(927)	**1 607**	352	>100	2 405
Operating performance (%)												
Net interest margin on average interest-bearing assets	**1.78**	1.72		1.74	**3.13**	2.87		2.91	**3.82**	4.30		4.09
Credit loss ratio	**(0.22)**	1.43		0.88	**1.58**	4.91		3.45	**5.72**	11.76		8.42
Non-interest income as % of income	**8.4**	9.5		9.3	**16.7**	16.6		17.2	**46.8**	46.7		47.2
Income growth	**11**	8		9	**20**	6		(31)	**(5)**	(3)		(5)
Operating expenses growth	**3**	(8)		1	**10**	(24)		(31)	**3**	(11)		(10)
Cost-to-income ratio	**35.6**	38.1		37.0	**38.0**	41.4		39.6	**57.7**	53.0		53.3
Statement of financial position (Rm)												
Loans and advances to customers	**257 200**	238 089	8	247 679	**93 981**	82 511	14	89 129	**58 368**	58 473	(0)	58 022
Loans and advances to banks	**292**	872	(67)	641	**—**	—	—	—	**12 368**	12 633	(2)	12 720
Investment securities	**12 967**	12 625	3	12 369	**4 495**	4 407	2	4 284	**3 409**	3 686	(8)	3 395
Other assets	**24 455**	16 213	51	20 330	**3 609**	3 512	3	3 531	**259 801**	238 233	9	247 910
Total assets	**294 914**	267 799	10	281 019	**102 085**	90 430	13	96 944	**333 946**	313 025	7	322 047
Deposits due to customers	**1 895**	1 367	39	1 833	**—**	—	—	—	**261 144**	240 272	9	247 328
Other liabilities	**290 453**	265 862	9	277 816	**100 784**	90 310	12	96 797	**69 727**	71 294	(2)	71 029
Total liabilities	**292 348**	267 229	9	279 649	**100 784**	90 310	12	96 797	**330 871**	311 566	6	318 357
Financial performance (%)												
RoRWA	**3.02**	(0.65)		0.62	**0.93**	(4.00)		(1.90)	**3.34**	0.71		2.52
RoA	**0.96**	(0.21)		0.20	**0.49**	(2.10)		(1.00)	**1.02**	0.23		0.78

RBB

for the reporting period ended

Relationship Banking				Insurance				Retail and Business Banking Other				RBB SA			
30 June		Change	31 Dec	30 June		Change	31 Dec	30 June		Change	31 Dec	30 June		Change	31 Dec
2021	2020	%	2020	2021	2020	%	2020	2021	2020	%	2020	2021	2020	%	2020
4 105	3 941	4	8 032	(1)	(1)	0	(3)	(279)	(276)	1	(577)	13 832	13 509	2	27 143
2 845	2 723	4	5 616	181	1 386	(87)	2 375	336	245	37	588	9 233	10 455	(12)	20 854
6 950	6 664	4	13 648	180	1 385	(87)	2 372	57	(31)	<(100)	11	23 065	23 964	(4)	47 997
(732)	(1 348)	(46)	(2 032)	—	—	—	—	(1)	1	<(100)	(1)	(3 667)	(10 333)	(65)	(14 621)
(4 067)	(3 879)	5	(8 003)	(443)	(428)	4	(778)	(385)	(106)	>100	(962)	(13 111)	(12 336)	6	(25 551)
(17)	(4)	>100	(161)	(70)	(66)	6	(132)	(116)	(98)	18	(237)	(277)	(293)	(5)	(749)
2 134	1 433	49	3 452	(333)	891	<(100)	1 462	(445)	(234)	90	(1 189)	6 010	1 002	>100	7 076
(581)	(380)	53	(1 000)	36	(249)	<(100)	(466)	129	65	98	337	(1 694)	(232)	>100	(2 010)
1 553	1 053	47	2 452	(297)	642	<(100)	996	(316)	(169)	87	(852)	4 316	770	>100	5 066
1 459	938	56	2 247	(297)	642	<(100)	993	(322)	(176)	83	(864)	4 054	522	>100	4 372
—	—	—	—	—	—	—	3	—	(1)	(100)	1	16	(59)	<(100)	156
28	39	(28)	71	—	—	—	—	1	3	(67)	3	72	105	(31)	185
66	76	(13)	134	—	—	—	—	5	5	—	8	174	202	(14)	353
1 553	1 053	47	2 452	(297)	642	<(100)	996	(316)	(169)	87	(852)	4 316	770	>100	5 066
1 462	953	53	2 317	(297)	642	<(100)	993	(328)	(175)	87	(856)	4 052	537	>100	4 466
3.94	4.29		4.12	n/a	n/a		n/a	n/a	n/a		n/a	3.09	3.28		3.18
1.14	2.15		1.61	n/a	n/a		n/a	n/a	n/a		n/a	1.29	3.79		2.65
40.9	40.9		41.1	n/a	n/a		n/a	n/a	n/a		n/a	40.0	43.6		43.4
4	(1)		(2)	(87)	7		(15)	n/a	n/a		n/a	(4)	(1)		(2)
5	(13)		(5)	4	6		(5)	n/a	n/a		n/a	6	(9)		(8)
58.5	58.2		58.6	246.1	30.9		32.8	n/a	n/a		n/a	56.8	51.5		53.2
124 382	120 662	3	121 604	—	—	—	—	1	—	100	1	533 932	499 735	7	516 435
623	279	>100	401	499	1 447	(66)	797	410	421	(3)	616	14 192	15 652	(9)	15 175
6 248	6 452	(3)	6 201	4 720	2 735	73	3 891	172	380	(55)	218	32 011	30 285	6	30 358
89 719	72 357	24	90 082	23 815	28 093	(15)	26 376	12 222	11 942	2	15 162	413 621	370 350	12	403 391
220 972	199 750	11	218 288	29 034	32 275	(10)	31 064	12 805	12 743	0	15 997	993 756	916 022	8	965 359
170 457	150 443	13	167 223	—	—	—	—	11	11	—	11	433 507	392 093	11	416 395
48 367	46 921	3	47 436	27 284	29 458	(7)	28 575	12 814	12 381	3	16 314	549 429	516 226	6	537 967
218 824	197 364	11	214 659	27 284	29 458	(7)	28 575	12 825	12 392	3	16 325	982 936	908 319	8	954 362
2.07	1.41		1.68	n/a	n/a		n/a	n/a	n/a		n/a	2.06	0.28		1.17
1.32	0.95		1.10	(1.96)	3.90		3.05	n/a	n/a		n/a	0.85	0.12		0.48

RBB

for the reporting period ended

Business performance

RBB SA applied an agile approach in the execution of its strategic transformation journey, with an emphasis on ensuring the health and wellbeing of employees and customers while continuing to grow the business in a sustainable manner. The momentum from the faster economic recovery and higher activity levels in the second half of 2020 continued in 2021, however the stricter lockdowns levels, which lasted for the majority of the first quarter and June, did temper the recovery. Against this challenging backdrop, RBB SA continued to show traction in its key performance indicators which reflects the sustained strength of the customer franchise.

- Home loans registrations increased by **110%** against 2020 and **47%** against 2019;
- VAF production increased by **33%** relative to 2019, in a market that shrunk by **10%** (TransUnion);
- Personal loans production increased **13%** as risk appetite tightening remained in place for the first quarter;
- Credit card limits in issue increased by **3%**;
- Deposits grew **11%**, driven by transactional deposits;
- Relationship Banking advances increased by **3%** as demand was subdued;
- Card turnover volumes grew **17%** on 2020 levels and 6% on 2019 levels;
- Physical cash volumes increased **4%** but remains 20% lower than 2019 levels;
- Merchant acquiring turnover grew **18%**;
- Embedded value of new business increased **5%** to **R230m** from improving new business volumes;
- Insurance lapse rates remained stable at **2.7%** per month;
- Claims increased by **5%** in the short-term insurance business;
- Product holding increased to **2.37**; and
- Digitally active customers grew by **16%** to **2m**, primarily driven by increased app users.

Looking after the health and wellbeing of employees remained the primary focus of the business specifically given the increased severity of the second and third waves of the pandemic. The embedment of the significant shifts made in operations in 2020 enabled the business to respond dynamically to each wave whilst also ensuring continuity of service to customers. The business continues to encourage remote working, where possible, and employees have adapted well and where this isn't possible appropriate steps have been taken to ensure employees' wellbeing.

Remaining close to customers is the cornerstone of the strategic turnaround and the comprehensive and empathetic relief mechanisms offered to customers in 2020 has stood the business in good stead. While the pandemic specific relief mechanisms have concluded, RBB SA continues to actively engage with customers on bespoke relief measures should they be needed, including:

- debt restructuring;
- debt consolidation; and
- asset realisation.

The performance of the payment relief population is actively monitored and to date **13%** of customers have missed a payment, which continues to be better than original expectations. Delinquencies in the unsecured portfolios remain elevated relative to the secured portfolios as reflected in the COVID-19 note on page 23.

Given the unprecedented impact of the pandemic on the macroeconomic environment, RBB SA has continued to apply the framework developed in 2020 to assess impairment impacts, augmented by expert judgement in determining the forward looking macroeconomic variables. Although recent macro forecasts have improved relative to what was initially expected, the onset of the third wave, driven by the more contagious Delta variant, and the return to more severe lockdown levels are expected to increase pressure on already constrained consumers. Accordingly, the macroeconomic management adjustments raised in 2020, of R3.5bn, have been retained and in some cases strengthened, as the business navigates its way through the pandemic.

RBB SA's NPL ratio has historically been an outlier to the industry and investigations indicated that this was due to a more conservative application of the definition of default in determining the staging of advances. The business embarked on a project to redefine the definition of default to be more aligned with the industry (refer to page 15 for the detailed changes). The implementation of the revised methodology resulted in a significant reduction in the NPL ratio, specifically in the secured portfolios, and consequently RBB SA's NPL ratio of **8.5%** and stage 3 coverage of **48.07%** are more aligned with the market.

Consolidation of the end to end risk management lifecycle, within each business was a critical component of the operating model implemented in 2018 as part of the strategic turnaround. This end to end management has enhanced the understanding of the credit value chain, from acquisition to collections and combined with the accelerated investment in digital and data capabilities over the past two years, highlighted efficiencies within the credit model landscape. During 2021, enhancements to these models have been completed, enabling the business to more accurately reflect the credit quality within each portfolio while still providing sufficient coverage. Further detail on the impact is available on page 15.

The expected credit loss allowance, across all stages, remains substantially higher than pre-COVID-19 levels as the balance sheet resilience built in 2020 was largely retained. The overall expected credit loss allowance increased by **R0.9bn** to **R33.8bn** (30 June 2020: R32.9bn) with overall coverage decreasing marginally to **5.95%** (30 June 2020: 6.16%) largely due to NPL management in the unsecured portfolios and stronger growth in the lower coverage secured portfolios.

The excess mortality impact of the pandemic's second wave was more severe than initially expected across the market and current infection data available on the third wave points to a similar trajectory. Accordingly, the Insurance balance sheet was strengthened with additional provisions to allow for the expected impact on mortality. Refer to the COVID-19 note on pages 27 – 28 for further detail.

The strong secured portfolio production levels from the second half of 2020 have continued at similar levels into 2021 and drove the **7%** growth in Advances. The reduction in the unsecured portfolios reflects the continuation of the 2020 changes to credit strategies to reduce adverse selection which were prudently maintained through the first quarter. Market share of Retail advances per the BA 900 increased to **22.0%** (30 June 2020: 21.2%).

RBB

for the reporting period ended

Business performance (continued)

Deposits remained robust in the first half of 2021 driven by both transactional and investment deposits with growth of **10%** and **8%** respectively. Deepening relationships with customers as well as the persistency of reduced consumption spend, since the beginning of the pandemic, has driven the transactional deposit growth. Growth in Investment deposits was assisted by customer-led migrations from the Absa Money Market Fund post the announcement of its closure in April 2021. Retail deposit market share per the BA 900 increased slightly to **21.8%** (30 June 2020: 21.7%).

The insurance in-force book grew by **2%** since December 2020 reflecting improved bancassurance volumes, specifically related to improved funeral cover volumes, whilst lapse rates have remained stable.

Customer numbers remained stable at the December 2020 level of **9.5m** as the attrition witnessed in the second half of 2020, specifically in the entry level banking segment, was stemmed. Lockdown restrictions in relation to the pandemic continue to subdue transactional activity and reduce customer income which resulted in a reduction in primary customer numbers to **2.8m** (30 June 2020: 2.9m). Deepening customer relationships across the RBB ecosystem resulted in product holding per customer increasing to **2.37** (30 June 2020: 2.31).

RBB SA remains committed to its cost transformation agenda with a focus on improving efficiencies through digitisation. Process and product digitisation over the past two years have enabled the business to continue to drive efficiencies that have reduced the cost-to-income ratio to **56.8%** relative to 2018's 58.4% despite significantly lower Insurance revenues in 2021. The business continues to create sufficient capacity for investment in its digital agenda through active management of the business-as-usual costs.

Re-connecting with the customer base was a key element of the strategic journey with a specific focus on customer experience. Recent awards by the Ombudsman for Banking Services, for the noticeable decline in customer complaints, and awards within the Insurance business, South African Customer Satisfaction Index and the Ask Africa Orange Index, are evidence of the successes within this area. The business delivered on the next step in the customer value journey that started with the implementation of the market leading fraud warranty in 2019, with the implementation of the customer centric pricing changes in 2021. These changes resulted in approximately R300m lower fees for customers and together with keeping core account fees flat in 2021, will help to alleviate the strain on customers.

Digitisation has accelerated in the first half of 2021, as the business continues to deliver its digital agenda with a focus on consistency and innovation. RBB SA remains at the forefront of payment innovation with the recent launch of Apple Pay, where the bank was one of the first in South Africa to launch, complemented by the recent introduction of the universal QR scan to pay functionality in the Absa App and contactless payments with Garmin and FitBit wearables. Recent enhancements to the App being Absa ID, a facial identity technology, and the 'Abby' chatbot have both received digital banking accolades in the past six months. The 16% increase in digitally active customers is testament to the improved stability and enriched functionality provided across the digital estate and more specifically the Absa Banking App, which is consistently the highest rated banking app by customers. Together with the enhancements to the customer digital platforms, RBB SA has accelerated process digitisation and automation across the business to simplify and improve customer journeys.

Risk weighted assets increased to **R393bn** (30 June 2020: R378bn) as book growth and increased intensity levels were partially offset by optimisation initiatives across the business.

RORC has improved to **17.7%** (June 2020: 2.4%) driven by the improvement in earnings and capital demand optimisation and is above the Group's cost of equity.

Recent civil unrest

The recent civil unrest that occurred in KwaZulu-Natal and Gauteng, from 9 to 17 July 2021, impacted RBB SA and its customers and whilst the cost of the looting, property destruction and trading interruption have been extensive and are being quantified, the longer term economic impact remains unknown. The impact on the RBB SA business was twofold, firstly the destruction of physical property with 22 branches and 233 ATMs completely vandalised and a further 2 500 point-of-sale devices stolen or damaged. Secondly, is the disruption to the sales and service capabilities with physical points of presence now being supported by Bank on Wheels capabilities. The business has appropriate insurance cover in place for the destruction to property and has notified its insurers accordingly. The replacement of the damaged POS devices is being expedited given that there is sufficient stock on hand for the replacements. The short-term insurance book has no direct exposure to the riot claims as all policies include SASRIA cover. Consistent with RBB SA's comprehensive and empathetic response to the onset of the pandemic in 2020, the business has offered the following relief mechanisms to customers impacted by the unrest:

- Reintroduction of the Siyasizana programme to provide bespoke payment relief to retail customers;
- Bespoke credit solutions for business bank customers;
- The waiving of Saswitch fees;
- Waiving of rental fees on merchant POS devices for customers impacted by the unrest;
- Supporting SASSA processes through the deployment of mobile ATMs;
- Additional two months of insurance premium relief; and
- Assisting customers with fast-tracking SASRIA claims for losses from the unrest.

RBB SA will continue to monitor and assess the impact on its customers and will dynamically respond as the situation unfolds.

Looking ahead

RBB SA will focus on:

- Assisting customers impacted by the recent civil unrest;
- Targeted balance sheet acquisition to support return enhancement;
- Leveraging the ecosystem to continuously create value for customers;
- Maturing the go to market capability with focus on primacy and digital adoption; and
- Accelerating the development of the bank of the future.

RBB

for the reporting period ended

Everyday Banking

	Card				Personal Loans			
	30 June			31 December	30 June			31 December
	2021	2020	Change %	2020	2021	2020	Change %	2020
Statement of comprehensive income (Rm)								
Net interest income	**2 163**	2 337	(7)	4 462	**1 307**	1 509	(13)	2 887
Non-interest income	**1 172**	1 205	(3)	2 399	**184**	201	(8)	392
Total income	**3 335**	3 542	(6)	6 861	**1 491**	1 710	(13)	3 279
Impairment losses	**(1 286)**	(2 897)	(56)	(3 883)	**(963)**	(1 867)	(48)	(2 893)
Operating expenses	**(1 564)**	(1 558)	(0)	(2 991)	**(674)**	(645)	4	(1 152)
Other expenses	**(12)**	(32)	(63)	(46)	**(7)**	(1)	>100	(2)
Operating profit/(loss) before income tax	**473**	(945)	<(100)	(59)	**(153)**	(803)	(81)	(768)
Tax expenses	**(137)**	269	<(100)	18	**46**	229	(80)	223
Profit/(loss) for the reporting period	**336**	(676)	<(100)	(41)	**(107)**	(574)	(81)	(545)
Profit attributable to:								
Ordinary equity holders	**301**	(644)	<(100)	(237)	**(124)**	(599)	(79)	(588)
Non-controlling interest – ordinary shares	**16**	(58)	<(100)	152	**—**	—	—	—
Non-controlling interest – preference shares	**6**	9	(33)	15	**5**	9	(44)	15
Non-controlling interest – Additional Tier 1	**13**	17	(24)	29	**12**	16	(25)	28
	336	(676)	<(100)	(41)	**(107)**	(574)	(81)	(545)
Headline earnings	**302**	(643)	<(100)	(237)	**(124)**	(599)	(79)	(588)
Operating performance (%)								
Pre-provision profit	**1 771**	1 984		3 870	**817**	1 065		2 127
Credit loss ratio	**5.53**	12.74		8.49	**8.33**	15.29		11.87
Non-interest income as % of income	**35.1**	34.0		35.0	**12.3**	11.8		12.0
Income growth	**(6)**	(7)		(12)	**(13)**	11		1
Operating expenses growth	**0**	(26)		(22)	**4**	(12)		(2)
Cost-to-income ratio	**46.9**	44.0		43.6	**45.2**	37.7		35.1
Statement of financial position (Rm)								
Loans and advances to customers	**37 634**	35 554	6	36 405	**17 928**	19 602	(9)	18 410
Loans and advances to banks	**250**	240	4	266	**—**	—	—	—
Investment securities	**1 893**	1 982	(4)	1 855	**950**	1 090	(13)	996
Other assets	**9 952**	9 797	2	9 543	**467**	418	12	387
Total assets	**49 729**	47 573	5	48 069	**19 345**	21 110	(8)	19 793
Deposits due to customers	**1 882**	1 899	(1)	1 952	**16**	13	23	16
Debt securities in issue	**—**	—	—	—	**—**	—	—	—
Other liabilities	**46 085**	45 234	2	45 061	**19 452**	21 696	(10)	20 365
Total liabilities	**47 967**	47 133	2	47 013	**19 468**	21 709	(10)	20 381
Financial performance (%)								
RoRWA	**1.32**	(2.68)		(0.52)	**(1.05)**	(4.40)		(2.25)
RoA	**1.26**	(2.54)		(0.49)	**(1.28)**	(5.37)		(2.74)

RBB

for the reporting period ended

Transactional and Deposits				Everyday Banking			
30 June			31 December	30 June			31 December
2021	2020	Change %	2020	2021	2020	Change %	2020
2 610	2 582	1	5 261	**6 080**	6 428	(5)	12 610
3 990	4 217	(5)	8 487	**5 346**	5 623	(5)	11 278
6 600	6 799	(3)	13 748	**11 426**	12 051	(5)	23 888
(220)	(343)	(36)	(561)	**(2 469)**	(5 107)	(52)	(7 337)
(4 351)	(4 186)	4	(8 594)	**(6 589)**	(6 389)	3	(12 737)
(24)	(33)	(27)	(77)	**(43)**	(66)	(35)	(125)
2 005	2 237	(10)	4 516	**2 325**	489	>100	3 689
(557)	(622)	(10)	(1 263)	**(648)**	(124)	>100	(1 022)
1 448	1 615	(10)	3 253	**1 677**	365	>100	2 667
1 430	1 595	(10)	3 216	**1 607**	352	>100	2 391
—	—	—	—	**16**	(58)	<(100)	152
5	6	(17)	13	**16**	24	(33)	43
13	14	(7)	24	**38**	47	(19)	81
1 448	1 615	(10)	3 253	**1 677**	365	>100	2 667
1 429	1 594	(10)	3 230	**1 607**	352	>100	2 405
2 249	2 613		5 154	**4 837**	5 662		11 151
2.64	4.05		3	**5.72**	11.76		8.42
60.5	62.0		61.7	**46.8**	46.7		47.2
(3)	(3)		(2)	**(5)**	(3)		(5)
4	(3)		(7)	**3**	(11)		(10)
65.9	61.6		61.6	**57.7**	53.0		53.3
2 806	3 317	(15)	3 207	**58 368**	58 473	(0)	58 022
12 118	12 393	(2)	12 454	**12 368**	12 633	(2)	12 720
566	614	(8)	544	**3 409**	3 686	(8)	3 395
249 382	228 018	9	237 980	**259 801**	238 233	9	247 910
264 872	244 342	8	254 185	**333 946**	313 025	7	322 047
259 246	238 360	9	245 360	**261 144**	240 272	9	247 328
—	—	—	—	**—**	—	—	—
4 190	4 364	(4)	5 603	**69 727**	71 294	(2)	71 029
263 436	242 724	9	250 963	**330 871**	311 566	6	318 357
10.63	13.59		13.43	**3.34**	0.71		2.52
1.16	1.39		1.36	**1.02**	0.23		0.78

RBB

for the reporting period ended

Business unit performance

Home Loans

Business performance

The South African housing market continued its resilient momentum into the first half of 2021, which allowed Absa Home Loans to grow its book within its strategic risk appetite. Absa's total application value increased **64%** against 2020 and 57% relative to 2019 levels. An increase in value was seen across all market segments as prospective buyers looked to take advantage of the financial stimulus in the market.

The overall confidence in the South African property market has remained stable:

- Absa homeowner sentiment index increased by **3** percentage points to **77%** in the second quarter of 2021 (Q2 2020: 74%); and
- National house price inflation index increased by 0.7 percentage points to **5.1%** in June 2021 (December 2020: 4.4%).

As a result of a consistent execution against its strategy, Home Loans' market share for new business increased from 21.3% to **22.1%**. The business continued to create sustainable growth and assisted customers in their time of need. This was done through:

- Enhancing acquisition strategies that resulted in improved quality, price and growth;
- Investing in the collection capabilities through improved systems, processes and operations;
- The implementation of a revised default definition in the IFRS 9 impairment models focusing on aligning the treatment of forbearance and cures to the market;
- Revamping the self-service platforms which led to an improvement in customer experience measures;
- Multi-skilling and empowering colleagues across the business;
- Improving bancassurance integration, yielding enhanced conversions and improved strike rates for new business written;
- Collaborating with Everyday Banking on integrated propositions that supports customer primacy; and
- Building an integrated front end and workflow system.

The financial performance was driven by:

- New mortgages registered increased by **110%** against 2020 and 47% relative to 2019, whilst the market increased by 109%;
- Average LTV on new mortgages registered increased to **89.0%** (30 June 2020: 87.7%);
- A **6 bps** improvement in value weighted concessions;
- Mortgages originated by mortgage originators as a percentage of business increased to **62.5%** (30 June 2020: 54.3%); and
- Non-performing loans ratio reduced by **1.6** percentage points to **7.6%** (30 June 2020: 9.2%) given the change in default definition.

Financial performance

Gross loans and advances increased by **8%** to **R264bn** (30 June 2020: R245bn) on the back of strong production growth since the second half of 2020. Absa's home loans market share increased to **23.2%** from 23.0% in June 2020 (BA900).

Headline earnings increased to **R1 368m** (30 June 2020: -R274m) reflecting strong pre-provision profit growth of **15%** and a reduction in the impairments charge.

Net interest income increased **12%** to **R2 427m** (30 June 2020: R2 165m), driven by advances growth and improved margins benefiting from pricing initiatives and lower funding costs.

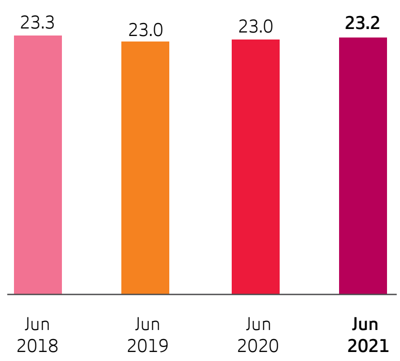
The impairments charge reflects a release of **R290m** (30 June 2020: R1 750m). The release was primarily driven by a refinement of the stage 3 assumptions in the IFRS 9 impairment models. This resulted in overall coverage decreasing to **2.68%** (30 June 2020: 2.97%) which remains significantly above pre-COVID-19 levels. The NPL ratio of **7.6%** (30 June 2020: 9.2%) reflects the impact of the change in the definition of default and is now aligned with industry treatment.

Looking ahead

Home Loans will focus on:

- Originating profitable loans within Risk Appetite;
- Empowering home loan customers and colleagues to navigate difficult and uncertain times;
- Increasing digital capabilities for customer engagement and fulfilling customer needs in an integrated way;
- Leveraging data insights to inform growth opportunities and facilitate a superior home loan experience; and
- Establishing sustainable living solutions that are eco-friendly and socially responsible.

Mortgages market share (%)[1]



[1] Source: SARB BA900.

RBB

for the reporting period ended

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

The domestic vehicle market experienced a notable rebound but still remains below pre-pandemic levels, characterised by:

- New vehicle sales increasing by **40%** for the period ending June 2021 compared to a 37% decline in 2020, however this remains 12% down on the same period in 2019 (NAAMSA)[2];
- New vehicle price inflation averaging **5.8%** for the six months ending June 2021 (StatsSA); and
- The combined New and Used Financed vehicle market growing by **48%** for the first six months of 2021 although this is 13% down on the comparable period in 2019 (Transunion)[3].

VAF focused on achieving its strategic objectives through:

- Excellence in Voice and Digital service levels during a time where face to face interactions were limited by the lockdown;
- Collections capability development and efficiency management, with a bias to digital tools that enhance productivity;
- Ensuring asset realisation processes are expanded through digital platforms thereby helping customers to sell more easily and enabling dealers to access stock virtually;
- Embedment of new loan application system in the Dealer, Branch and Private Banking channels;
- Delivering holistic banking solutions to dealers in partnership with Relationship Banking.

The above has resulted in:

- Strong growth in production exceeding pre-pandemic levels with a 33% increase compared to the same period in 2019;
- Continued positive trends to the margins experienced during the second half of 2020;
- New vehicle market share on new business volumes improving from 24.9% in the prior period to **28.7%** (Transunion); and
- An improvement in the level of delinquencies driven by a reduction of inflows into arrears relative to the second half of 2020.

Financial performance

Gross loans and advances to customers increased by **14%** to **R98.7bn** (30 June 2020: R86.8bn) supported by robust production levels during the preceding 12 months as well as a stable back book run-off rate.

Headline earnings improved by R1 201m to a profit of **R240m** driven by the reduced impairment charge and a pre-provision profit growth of **27%** reflecting **20%** growth in revenue.

Net interest income grew by **20%** to **R1 499m** (30 June 2020: R1 253m) underpinned by the strong book growth, continuation of improvements in margins and run-off of the lower margin back book.

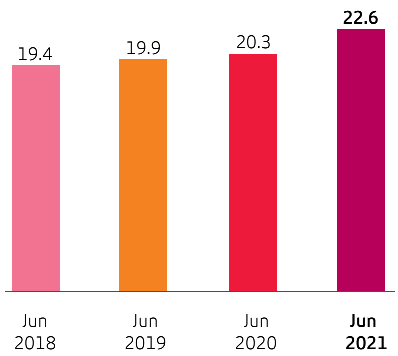
Impairments reduced to **R755m** (30 June 2020: R2 129m) driven by an improvement in the underlying performance and the non-recurrence of the 2020 charge related to the weakened economic outlook. The normalisation of the credit loss ratio to **1.58%** resulted in the total impairment coverage remaining fairly stable at **6%** (30 June 2020: 5.8%). The definition of default revision has resulted in the NPL Ratio reducing to **7.1%** (30 June 2020: 7.7%), and stage 3 coverage increasing to **53.7%** (30 June 2020: 44.5%).

Looking ahead

VAF will focus on:

- Continued effort on improving returns though quality new business origination and efficient use of financial resources;
- Further improvement of collections efficiency and effectiveness;
- Implementation of additional customer payment features on digital platforms;
- Refining the customer digital application process and experience for vehicle finance;
- Deepening and expanding relationships with industry stakeholders.

VAF market share (%) [1]



Everyday Banking

Business performance

The business continued to face a challenging operating environment given the effect of the lockdown restrictions in place for the majority of the first quarter which were re-introduced in June 2021.

Despite the headwinds, the business continued to accelerate the execution of its long-term strategy with delivery of its growth objective, as demonstrated by the following:

- Implemented a comprehensive, new-look pricing structure, providing customers with greater value, while also addressing various customer pain points. These changes provide R500 million in annual pricing relief to customers in an effort to insulate them from further financial strain during these uncertain times;
- Cheque account sales grew 30% on 2019 levels with encouraging growth in the Youth segment driven by strong uptake of Student accounts;
- Increased the number of digitally active customers by **16%** to **2m** whilst digital adoption improved across all products,
- Amongst the first banks to launch Apple Pay in the SA market in the first quarter of 2021. This was complemented by the introduction of QR Scan to pay through the App as well as contactless payments through Garmin and Fitbit wearables;
- Further enhanced the App with a focus on improving customer experience, functionality, and usage; and
- Maintained a cautious and disciplined approach to underwriting.

1 Source: SARB BA900.
2 Source: NAAMSA stats for new vehicles.
3 Transunion stats for new and used vehicles.

RBB

for the reporting period ended

Business unit performance (continued)

Everyday Banking (continued)

Business performance (continued)

Production and usage reduced significantly in the first half of 2020, however there was an improvement in the latter part of 2020 and the momentum carried through to 2021, as demonstrated in the following:

- Personal loans production grew **13%**;
- Credit card limit production grew **19%** with total limits in issue increasing by 3%:
- Sales of transactional accounts to targeted segments have performed well, with sales growing **84%** and exceeding 2019 levels;
- Card point-of-sale turnover increased **17%** on 2020 levels and by 6% on 2019 levels;
- Momentum in eCommerce volumes continued with growth of **27%** year on year;
- Digital usage increased over **25%** with strong growth in real time clearing volumes; however
- Branch volumes contracted as customers' preference shifted to digital channels given apprehension for physical interactions during the pandemic.

Financial performance

Gross loans and advances declined **1%** to **R73.1bn** (30 June 2020: R73.8bn) given prudent risk management within the lending products.

Retail deposits growth of **9%** to **R261bn** (30 June 2020: R240bn) was driven by transactional deposits which grew **13%** as customer relationships were deepened and reduced transactional activity increased liquidity in the market. Investment deposit growth of **8%** was supported by customer-led migrations from the Absa Money Market Fund, post the announcement of the closure, as underlying performance was constrained by lower customer demand for fixed term deposits in the low interest rate environment.

Headline earnings grew to **R1 677m** (30 June 2020: R365m) as a reduction of 13% in pre-provision profit was fully offset by an improvement of 52% in impairment losses.

Total income declined by **5%** to **R11 426m** (30 June 2020: R12 051m) reflecting the low interest rate environment, the drag of fees foregone given the customer-centric pricing changes and a shift in the transactional behaviour of customers

Net interest income decreased by **5%** to **R6 080m** (30 June 2020: R6 428m), mainly because of margin compression across loans and deposits over the past year.

- Net interest income on loans and advances decreased by **8%** as average balances remained stable and margins contracted given the lower interest rates and the reduced risk appetite in the portfolio.
- Net interest income on deposits declined by **2%** despite exceptional growth in the deposit portfolio, and this was mainly because of the endowment effect of the low interest rate environment on margins as well as a shift in the portfolio mix.

Non-interest income contracted **5%** to **R5 346m** (30 June 2020: R5 623m), despite the year-on-year improvement in usage, and this was primarily a function of the implementation of the customer-centric pricing structures, the migration of customers from traditional to digital transactional channels and subdued economic activity, in the first quarter and June as a result of the stricter lockdowns, however this was partially offset by the increase in digital usage.

Impairment losses decreased by **52%** to **R2 469m** (30 June 2020: R5 107m) reflecting the non-recurrence of the coverage built in the prior year for the weakened economic outlook and model enhancements to better reflect the credit quality of the portfolio. The underlying construct of the book has improved as reflected by the reduction in the NPL ratio to **17.7%** (30 June 2020: 19.3%) whilst total coverage has been maintained at **20.1%** (30 June 2020: 20.7%).

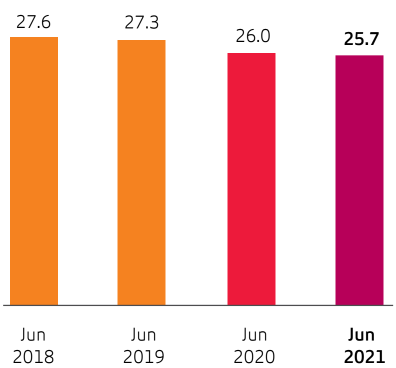
Operating expenses increased by **3%** to **R6 589m** (30 June 2020: R6 389m) driven by higher activity-related cost from the relaxation of lockdown restrictions and the reopening of the physical network in the second half of 2020, offsetting the benefit of network optimisation and increased investment in digital capabilities.

Looking ahead

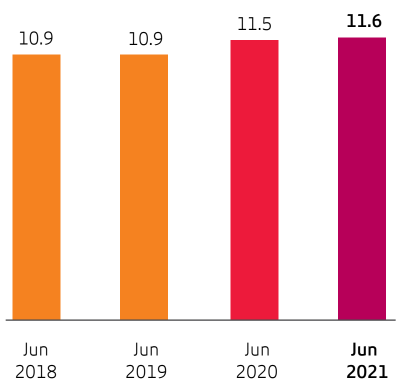
Everyday Banking will focus on:

- Supporting customers as they navigate the effects of the pandemic and the recent civil unrest;
- Refining propositions, pricing and market positioning across products and segments;
- Accelerating the rate of customer acquisitions and conversion into primary relationships;
- Creating seamless customer experience across all channels and products;
- Accelerating the digital transformation journey, and further improving the rate of digital adoption; and
- Disciplined approach to underwriting, whilst optimising the collections capabilities.

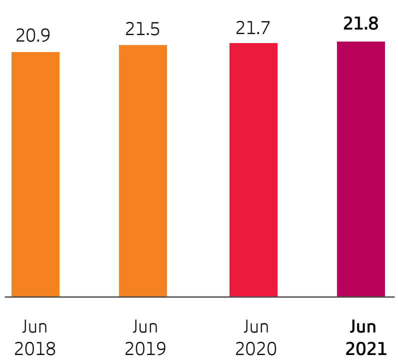
Card market share stock (%)[1]



Personal loans market share (%)[1]



Deposits market share (%)[1]



[1] Source: SARB BA900.

RBB

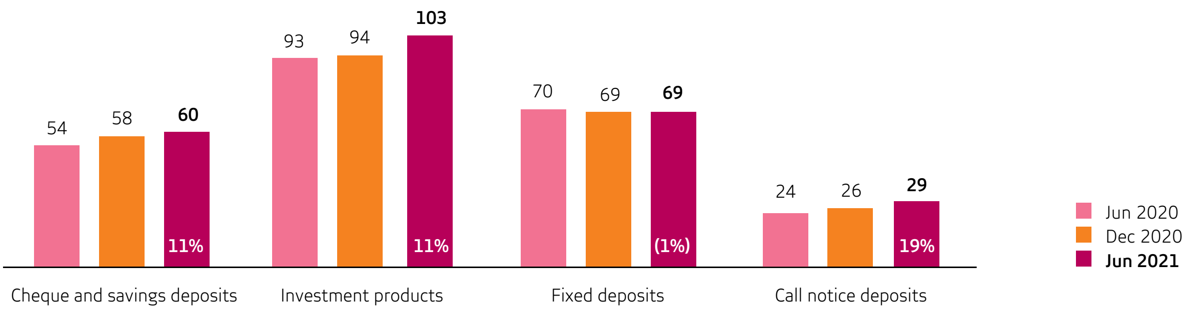
for the reporting period ended

Business unit performance (continued)

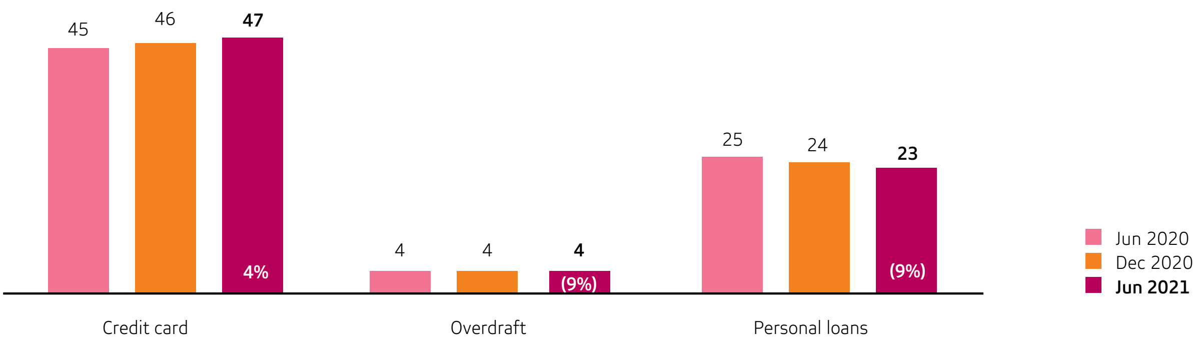
Everyday Banking (continued)

Financial performance (continued)

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



RBB

for the reporting period ended

Business unit performance (continued)

Relationship Banking

Business performance

The business continues to respond dynamically to the challenging operating environment whilst executing against its strategic initiatives.

The implementation of the customer relationship management tool, CustomerOne (Salesforce) continues to progress well, with key milestones including:

- The automation of the onboarding and back-office process of the majority of its products; and
- Integrating of credit journeys to allow for improved data management and capital efficiency, whilst further improving turnaround times and overall customer experience.

The business further continues to leverage voice and digital channels for non-empathetic services, allowing bankers to increasingly focus on sales and providing value add services to customers.

Focus has now shifted to enhancing segmental product and service propositions across the customer spectrum. In the SME segment the Business Evolve proposition with its integrated Cash Flow manager capability has been further enhanced with a decision making tool to ensure customers make the correct product choices based on their business requirements. The successful Third Party Fund Management Deposit platform has been extended to other industries whilst the business continues to modernise payment capabilities in Acquiring and optimise the cash operations. The successful integration of the Wealth segment has provided the opportunity to re-evaluate the Private Bank service model, which is expected to result in improved customer experience and lower cost to serve. The integration of the advisory and fiduciary business continues to support the unlocking of the bancassurance opportunity and enhanced the overall customer proposition.

Financial performance

Gross loans and advances to customers grew by **4%** to **R130bn** (30 June 2020: R126bn) reflecting sustained momentum in the term lending portfolio most notably from the Agri sector although this was partially offset by a stable overdraft book as customers remain apprehensive to increase borrowings in the current uncertain environment.

Deposits increased by **13%** to **R170bn** (30 June 2020: R150bn) reflecting continued growth in both transactional and saving and investments products which increased by **23%** and **7%** respectively. Transactional deposit growth is largely due to surplus customer liquidity driven by uncertainty and limited ability to spend due to the impact of COVID-19. Growth in Investments products was assisted by customer-led migrations from the Absa Money Market Fund as demand for traditional investment deposits was hampered by impact of the low interest rate environment.

Headline earnings increased **53%** to **R1 462m** (30 June 2020: R953m), reflecting a **46%** decrease in impairments and **4%** growth in pre-provision profits.

Net interest income increased by **4%** to **R4 105m** (30 June 2020: R3 941m) driven mainly by the increase in the deposit book volumes and partially offset by compression in both the deposit and lending products margins.

- Net interest income on deposits increased by **4%** as a **18%** increase in average balances was offset by the reduction in the interest rates and adverse product mix within the portfolio.
- Net interest income on advances increased by **2%** as average balances growth of **3%** was offset by adverse portfolio mix.

Non-interest income increased by **4%** to **R2 845m** (30 June 2020: R2 723m) despite customer-centric fee reductions made in the second half of 2020. Acquiring volumes increased by 18% from customer acquisition and improved transactional activity specifically in the Commercial and SME segments, which in turn improved margins. Non-interest revenue in the Financial Advisory and Fiduciary business was mixed with strong growth in the Advisory and Stockbroking businesses offset by lower volumes in Fiduciary given the intermittent closures at the municipal and master of the high court offices given the pandemic.

Impairments decreased by **46%** to **R732m** (30 June 2020: R1 348m) as the non-recurrence of the balance sheet resilience build that was done in 2020 was partially offset by some single name charges as well as the evidence of increased strain in the SME segment, resulting in the credit loss ratio decreasing to **1.14%** (30 June 2020: 2.14%). Total book coverage increased to **4.53%** (30 June 2020: 4.01%).

Operating expenditure increased **5%** driven mainly by normalisation of operating activities as the economy recovers from lockdown as well as the continuing investments into optimising the operating model and automating service delivery and self-service channels, this has been partially offset by benefits from embedding strategic initiatives and prudent discretionary cost management.

Looking ahead

Relationship Banking will continue to focus on:

- Commercialising key initiatives across the Relationship Banking ecosystem;
- Establishing a fit for purpose service model and proposition for Private Wealth;
- Scaling the bancassurance business by aligning our advice distribution channels;
- Commercialisation and continuous improvement of our proposition for entrepreneurs; and
- Delivering on the credit transformation.

RBB

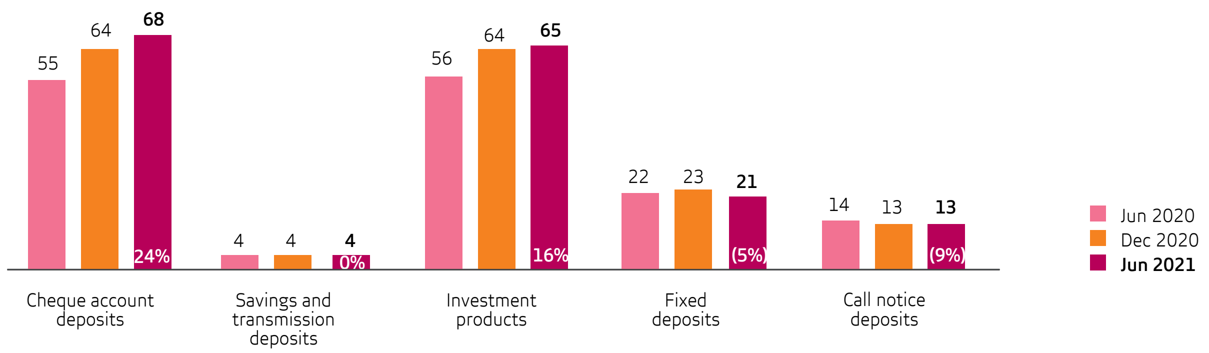
for the reporting period ended

Business unit performance (continued)

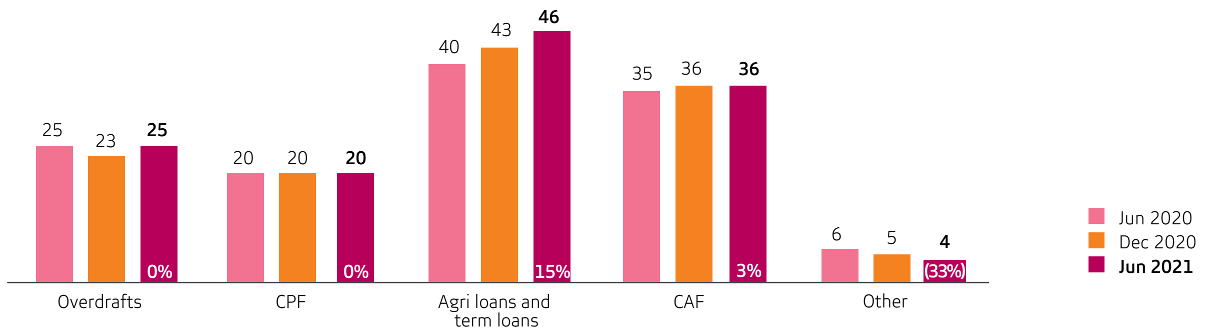
Relationship Banking (continued)

Financial performance (continued)

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



RBB

for the reporting period ended

	Life Insurance			
	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	**1 947**	1 796	8	3 695
Net insurance claims and benefits paid	**(1 315)**	(712)	85	(1 787)
Investment income				
Policyholder investment contracts	**715**	558	28	1 329
Policyholder insurance contracts	**150**	(58)	<(100)	47
Changes in investment and insurance contract liabilities				
Policyholder investment contracts	**(691)**	(533)	30	(1 264)
Policyholder insurance contracts	**(674)**	183	<(100)	158
Other income	**5**	11	(55)	(4)
Gross operating income	**137**	1 245	(89)	2 174
Net commission paid by insurance companies	**(371)**	(332)	12	(757)
Operating expenses	**(263)**	(245)	7	(450)
Other expenses	**(68)**	(65)	5	(130)
Net operating income	**(565)**	603	<(100)	837
Investment income on shareholders' funds	**21**	50	(58)	83
Taxation expense	**95**	(167)	<(100)	(295)
Profit for the period	**(449)**	486	<(100)	625
Headline earnings	**(449)**	486	<(100)	622
Note (Rm)				
Investment income				
Policyholder investment contracts	**715**	558	28	1 329
Net interest income	**243**	561	(57)	1 025
Dividend income	**90**	121	(26)	224
Fair value gains/(losses)	**382**	(124)	<(100)	80
Policyholder insurance contracts	**150**	(58)	<(100)	47
Net interest income	**27**	27	—	54
Dividend income	**3**	9	(67)	17
Fair value gains/(losses)	**120**	(94)	<(100)	(24)
Shareholder funds	**21**	50	(58)	83
Net interest income	**24**	43	(44)	73
Dividend income	**—**	—	—	—
Fair value gains/(losses)	**(3)**	7	<(100)	10
Total	**886**	550	61	1 459
Net interest income	**294**	631	(53)	1 152
Dividend income	**93**	130	(28)	241
Fair value gains/(losses)	**499**	(211)	<(100)	66

RBB

for the reporting period ended

Short-term Insurance				Insurance SA			
30 June			31 December	30 June			31 December
2021 Rm	2020 Rm	Change %	2020 Rm	2021 Rm	2020 Rm	Change %	2020 Rm
1 540	1 496	3	3 003	3 487	3 292	6	6 698
(963)	(916)	5	(1 852)	(2 278)	(1 628)	40	(3 639)
—	—	—	—	715	558	28	1 329
17	25	(32)	42	167	(33)	<(100)	89
—	—	—	—	(691)	(533)	30	(1 264)
—	—	—	—	(674)	183	<(100)	158
12	12	—	27	17	23	(26)	23
606	617	(2)	1 220	743	1 862	(60)	3 394
(243)	(228)	7	(452)	(614)	(560)	10	(1 209)
(180)	(183)	(2)	(328)	(443)	(428)	4	(778)
(2)	(1)	100	(2)	(70)	(66)	6	(132)
181	205	(12)	438	(384)	808	<(100)	1 275
30	34	(12)	104	51	84	(39)	187
(59)	(83)	(29)	(171)	36	(250)	<(100)	(466)
152	156	(3)	371	(297)	642	<(100)	996
152	156	(3)	371	(297)	642	<(100)	993
—	—	—	—	715	558	28	1 329
—	—	—	—	243	561	(57)	1 025
—	—	—	—	90	121	(26)	224
—	—	—	—	382	(124)	<(100)	80
17	25	(32)	42	167	(33)	<(100)	89
17	25	(32)	42	44	52	(15)	96
—	—	—	—	3	9	(67)	17
—	—	—	—	120	(94)	<(100)	(24)
30	34	(12)	104	51	84	(39)	187
40	56	(29)	105	64	99	(35)	178
—	2	(100)	2	—	2	(100)	2
(10)	(24)	(58)	(3)	(13)	(17)	(24)	7
47	59	(20)	146	933	609	53	1 605
57	81	(30)	147	351	712	(51)	1 299
—	2	(100)	2	93	132	(30)	243
(10)	(24)	(58)	(3)	489	(235)	<(100)	63

RBB

for the reporting period ended

	Insurance SA			
	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Statement of financial position				
Assets				
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**22 393**	25 801	(13)	24 823
Cash balances and loans and advances to banks	**1 341**	942	42	1 202
Investment securities	**21 052**	24 859	(15)	23 621
Policyholder insurance contracts	**3 046**	2 809	8	2 851
Cash balances and loans and advances to banks	**258**	671	(62)	489
Investment securities	**2 679**	1 939	38	2 159
Reinsurance assets	**109**	199	(45)	203
Shareholder funds	**2 543**	2 822	(10)	2 609
Cash balances and loans and advances to banks	**502**	2 018	(75)	873
Investment securities	**2 041**	804	>100	1 736
Other assets	**1 051**	840	25	779
Property and equipment	**1**	3	(67)	2
Total assets	**29 034**	32 275	(10)	31 064
Liabilities				
Liabilities under investment contracts	**22 332**	25 733	(13)	(24 740)
Policyholder liabilities under insurance contracts	**3 381**	2 493	36	(2 533)
Other liabilities	**1 345**	1 131	19	56 052
Other liabilities	**1 264**	1 041	21	56 165
Other liabilities relating to investment contracts	**81**	90	(10)	(113)
Deferred tax liabilities	**226**	101	>100	(204)
Total liabilities	**27 284**	29 458	(7)	28 575
Equity				
Capital and reserves	**1 750**	2 797	(37)	2 489
Non-controlling interest	**—**	20	(100)	—
Total equity	**1 750**	2 817	(38)	2 489
Total liabilities and equity	**29 034**	32 275	(10)	31 064

RBB

for the reporting period ended

Business unit performance (continued)

Insurance South Africa

Business performance

The South African Insurance Cluster's performance reflects the impact of a significant increase in mortality claims and short-term COVID-19 provisions in the life business in the first half of the year. The impact of the second wave was more severe than expected, mostly due to higher average sum assured claims and increased infections than experienced in the first wave. Despite the impact of the pandemic, the business has continued to drive the execution of strategy to deliver value from the integrated bancassurance model, some of the key metrics that reflect the progress made are:

- Credit Life strike rates have improved to **67%** (30 June 2020: 57%);
- Integration of the Instant Life digital onboarding and claims process into the bank branches assisting in growth of **22%** in this product;
- Improved Vehicle and Asset Finance Value Added Product volumes of **57%** through increased production and optimisation of the sales processes; and
- Proactive identification of bank customers who qualify for COVID-19 related premium relief and claims.

The continued impact of the pandemic and the implementation of lockdown restrictions continue to affect the operating environment across the following areas:

- New business volumes have increased by **21%** year on year but off a low base due to the hard lockdown in March 2020;
- Policy losses within the Life business have remained stable at **2.7%** (30 June 20: 2.7%), with policyholders benefiting from the premium holiday relief.
- Overall claims have increased by **40%** year on year due to higher mortality and retrenchment claims paid as a result of the impact of COVID-19 on policyholders. This has been offset to an extent by no catastrophe losses for the year to date and lower motor claims incurred as a result of the lockdown restrictions in the short term business.

The Insurance Cluster has continued to offer relief to customers through a premium reprieve to Standalone Life and Short Term Insurance customers, providing affordability relief by allowing customers to miss an additional two premium payments without lapsing their insurance cover.

Life Insurance reserves were strengthened in response to the impact of the pandemic through increasing the specific provision established at the end of 2020 to allow for the expected impact of COVID-19 on mortality and lapses to **R836m** (refer to the policyholder liability note and the COVID-19 note for further details).

Capital continues to be managed prudently with the Solvency Capital Requirement cover well in excess of the regulatory minimum of 1 times and the internal board approved targets in the South African Life and Short Term businesses.

South Africa Life

	30 June		Change	31 December
Salient features – Life insurance	**2021**	2020	%	2020
Shareholders' net assets (Rm)	**553**	1 492	(63)	1 212
Cost of solvency capital (Rm)	**(120)**	(213)	(44)	(162)
Value of business in force (Rm)	**4 209**	4 436	(5)	4 069
Embedded value (Rm)	**4 642**	5 715	(19)	5 119
Embedded value earnings (Rm)	**(172)**	347	<(100)	180
Return on embedded value (%)	**(6.7)**	11.9		3.1
EVNB (Rm)	**230**	219	5	374
Value of new business as a percentage of the present value of future premiums (%) (gross)	**6.2**	7.5		6.6

Headline earnings reduced by **>100%** to a loss of **R449m** (30 June 2020: R486m profit) reflecting a **significant** increase in mortality and retrenchment claims experience, as well as increasing specific Life reserves related to the pandemic to R836m. This has been partially offset by 8% growth. Net premiums increased to **R1 947m** (30 June 2020: R1 796m) driven by growth in the funeral and Instant Life business as a result of the closer integration with bank operations.

Claims growth of **85%** to **R1 315m** (30 June 2020: R712m) was primarily due to an increase in mortality claims of **85%** to **R1 060m** compared to the first half of 2020. The impact on mortality of the second wave of infections was more severe than expected as a result of the impact of higher average claims and a much higher infection rate. COVID-19 specific provisions were reassessed as at 30 June 2021 and increased to **R836m** to allow for the expected impact of the third and fourth waves (refer to COVID-19 note on page 22 for more detail).

Year on year the Embedded Value has reduced by **19%**, this is primarily due to the increases in claims paid and the COVID-19 specific provision. Embedded Value of New Business (EVNB) increased 5% due to an increase in volumes.

RBB

for the reporting period ended

Business unit performance (continued)

Insurance South Africa

Business performance

South Africa Short-term insurance

Salient features – Short-term insurance	30 June 2021	30 June 2020	Change %	31 December 2020
Headline earnings (Rm)	**152**	156	(3)	371
Net premium income (Rm)	**1 540**	1 496	3	3 003
Underwriting margin (%)	**10.8**	12.9		13.7
Loss ratio (%)	**62**	61		62

Headline earnings decreased **3%** to **R152m** (30 June 2020: R156m) driven by an increase in claims experience and lower investment income. A strong underwriting margin of **10.8%** was achieved over the period.

Net insurance premium income increased **3%** to **R1 540m** (30 June 2020: R1 496) with growth reflecting the improved customer journeys in the Home Loans and VAF businesses implemented through the integrated bancassurance model. This was offset by a contraction in the number of active policies due to higher cancellations on certain lines as a result of the pandemic.

Claims incurred have increased by **5%** year on year mainly driven by the relaxed lockdown restrictions in 2021 which resulted in an increase in frequency and severity of motor claims, partially offset by favourable weather conditions and ongoing portfolio management actions.

Investment income has declined in comparison to prior year due to a reduction in excess capital to align to SAM capital requirements as well as the reduction in market interest rates.

Looking ahead

The South African Insurance Cluster will continue to focus on the following key strategic themes:

- Enhancing digital insurance capabilities and offerings;
- Improving product propositions and diversifying distribution channels;
- Seamless integration into the customer banking journeys;
- Enhancing retention and collections with the use of data; and
- Expanding self-service functionality.

RBB

for the reporting period ended

RBB ARO headline earnings increased to **R140m** (30 June 2020: (R77m)), driven by a 64% (CCY: 55%) reduction in impairments partially offset by pre-provision profits declining 18% (CCY: 2%).

Asset production momentum improved in 2021 with gross loans and advances growing by **12%**, with the majority of the growth being achieved in the personal lending space.

Deposits due to customers grew by 13% on a constant currency basis, as a result of an 18% growth in transactional deposits.

Credit loss ratio declined to 1.74% (30 June 2020: 4.61%) which reflects the benefits extracted from the coverage built in 2020.

Deposit margins contracted in line with the decline in interest rates across the majority of markets.

Non-interest income as a percentage of total income declined to **27.6%** (30 June 2020: 28.8%) as a result of subdued economic activity.

Cost-to-income increased to 72.7% (30 June 2020: 70.4%).

Return on Regulatory Capital (RoRC) of 3.1% (30 June 2020: (1.3%)) remains well below cost of equity.

	30 June				31 December
Salient features	**2021**	2020	CCY %	Change %	2020
Income (Rm)	**5 578**	6 289	6	(11)	12 343
Pre-provision profit (Rm)	**1 525**	1 860	(2)	(18)	3 349
Headline earnings (Rm)	**140**	(77)	<(100)	<(100)	(227)
Credit loss ratio (%)	**1.74**	4.61			3.88
Cost-to-income ratio (%)	**72.7**	70.4			72.9
RoRWA (%)	**0.37**	(0.16)			(0.24)
RoA (%)	**0.27**	(0.15)			(0.22)
RoRC (%)	**3.1**	(1.3)			(2.0)

RBB

for the reporting period ended

Business performance

RBB ARO's growth strategy continued to be focused around the embedment of customer-centricity, delivering customer value propositions that serve customer needs across their respective life stages, as well as creating a seamless channel experience with a focus on becoming a digitally-led bank. The strategic journey continued although this was managed within the demands of ensuring the safety of customers and employees whilst guaranteeing that banking services weren't uninterrupted. The business continues to make progress against its strategy, with significant progress evident in the performance metrics across the business.

- Digitally active customers improved by 26% to **51%** of the transactional customer base primarily driven by the launch of the revised mobile banking platform;
- Customer engagement has improved since the launch of the Chatbot with average monthly customer engagements growing by **217%**;
- The mobile lending proposition in partnership with Jumo in Zambia (Kongola) and Ghana (Ahomka) continued to grow with **1.7m** loans disbursed (30 June 2020: 1.8m) with a disbursement value of over **R1.1bn** (30 June 2020: R517m);
- Personal loan production increased **14%** driven by increased focus on growth in low risk sectors;
- Credit and Debit card turnover increased by **15%** and **14%** respectively; and
- Active card acquiring merchants increased by **17%** with e-Commerce Merchants growing by **40%**.

Financial performance

The Rand strengthened significantly compared to the basket of currencies in the ARO countries, in 2021. This had a negative impact on translated earnings and balance sheet growth. Commentary below has been provided using constant currency growth rates which better reflect underlying performance.

ARO Banking

Loans and advances to customers grew by **12%**. This was driven by growth in personal lending and mortgage lending of 12% and 14% respectively whilst commercial growth of 7% was driven by growth in commercial asset finance and trade finance.

Deposits due to customers grew by **13%** with 18% growth in transactional deposits while investment deposits were constrained due to aggressive competitor deposit pricing.

RBB ARO's headline earnings improved by **218%** driven by a reduction in the impairment charge of **55%** and a growth of **2%** in pre-provision profits.

Net interest income growth of **8%** was driven by:

- An **8%** increase in net interest income on advances as a **12%** growth in average balances was partially offset by the lower interest rates; and
- A **5%** increase in net interest income on deposits driven by a **15%** increase in average balances and a favourable product mix being partially offset by the low interest rates across the markets.

Non-interest income increased by **4%** driven by an increase in trade and FX performance in the commercial banking space showing a growth of **43%** and **16%** respectively; and an increase in transactional fees of **12%**, despite a structural shift to cheaper digital banking channels, partially offset by continued customer support through fee waivers and limited fee increases and the reduced transactional activity due to the pandemic.

Impairments declined by **55%** resulting in a credit loss ratio of **1.74%** (30 June 2020: 4.61%). The lower charge reflects the non-recurrence of the coverage built in 2020 and the benefits of the support provided to customers during the pandemic. The credit risk profile improved across the majority of the portfolios primarily driven by proactive credit mitigating strategies, the quality of new loans granted as well as the improving macroeconomic outlook. The total coverage ratio remained relatively stable at **7.8%** (30 June 2020: 7.7%). The NPL ratio increased to 7.4% of loans and advances (30 June 2020: 6.0%) given single names in the commercial segment.

Operating expenses increased by **9%**, driven by an increase in performance incentives in line with earnings and continued investment in technology and digitisation.

ARO Insurance

The insurance business headline earnings declined by **91%** driven by the Life insurance business.

Africa Life insurance

Headline earnings declined by **162%** primarily due to a worsening claims experience where net claims increased by **59%**. Net premium income grew **4%** driven by growth from the Group Risk and Education business primarily in Kenya.

Africa Short-term insurance

Headline earnings declined by **41%** as a result of lower gross written premiums and a negative general claims experience. Net earned premium decreased by **12%** driven by decreased new business and renewals. The underwriting margin decreased to **-5%** (30 June 2020: 7%) mainly due to lower gross premiums and the increase in claims experienced.

Looking ahead

RBB ARO strategy continues to focus on:

- Integrating the Insurance and Banking businesses to drive synergies and enhancing frontline and digital capabilities to improve customer experience as well as streamlining fulfilment processes;
- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisition and deepen the relationship with existing customers;
- Optimised branch operating model to build fit-for-purpose branches;
- Commercialising new business opportunities such as mobile lending and leveraging payments; and
- Roll out of an enhanced Digital capability and further deepen our Commercial product offering.

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CIB

for the reporting period ended

Headline earnings increased by 146% to **R4 049m** (30 June 2020: R1 645m) supported by revenue growth of 14% (23% in constant currency) with all core operating business units achieving growth, impairments declining by 82% (81% in constant currency), and operating expenses increasing by 13% (19% in constant currency), normalising from a low base in the prior year. Both the Corporate and the Investment Bank achieved headline earnings growth in excess of 100%. Returns of 22.7% increased from prior year due to a combination of efficient capital management and the strong headline earnings performance, which exceeded pre-COVID-19 levels.

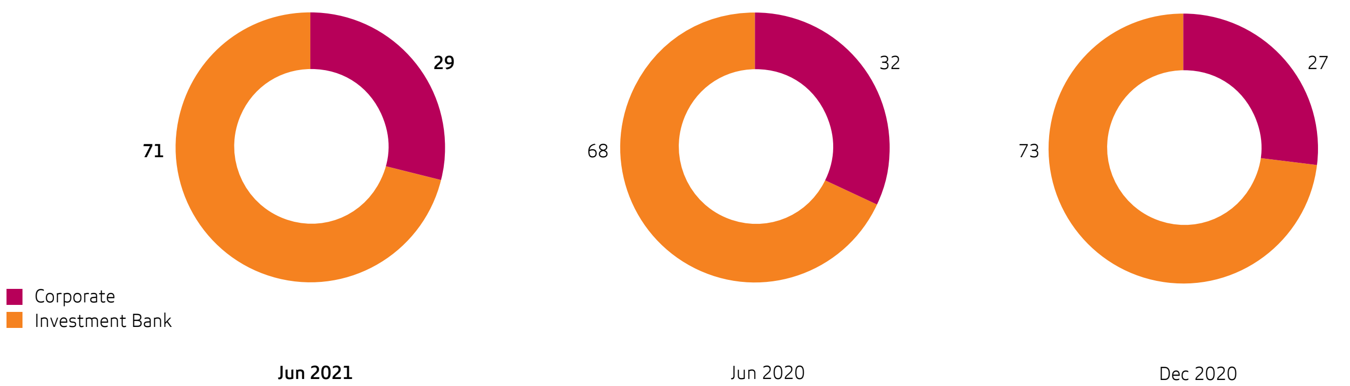
Key performance highlights for the period include the following:

- **Pre-provision profits growth** of **15%** to **R6 280m** (30 June 2020: R5 463m, up 26% in constant currency).
- **Strong revenue performance** across all the divisions in the Investment Bank.
- **Non-interest income** as a proportion of total income of **42.1%** (30 June 2020: 34.7%).
- **Credit loss ratio** returned to the through-the-cycle target range at **0.24%** (30 June 2020: 1.30%).
- **Cost-to-income** ratio improved to **46.0%** from 46.3%.
- **Return on regulatory capital** increased to **22.7%** from 9.0%.
- **Net interest margin decreased** to **226 bps** from 250 bps mainly due to lower interest rates on the foreign currency book and deposit margin contraction as a result of a change in mix.
- **Operating expenses growth** of **13%** (19% in constant currency), mainly due to greater performance cost provisioning because of the strong performance.
- **Customer advances growth** subdued with a decline of **2%** (up 2% in constant currency).
- **ARO reported earnings impacted** by significant foreign exchange differences as a result of Rand strength.

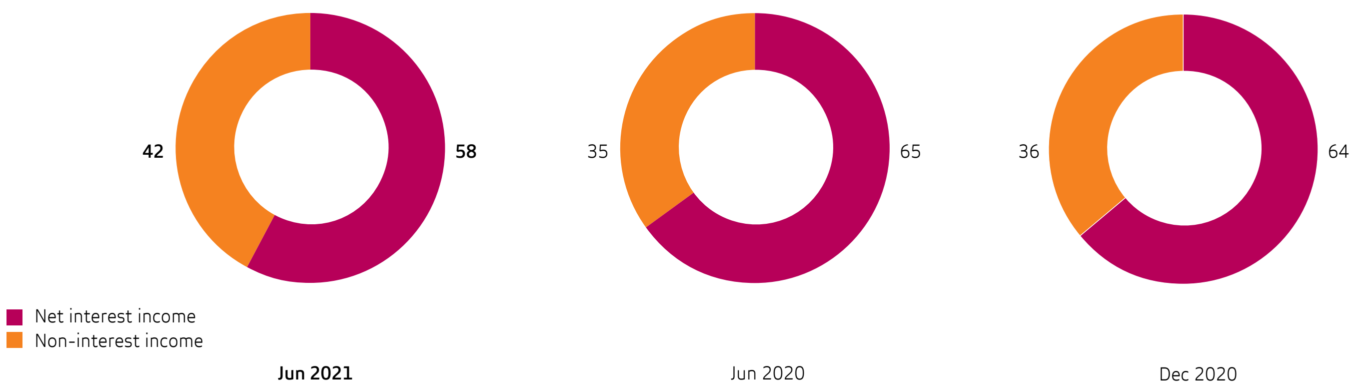
CIB

for the reporting period ended

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	30 June 2021	30 June 2020	CCY%	Change %	31 December 2020
Income (Rm)	**11 625**	10 174	23	14	21 026
Headline earnings (Rm)	**4 049**	1 645	>100	>100	5 054
Pre-provision profit (Rm)	**6 280**	5 463	26	15	10 912
Cost-to-income ratio (%)	**46.0**	46.3			48.1
Credit loss ratio (%)	**0.24**	1.30			0.75
RoRWA (%)	**2.54**	1.00			1.50
RoA (%)	**0.85**	0.38			0.56
RoRC (%)	**22.7**	9.0			13.5

CIB

for the reporting period ended

	Corporate Bank				
	30 June				31 December
	2021	2020	CCY%	Change %	2020
Statement of comprehensive income (Rm)					
Net interest income	**3 479**	3 379	12	3	6 822
Non-interest income	**1 111**	1 126	4	(1)	2 270
Total income	**4 590**	4 505	10	2	9 092
Impairment losses	**(14)**	(943)	(98)	(99)	(1 298)
Operating expenses	**(2 729)**	(2 561)	12	7	(5 366)
Other expenses	**(33)**	(44)	2	(25)	(101)
Operating profit before income tax	**1 814**	957	>100	90	2 327
Tax expenses	**(527)**	(262)	>100	>100	(718)
Profit for the reporting period	**1 287**	695	>100	85	1 609
Profit attributable to:					
Ordinary equity holders	**1 159**	597	(100)	94	1 443
Non-controlling interest – ordinary shares	**89**	47	>100	89	73
Non-controlling interest – preference shares	**11**	16	(31)	(31)	31
Non-controlling interest – Additional Tier 1	**28**	35	(20)	(20)	62
	1 287	695	>100	85	1 609
Headline earnings	**1 159**	525	>100	>100	1 353
Operating performance (%)					
Net interest margin on average interest-bearing assets	**2.09**	2.61			2.41
Credit loss ratio	**0.04**	2.38			1.74
Non-interest income as % of income	**24.2**	25.0			25.0
Income growth	**2**	14			11
Operating expenses growth	**7**	14			7
Cost-to-income ratio	**59.5**	56.8			59.0
Statement of financial position (Rm)					
Loans and advances to customers	**55 752**	62 148	(4)	(10)	59 536
Loans and advances to banks	**12 486**	11 875	10	5	11 178
Investment securities	**2 739**	6 605	(58)	(59)	3 672
Other assets	**281 249**	217 031	36	30	247 582
Total assets	**352 226**	297 659	25	18	321 968
Deposits due to customers	**334 120**	280 321	25	19	306 209
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**18 400**	17 926	11	3	15 610
Total liabilities	**352 520**	298 247	25	18	321 819
Financial performance (%)					
RoRWA	**2.83**	1.18			1.50
RoA	**0.69**	0.39			0.46
RoRC	**25.8**	10.7			13.7

CIB

for the reporting period ended

Investment Bank 30 June 2021	Investment Bank 30 June 2020	Investment Bank Change CCY%	Investment Bank Change %	Investment Bank 31 December 2020	CIB 30 June 2021	CIB 30 June 2020	CIB Change CCY%	CIB Change %	CIB 31 December 2020
3 254	3 262	4	(0)	6 601	**6 733**	6 641	8	1	13 423
3 781	2 407	73	57	5 333	**4 892**	3 533	50	38	7 603
7 035	5 669	33	24	11 934	**11 625**	10 174	23	14	21 026
(496)	(1 854)	(71)	(73)	(1 993)	**(510)**	(2 797)	(81)	(82)	(3 291)
(2 616)	(2 150)	27	22	(4 748)	**(5 345)**	(4 711)	19	13	(10 114)
(105)	(91)	17	15	(149)	**(138)**	(135)	12	2	(250)
3 818	1 574	>100	>100	5 044	**5 632**	2 531	>100	>100	7 371
(708)	(243)	>100	>100	(886)	**(1 235)**	(505)	>100	>100	(1 604)
3 110	1 331	>100	>100	4 158	**4 397**	2 026	>100	>100	5 767
2 890	1 121	>100	>100	3 702	**4 049**	1 718	>100	>100	5 145
95	62	79	53	191	**184**	109	94	69	264
37	51	(27)	(27)	91	**48**	67	(28)	(28)	122
88	97	(9)	(9)	174	**116**	132	(12)	(12)	236
3 110	1 331	>100	>100	4 158	**4 397**	2 026	>100	>100	5 767
2 890	1 120	>100	>100	3 701	**4 049**	1 645	>100	>100	5 054
2.47	2.39			2.38	**2.26**	2.50			2.39
0.28	1.05			0.55	**0.24**	1.30			0.75
53.7	42.5			44.7	**42.1**	34.7			36.2
24	16			17	**14**	15			14
22	(2)			3	**13**	6			5
37.2	37.9			39.8	**46.0**	46.3			48.1
308 771	308 480	4	0	297 612	**364 523**	370 628	2	(2)	357 148
42 326	83 082	(55)	(49)	54 579	**54 812**	94 957	(41)	(42)	65 757
41 251	38 799	2	6	40 602	**43 990**	45 404	(3)	(3)	44 274
229 429	216 223	9	6	225 050	**510 678**	433 254	20	18	472 632
621 777	646 584	(2)	(4)	617 843	**974 003**	944 243	6	3	939 811
62 598	40 264	55	55	47 484	**396 718**	320 585	29	24	353 693
16 868	15 911	6	6	18 276	**16 868**	15 911	6	6	18 276
538 506	588 090	(8)	(8)	547 726	**556 906**	606 016	(7)	(8)	563 336
617 972	644 265	(3)	(4)	613 486	**970 492**	942 512	5	3	935 305
2.43	0.93			1.50	**2.54**	1.00			1.50
0.94	0.37			0.60	**0.85**	0.38			0.56
21.7	8.3			13.5	**22.7**	9.0			13.5

CIB

for the reporting period ended

	CIB SA			
	30 June			31 December
	2021	2020	Change %	2020
Statement of comprehensive income (Rm)				
Net interest income	**4 438**	3 997	11	8 304
Non-interest income	**3 142**	1 803	74	4 259
Total income	**7 580**	5 800	31	12 563
Impairment losses	**(557)**	(1 657)	(66)	(1 951)
Operating expenses	**(3 520)**	(2 884)	22	(6 330)
Other expenses	**(86)**	(86)	—	(121)
Operating profit before income tax	**3 417**	1 173	>100	4 161
Tax expenses	**(536)**	(12)	>100	(547)
Profit for the reporting period	**2 881**	1 161	>100	3 614
Profit attributable to:				
Ordinary equity holders	**2 717**	962	>100	3 256
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**48**	67	(28)	122
Non-controlling interest – Additional Tier 1	**116**	132	(12)	236
	2 881	1 161	>100	3 614
Headline earnings	**2 717**	896	>100	3 170
Operating performance (%)				
Net interest margin on average interest-bearing assets	**1.85**	1.97		1.91
Credit loss ratio	**0.31**	0.93		0.54
Non-interest income as % of income	**41.5**	31.1		33.9
Income growth	**31**	9		13
Operating expenses growth	**22**	(3)		0
Cost-to-income ratio	**46.4**	49.7		50.4
Statement of financial position (Rm)				
Loans and advances to customers	**311 110**	305 795	2	304 220
Loans and advances to banks	**47 186**	85 682	(45)	58 203
Investment securities	**42 944**	44 629	(4)	43 162
Other assets	**442 870**	360 224	23	407 326
Total assets	**844 110**	796 330	6	812 911
Deposits due to customers	**328 510**	243 056	35	282 771
Debt securities in issue	**16 868**	15 911	6	18 276
Other liabilities	**493 387**	533 832	(8)	506 355
Total liabilities	**838 765**	792 799	6	807 402
Financial performance (%)				
RoRWA	**2.25**	0.75		1.29
RoA	**0.66**	0.25		0.41
RoRC	**20.1**	6.7		11.6

CIB

for the reporting period ended

CIB ARO					CIB				
30 June				31 December	30 June				31 December
			Change					Change	
2021	2020	CCY%	%	2020	2021	2020	CCY%	%	2020
2 295	2 644	3	(13)	5 119	6 733	6 641	8	1	13 423
1 750	1 730	20	1	3 344	4 892	3 533	50	38	7 603
4 045	4 374	10	(8)	8 463	11 625	10 174	23	14	21 026
47	(1 140)	<(100)	<(100)	(1 340)	(510)	(2 797)	(81)	(82)	(3 291)
(1 825)	(1 827)	14	0	(3 784)	(5 345)	(4 711)	19	13	(10 114)
(52)	(49)	19	6	(129)	(138)	(135)	12	2	(250)
2 215	1 358	>100	63	3 210	5 632	2 531	>100	>100	7 371
(699)	(493)	79	42	(1 057)	(1 235)	(505)	>100	>100	(1 604)
1 516	865	>100	75	2 153	4 397	2 026	>100	>100	5 767
1 332	756	>100	76	1 889	4 049	1 718	>100	>100	5 145
184	109	94	69	264	184	109	94	69	264
—	—	—	—	—	48	67	(28)	(28)	122
—	—	—	—	—	116	132	(12)	(12)	236
1 516	865	>100	75	2 153	4 397	2 026	>100	>100	5 767
1 332	749	>100	78	1 884	4 049	1 645	>100	>100	5 054
4.00	4.20			4.06	2.26	2.50			2.39
(0.15)	3.10			1.85	0.24	1.30			0.75
43.3	39.6			39.5	42.1	34.7			36.2
(8)	24			15	14	15			14
(0)	27			16	13	6			5
45.1	41.8			44.7	46.0	46.3			48.1
53 413	64 833	1	(18)	52 928	364 523	370 628	2	(2)	357 148
7 626	9 275	5	(18)	7 554	54 812	94 957	(41)	(42)	65 757
1 046	775	71	35	1 112	43 990	45 404	(3)	(3)	44 274
67 808	73 030	3	(7)	65 306	510 678	433 254	20	18	472 632
129 893	147 913	3	(12)	126 900	974 003	944 243	6	3	939 811
68 208	77 529	7	(12)	70 922	396 718	320 585	29	24	353 693
—	—	—	—	—	16 868	15 911	6	6	18 276
63 519	72 184	(3)	(12)	56 981	556 906	606 016	(7)	(8)	563 336
131 727	149 713	2	(12)	127 903	970 492	942 512	5	3	935 305
3.45	1.65			2.06	2.54	1.00			1.50
2.06	1.05			1.33	0.85	0.38			0.56
31.3	14.9			18.8	22.7	9.0			13.5

CIB

for the reporting period ended

Business profile

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

Key business areas

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

- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base. The new Absa Investor Services business provides a full suite of custody and trustee services, further building out our services and client value proposition.
- **Investment Bank** comprising:
  - **Global Markets** – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - **Investment Banking Division** – structures innovative solutions to meet clients' strategic financing and risk management requirements across industry sectors;
  - **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
  - **Private Equity and Infrastructure Investments (PEII)** – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

Financial performance

The Corporate Bank and the Investment Bank both contributed to overall CIB headline earnings increasing by 146%, with Corporate growing to **R1 159m** (30 June 2020: R525m) and Investment Bank growing to **R2 890m** (30 June 2020: R1 120m). SA was up 203% to **R2 717m** (30 June 2020: R895m), while ARO was up 78% to **R1 332m** (30 June 2020: R749m, up 141% in constant currency). The performance was positively impacted by strong revenue growth and lower impairments off a high base in the prior year.

Pre-provision profit increased by 15% to **R6 280m** (30 June 2020: R5 463m, up 26% in constant currency), with SA up 39% to **R4 059m** (30 June 2020: R2 917m) and ARO down 13% to **R2 220m** (30 June 2020: R2 547m, up 7% in constant currency).

Total income increased by 14% to **R11 625m** (30 June 2020: R10 174m, up 23% in constant currency). SA increased by 31% and ARO decreased by 8%, impacted by foreign exchange differences (ARO was up 10% in constant currency). Growth was supported by the client franchise performance, with most sectors showing strong performance with the exception of distressed sectors impacted by lockdowns. Primary banked clients also increased, with continued momentum expected as a result of the rollout of Absa Access.

Corporate Bank increased income by 2% while Investment Bank income increased by 24%.

- Corporate Bank income increased by 2% to **R4 590m** (30 June 2020: R4 505m, up 10% in constant currency) with SA up 13% to **R2 674m** (30 June 2020: R2 362m) and ARO down 11% to **R1 916m** (30 June 2020: R2 143m, up 6% in constant currency). The overall performance was supported by strong growth in average deposits, higher transactional volumes in the Cash business and a strong performance in Trade as a result of an effective Financial Institutions Trade distribution strategy which benefited margins coupled with increased balances and volumes. This was offset by lower demand for working capital.
- Investment Bank income increased by 24% to **R7 035m** (30 June 2020: R5 669m, up 33% in constant currency) driven by double-digit growth in all core operating business units as well as the non-recurrence of one-offs in the base. SA up 43% to **R4 906m** (30 June 2020: R3 438m), and ARO down 5% to **R2 129m** (30 June 2020: R2 231m, up 14% in constant currency). Markets increased by 21% (30% in constant currency) with a strong performance in both SA and ARO, driven by growth in the client franchise. Growth momentum continued in the Commercial Property Finance business, up 14%, driven by margin expansion and increased fees. Revenue from the Investment Banking division increased by 13% benefiting from margin expansion and non-recurrence of one-offs in the base.

Credit Impairments decreased by 82% to **R510m** (30 June 2020: R2 797m), mainly driven by a decline in single-name charges of 53% to **R680m** (30 June 2020: R1 443m) as well as a limited release of substantial macroeconomic overlays of R1 259m built in the prior period, amounting to R77m. The credit loss ratio returned to within the targeted through-the-cycle range at 24 bps (from 130 bps).

Operating expenses increased by 13% to **R5 345m** (30 June 2020: R4 711m, up 19% in constant currency) reflecting greater performance cost provisioning because of the strong performance, increased post separation incremental run costs and restructuring costs particularly in ARO. Non-performance cost growth was contained to 6%.

CIB

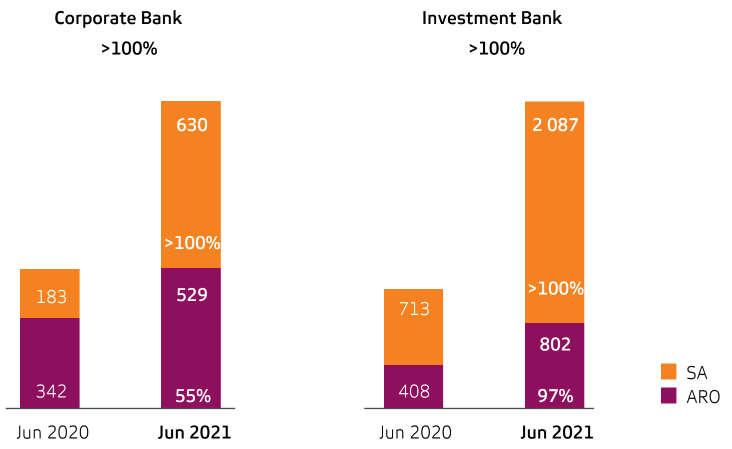
for the reporting period ended

Financial performance (continued)

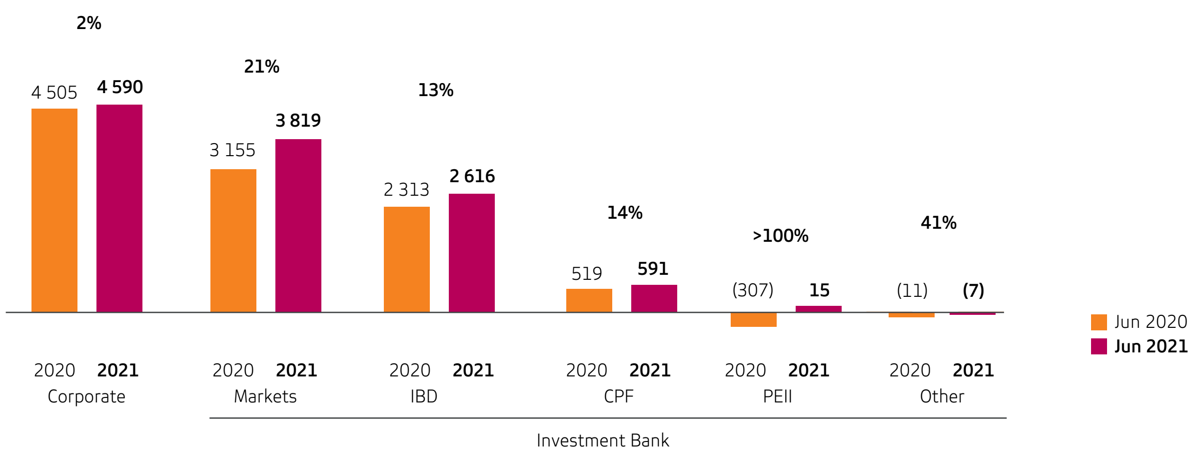
Customer deposits continued to grow faster than loans and advances to customers with growth of 24% (29% in constant currency), with loans declining by 2% (up 2% in constant currency). Average deposits grew by 27% to **R381.0bn** (30 June 2020: R299.2bn, 32% in constant currency), supported by strong growth across all deposit classes. Average cheque deposits grew 48% to **R144.3bn** (30 June 2020: R97.3bn, up 54% in constant currency), with SA up 61% to **R123.7bn** (30 June 2020: R76.8bn) while average Corporate Money Market balances were up 30% to **R98.0bn** (30 June 2020: R75.1bn), with continued momentum in the Absa Access Deposit Notes, which have tripled in balances since the launch in 2019.

Average customer loans decreased by 4% to **R359.9bn** (30 June 2020: R373.9bn, down 1% in constant currency), as a result of limited opportunities in flow debt products and lower demand for working capital. However average reverse repos were up 18% to **R57.7bn** (30 June 2020: R49.0bn, up 18% in constant currency) as a result of increased demand for cash from clients. Excluding reverse repurchase agreements, average customer loans were down 7% to **R302.1bn** (30 June 2020: R325.0bn, down 4% in constant currency).

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



CIB

for the reporting period ended

Business performance

The global pandemic continued to cause challenges, with stability being threatened in many of the markets in which we operate. The Corporate and Investment Bank delivered positive results driven by the focused execution of our robust and resilient strategy, adhering to our clear over-arching response protocols set up at the onset of the pandemic to maintain operational stability, manage firm resources optimally and stay close to our clients.

The financial performance was driven by solid growth across the franchise most notably in our Global Markets business and the Investment Bank. We continue to focus on the optimal use of capital while ensuring cost containment across the firm.

Against this backdrop, key milestones from this period were as follows:

- CIB launched the Absa Access digital platform which is a single sign-on platform that gives our clients standardised, secure real time access to their business portfolios and the banking services we provide, on a pan-African basis. We have managed to migrate 96% of our Cash Management and 63% of Trade Finance clients onto Absa Access;
- We refined our ARO operating model to drive a product centric, client value proposition approach and enhance operational effectiveness and efficiency;
- We remain on track to achieve our new-to-bank client target across SA and ARO respectively; and
- We continued to support our clients, having provided R50.6bn in payment relief to customers, with R6.9bn active relief currently remaining.

The following accolades were received during the period:

- Investment Bank of the Year – African Banker Awards 2021
- Best Investment Bank South Africa – Global Economic Awards 2021
- Financial Mail Top analyst awards 2021 – 1st Place Fixed Interest Securities
- Best Trade Finance Bank in Botswana – Global Finance Awards 2021
- Best Investment Bank in Mauritius – Global Finance Awards 2021
- Outstanding Financial Innovators Bank in Africa – Global Finance, The Innovators Awards 2021
- Best M&A Bank in Africa – Global Finance Awards 2021
- Best Investment Bank in South Africa 2021 – International Finance
- Best Bank for Financing in Africa 2021 – Euromoney Awards for Excellence
- Africa Deal of the Year – Airfinance Journal Awards 2020.

Corporate Bank

The Corporate Bank franchise grew income by 2% to **R4 590m** (30 June 2020: R4 505m, up 10% in constant currency) supported by a strong performance in SA, up 13% to **R2 674m** (30 June 2020: R2 362m), while the weaker African currencies resulted in ARO income contracting by 11% to **R1 916m** (30 June 2020: R2 143m, up 6% in constant currency).

Net interest income growth of 3% to **R3 479m** (30 June 2020: R3 379m, up 12% in constant currency) benefited from average customer deposit growth of 28% (33% in constant currency). Demand for short-term funding remained subdued, with average customer loan balances contracting 19% (14% in constant currency). Deposit margins were under pressure with a contraction in both South Africa and a number of markets on the continent, particularly on customer deposits, driven by the falling rates environment.

Non-interest income declined by 1% to **R1 111m** (30 June 2020: R1 126m, up 4% in constant currency), impacted by the one-off benefit in the base relating to the acquisition of the custody and trustee business. Underlying growth was largely driven by increased transactional volumes across most jurisdictions as lockdown measures eased.

Corporate income was driven by the following:[1]

- Trade saw strong growth, particularly in SA Trade Finance which was up 22% driven by increased balances as well as the benefit of the Financial Institutions distribution strategy which had a significant impact on margins. This was partially offset by decreased outward guarantee volumes in line with the overall market decline. In ARO, Trade was up 19% due to a combination of improved balance sheet performance (up 21%) and volumes.
- Cash Management performed well, with deposit revenue driven by growth in customer deposits, while transactions volumes increased as a result of easing of lockdown restrictions. In SA, deposit revenue grew by 18% driven by growth in average customer deposits of 43% to **R255.0bn** (30 June 2020: R178.9bn). This was however offset by an adverse margin impact due to declining interest rates, as well as the impact of growth in lower yielding money market deposits. SA Transactions were up 17% benefiting from sales activity as well as higher underlying volumes. In ARO, the Cash business was up 8% largely due to continued strategic focus on maintaining and growing average customer deposits, also up 8%, while transactional volumes improved in most jurisdictions.
- Working capital was subdued, with reduced demand for short-term funding compared to the prior year, when unusually high demand was seen at the start of lockdown, particularly in SA. This was however partially offset by the benefit of improved margins. SA was up 3%, while ARO was unchanged from the prior year.

Corporate Bank salient features	30 June 2021	30 June 2020	CCY%	Change %	31 December 2020
Gross income (Rm)	**4 590**	4 505	10	2	9 092
Credit impairments (Rm)	**(14)**	(943)	(98)	(99)	(1 298)
Net income (Rm)	**4 576**	3 562	40	28	7 794
Average loans and advances to customers (Rbn)	**56.0**	69.2	(14)	(19)	62.9
Average deposits due to customers (Rbn)	**325.1**	253.2	33	28	273.7

[1] ARO numbers quoted in constant currency.

CIB

for the reporting period ended

Business performance (continued)

Investment Bank

Total Investment Bank income increased by 24% to **R7 035m** (30 June 2020: R5 669m, 33% in constant currency), with SA up 43% to **R4 906m** (30 June 2020: R3 438m), and ARO down 5% to **R2 129m** (30 June 2020: R2 231m, up 14% in constant currency). This was supported by a strong performance across all business units.

Business units performed as follows:

Global Markets

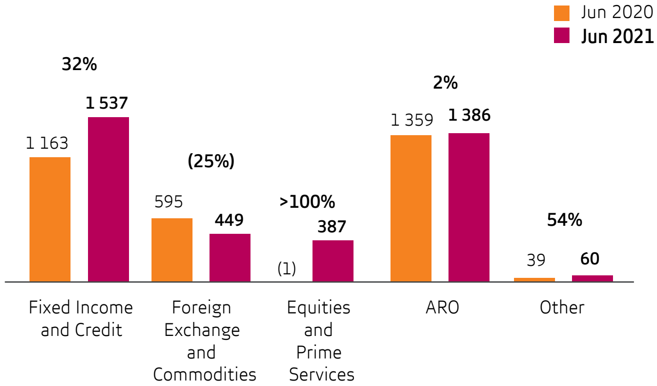
Global Markets income increased by 21% to **R3 819m** (30 June 2020: R3 155m, 30% in constant currency), with Markets SA up 35% to **R2 433m** (30 June 2020: R1 796m) and Markets ARO up 2% to **R1 386m** (30 June 2020: R1 359m, 22% in constant currency).

The **Markets SA** performance was driven by:

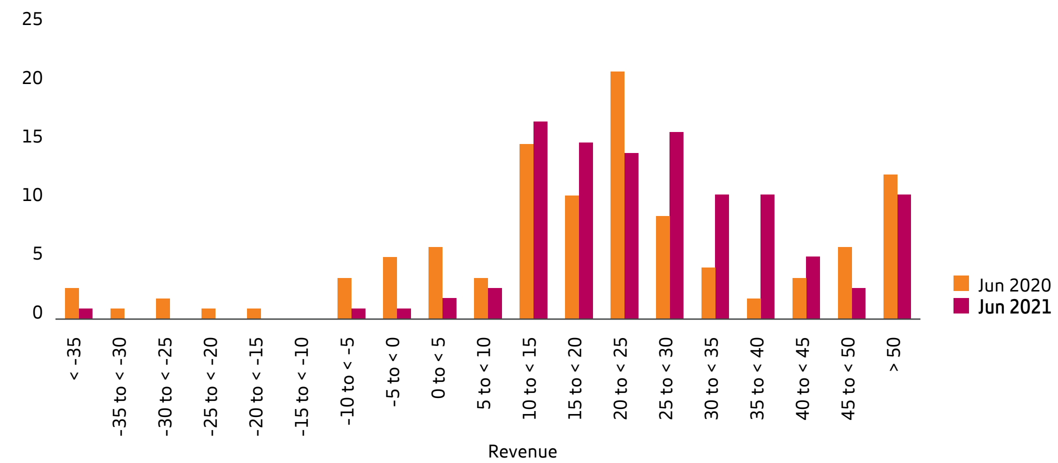
- **Fixed Income and Credit** increased by 32% to **R1 537m** (30 June 2020: R1 163m), benefiting from being positively positioned for increased investment flow from local and international asset managers into local fixed income markets which resulted from a benign inflation environment and stable local currency. Lower interest rates also created a conducive environment for corporates and state owned entities to trigger hedging decisions, while stable monetary policy enabled client financing books to benefit from increased repurchase agreement and general derivative financing activity. Good corporate derivatives flow across multiple asset classes coupled with increased market share in corporate bond flow led to strong performance in Credit Trading.
- **Foreign Exchange and Commodities** decreased by 25% to **R449m** (30 June 2020: R595m) as a result of the non-recurrence of the huge spike in volatility last year as a result of the global pandemic which presented opportunistic trading strategies. Client franchise revenue continued to grow due to increased momentum with Corporate clients as underlying trade flows continued to increase along with structured FX given the underlying volatility.
- **Equities and Prime Services** increased by >100% to **R387m** (30 June 2020: -R1m). Equities franchise growth was underpinned by an increase in the number of both domestic and international clients, in addition to the stabilisation of the derivative business. Prime Services increased due to ongoing growth in financing activity driven by optimisation and balance sheet growth. In addition client acquisition was key in driving the Prime Brokerage and Futures execution business.

Markets ARO delivered a strong performance with good geographic, client segment and product diversity. Growth was driven by higher revenues in our bond book on the back of increased turnover in both primary and secondary government bond trading. The Swap book also registered a significant contribution amid favourable rate volatility. In spite of the economic downturn caused by COVID-19, client FX turnover was marginally up on the prior year, as a result of collaboration with Coverage and Transactional Banking teams leading to higher cross-sell and indicative market share gains.

Global markets gross income split
(Rm and change %)



Daily markets income distribution (Rm)
(%) of business days



CIB

for the reporting period ended

Business performance (continued)

Investment Bank (continued)

Investment Banking Division

Income increased by 13% to **R2 616m** (30 June 2020: R2 313m, 20% in constant currency) partially driven by one-off negative fair value adjustments on the legacy portfolio in the base, some of which has been recovered in the current year.

The core underlying businesses continued to perform despite COVID-19 uncertainty with the Financing business experiencing margin expansion in a competitive market; while the Preference share book increased by 11% driven by a number of client franchise leading transactions. However, income from the Advisory business decreased as a result of longer lead time on execution of deals, and capital raising opportunities remained under pressure due to limited domestic and regional market activity.

Customer loans decreased by 5% to **R188.8bn** (30 June 2020: R199.8bn, 6% in constant currency) driven by fewer opportunities in flow debt products across SA and ARO.

Impairment decreased by 70% from the prior year to **R508m** (30 June 2020: R1 705m, 68% in constant currency) as a result of lower single name changes as well as large macroeconomic overlays taken in prior year.

	30 June				31 December
Salient features	**2021**	2020	CCY%	Change %	2020
Gross income (Rm)	**2 616**	2 313	20	13	4 940
Credit impairment (Rm)	**(508)**	(1 705)	(68)	(70)	(1 828)
Net income (Rm)	**2 108**	608	>100	>100	3 112
Average loans and advances to customers (Rbn)	**189**	200	(6)	(5)	201

Commercial Property Finance (CPF)

CPF income increased by 14% to **R591m** (30 June 2020: R519m, 17% in constant currency) aligned to the strategy to become a leading provider of property finance in Africa. This is despite the tough economic climate and uncertainty as a result of COVID-19.

Net interest income increased by 13% supported by margin expansion in part due to portfolio and product composition. Average portfolio assets grew by 1% to **R60.8bn** (30 June 2020: R60.3bn, 2% in constant currency). Non-interest income grew by 68% driven by key transaction fees. CPF continues to acquire business that ensures portfolio diversification and is of a high quality as evidenced by no specific impairments being required in this portfolio in the current period and limited unidentified impairments.

	30 June				31 December
Salient features	**2021**	2020	CCY%	Change %	2020
Gross income (Rm)	**591**	519	17	14	1 087
Credit impairment (Rm)	**(2)**	(118)	(98)	(98)	(130)
Net income (Rm)	**589**	401	51	47	957
Average loans and advances to customers (Rbn)	**60.8**	60.3	2	1	60.9

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported net income of **R15m** (30 June 2020: -R307m negative revenue) largely due to accrued dividend and interest income. In the prior year once off negative valuations were recognised.

	30 June			31 December
Salient features	**2021**	2020	Change %	2020
Revaluations (Rm)	**(0)**	(340)	100	(328)
Realisations, dividends, interest and fees (Rm)	**13**	41	(68)	57
Funding (Rm)	**2**	(8)	>100	(7)
Net income (Rm)	**15**	(307)	>100	(278)
Total portfolio size (Rbn)	**1.7**	1.8	(7)	1.7

CIB

for the reporting period ended

Post-balance sheet event

Civil unrest occurred from 9 to 17 July 2021 in the provinces of KwaZulu-Natal and Gauteng, South Africa. The unrest escalated into riots and looting. Approximately 139 CIB clients were impacted directly due to looting and property damage with others impacted indirectly due to supply chain, production, and trading interruptions.

Clients within the Retail and Commercial Property sectors were among those most impacted. Property damage was limited across our client base, with looting focused on inventory theft. The majority of these clients reported damage and stock losses that were immaterial and/or trading disruptions limited to the period of unrest. The possible financial impact on Absa is expected to be softened by mitigants such as SASRIA insurance.

Client sectors most affected

- Retailers across Gauteng and KwaZulu-Natal were impacted by damage to premises and looting with many clients ceasing trading during the period of unrest. Clients have since resumed trading in unaffected or limited impact locations and begun plans to restore property damaged while initiating the insurance process for losses incurred.
- Impacted clients in the Commercial Property Sector were concentrated in KwaZulu-Natal and Gauteng with most clients having resumed operations and reported limited looting. The overall risk of a financial loss to Absa is currently assessed as limited.
- Other areas impacted include mid-sized corporate businesses, logistics, and manufacturing entities in Gauteng and KwaZulu-Natal. These entities predominantly experienced production and supply chain disruptions which have since been restored.

The disruption to trading could lead to an adverse revenue impact across the client base as GDP growth is expected to be adversely affected. We will remain close to clients to assess the extent of liquidity required and this support will be provided responsibly. The impact of events will be continuously monitored and managed accordingly, however the financial impact on our business cannot be quantified.

Looking ahead

While the environment remains extremely challenging as a result of unrest in South Africa and another wave of COVID-19, we remain involved, focused and committed to execute our business strategy and support our clients as they navigate these unprecedented times.

The key areas of focus will continue to be the following:

- Continued focus on growing the MidCorp client segment;
- Driving client migrations onto digital channels across SA and ARO to better serve clients and increase primacy;
- Building connectivity for global clients through our refined pan-Africa operating model and by leveraging our International Office;
- Creating and leveraging strategic partnerships to enhance our client value propositions;
- Commitment to transformation, diversity and inclusion; and
- Continuing to execute on actions stemming from our organisational health diagnostic as we build and nurture an entrepreneurial culture that drives excellence and collaboration.

Head Office, Treasury and other operations

for the reporting period ended

Financial performance

Head office, Treasury and other operations includes the Investment Management business in South Africa.

Investment Management offers investment management, multi-management, unit trusts and linked investments products and solutions to individual and institutional clients.

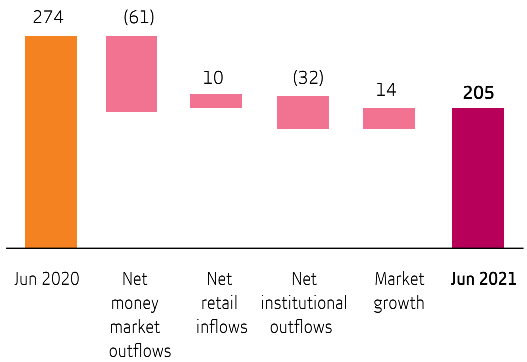
Investment Management headline earnings declined by 18% to **R129m** (30 June 2020: R158m). This decline in headline earnings was driven by revenue decline of 8% to **R481m** (30 June 2020: R522m) mainly as a result of the closure of the money market fund while operating expenses remained in line with the prior period.

Investment Management – Assets under management and administration

	30 June			31 December
	2021 Rbn	2020 Rbn	Change %	2020 Rbn
Assets under management and administration	**205**	274	(25)	263
Money market	**15**	76	(80)	85
Non-money market	**190**	198	(4)	178

Movement in assets under management and administration (Rbn)

Assets under management declined by 25% to R205bn since 30 June 2020 (R274bn). Year-to-date net outflows (money market, retail and institutional) were R93bn mainly as a result of the closure of the money market fund.



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended

	30 June			31 December
			Change	
	2021	2020	%	2020
Statement of comprehensive income (Rm)				
Income	**41 230**	40 355	2	81 593
Operating expenses	**23 259**	23 040	1	48 111
Profit attributable to ordinary equity holders	**8 162**	485	>100	5 880
Headline earnings	**8 186**	559	>100	6 038
Statement of financial position				
Total assets (Rm)	**1 580 535**	1 566 319	1	1 531 120
Financial performance (%)				
Return on equity (RoE)	**13.9**	1.0		5.2
Return on average assets (RoA)	**1.06**	0.07		0.40
Return on risk-weighted assets (RoRWA)	**1.83**	0.12		0.66
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.41**	4.23		4.17
Non-interest income as percentage of total income	**37.9**	40.2		40.1
Cost-to-income ratio	**56.4**	57.1		59.0
Jaws	**1**	3		3
Effective tax rate	**27.2**	32.2		30.4
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**847.8**	827.4		828.8
Weighted average number of ordinary shares in issue	**830.1**	825.5		826.1
Diluted weighted average number of ordinary shares in issue	**831.4**	826.1		826.6
Share statistics (cents)				
Headline earnings per ordinary share (HEPS)	**986.2**	67.7	>100	730.9
Diluted headline earnings per ordinary share (DHEPS)	**984.6**	67.7	>100	730.5
Basic earnings per ordinary share (EPS)	**983.3**	58.8	>100	711.8
Diluted basic earnings per ordinary share (DEPS)	**981.8**	58.7	>100	711.3
NAV per ordinary share	**14 350**	14 045	2	13 957
Tangible NAV per ordinary share	**13 050**	12 725	3	12 623
Dividend per ordinary share relating to income for the reporting period	**310**	—	100	—
Dividend payout ratio (%)	**30**	—	100	—
Capital adequacy (%)				
Absa Group Limited	**16.9**	14.9		15.0
Absa Bank Limited	**17.7**	15.8		15.6
Common Equity Tier 1 (%)				
Absa Group Limited	**12.4**	11.0		11.2
Absa Bank Limited	**11.8**	10.6		10.6

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	Note	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Net interest income	2	**25 597**	24 124	6	48 857
Interest and similar income		**44 132**	48 926	(10)	93 051
Effective interest income		**43 218**	48 011	(10)	91 264
Other interest income		**914**	915	(0)	1 787
Interest expense and similar charges		**(18 535)**	(24 802)	(25)	(44 194)
Non-interest income	3	**15 633**	16 231	(4)	32 736
Net fee and commission income		**10 764**	10 630	1	21 597
Fee and commission income	3.1	**12 520**	12 360	1	25 120
Fee and commission expense	3.1	**(1 756)**	(1 730)	2	(3 523)
Net insurance premium income	3.2	**4 282**	4 091	5	8 286
Net claims and benefits incurred on insurance contracts	3.3	**(2 621)**	(1 905)	38	(4 205)
Changes in investment and insurance contract liabilities	3.4	**(1 684)**	(127)	>100	(2 262)
Gains from banking and trading activities	3.5	**3 613**	3 045	19	6 379
Gains and losses from investment activities	3.6	**1 088**	24	>100	2 199
Other operating income	3.7	**191**	473	(60)	742
Total income		**41 230**	40 355	2	81 593
Impairment losses	4	**(4 702)**	(14 661)	(68)	(20 569)
Operating income before operating expenditure		**36 528**	25 694	42	61 024
Operating expenditure	5	**(23 259)**	(23 040)	1	(48 111)
Other expenses		**(1 028)**	(1 185)	(13)	(2 508)
Other impairments		**(121)**	(173)	(30)	(464)
Indirect taxation	6	**(907)**	(1 012)	(10)	(2 044)
Share of post-tax results of associates and joint ventures		**40**	(8)	<(100)	(36)
Operating profit before income tax		**12 281**	1 461	>100	10 369
Taxation expense	7	**(3 335)**	(471)	>100	(3 156)
Profit for the reporting period		**8 946**	990	>100	7 213
Profit attributable to:					
Ordinary equity holders		**8 162**	485	>100	5 880
Non-controlling interest – ordinary shares		**374**	(1)	<(100)	437
Non-controlling interest – preference shares		**120**	172	(30)	307
Non-controlling interest – Additional Tier 1 capital		**290**	334	(13)	589
		8 946	990	>100	7 213
Earnings per share:					
Basic earnings per share (cents)	1	**983.3**	58.8	>100	711.8
Diluted earnings per share (cents)	1	**981.8**	58.7	>100	711.3

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Profit for the reporting period	**8 946**	990	>100	7 213
Other comprehensive income				
Items that will not be reclassified to profit or loss	**295**	(536)	<(100)	(578)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**7**	(9)	<(100)	(5)
Fair value gains/(losses)	**9**	(12)	<(100)	(7)
Deferred tax	**(2)**	3	<(100)	2
Movement on liabilities designated at FVTPL due to changes in own credit risk	**15**	22	(32)	(82)
Fair value movements	**20**	28	(29)	(116)
Deferred tax	**(5)**	(6)	(17)	34
Movement in retirement benefit fund assets and liabilities	**273**	(549)	<(100)	(491)
Increase/(decrease) in retirement benefit surplus	**91**	(91)	<(100)	(100)
Decrease/(increase) in retirement benefit deficit	**230**	(485)	<(100)	(433)
Deferred tax	**(48)**	27	<(100)	42
Items that are or may be subsequently reclassified to profit or loss	**(2 682)**	8 997	<(100)	2 646
Movement in foreign currency translation reserve	**(480)**	5 068	<(100)	(808)
Differences in translation of foreign operations	**(480)**	5 068	<(100)	(690)
Release to profit or loss	**—**	—	—	(118)
Movement in cash flow hedging reserve	**(3 147)**	4 706	<(100)	3 997
Fair value (losses)/gains	**(2 246)**	7 535	<(100)	9 034
Amounts transferred within other comprehensive income	**—**	(1)	(100)	5
Amount removed from other comprehensive income and recognised in profit or loss	**(2 125)**	(998)	>100	(3 488)
Deferred tax	**1 224**	(1 830)	<(100)	(1 554)
Movement in fair value of debt instruments measured at FVOCI	**945**	(777)	<(100)	(543)
Fair value gains/(losses)	**1 605**	(1 143)	<(100)	(773)
Release to profit or loss	**(230)**	(14)	>100	(32)
Deferred tax	**(430)**	380	<(100)	262
Total comprehensive income for the reporting period	**6 559**	9 451	(31)	9 281
Total comprehensive income attributable to:				
Ordinary equity holders	**5 861**	8 215	(29)	7 877
Non-controlling interest – ordinary shares	**288**	730	(61)	508
Non-controlling interest – preference shares	**120**	172	(30)	307
Non-controlling interest – Additional Tier 1 capital	**290**	334	(13)	589
	6 559	9 451	(31)	9 281

Consolidated IFRS statement of financial position

as at

	Note	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Assets					
Cash, cash balances and balances with central banks		**56 610**	62 393	(9)	60 682
Investment securities		**182 623**	156 665	17	153 504
Loans and advances to banks		**80 765**	113 168	(29)	84 538
Trading portfolio assets		**206 163**	200 087	3	213 521
Hedging portfolio assets		**6 851**	11 260	(39)	11 000
Other assets		**32 692**	31 694	3	20 417
Current tax assets		**514**	1 993	(74)	865
Non-current assets held for sale		**1 373**	212	>100	144
Loans and advances to customers	8	**955 838**	932 293	3	929 969
Reinsurance assets		**510**	745	(32)	680
Investments linked to investment contracts		**22 190**	20 316	9	21 273
Investments in associates and joint ventures		**1 641**	1 640	0	1 601
Investment property		**487**	555	(12)	496
Property and equipment		**16 185**	19 026	(15)	17 094
Goodwill and intangible assets		**11 022**	10 917	1	11 050
Deferred tax assets		**5 071**	3 355	51	4 286
Total assets		**1 580 535**	1 566 319	1	1 531 120
Liabilities					
Deposits from banks		**95 283**	108 774	(12)	96 106
Trading portfolio liabilities		**82 839**	106 651	(22)	108 976
Hedging portfolio liabilities		**3 804**	3 824	(1)	4 868
Other liabilities		**57 213**	57 958	(1)	33 905
Provisions		**3 712**	2 449	52	3 959
Current tax liabilities		**686**	299	>100	290
Non-current liabilities held for sale		**542**	171	>100	—
Deposits due to customers	9	**1 009 954**	919 620	10	951 894
Debt securities in issue	10	**129 601**	178 795	(28)	145 740
Liabilities under investment contracts		**25 258**	27 687	(9)	27 533
Policyholder liabilities under insurance contracts		**5 297**	4 422	20	4 198
Borrowed funds	11	**27 426**	23 299	18	20 761
Deferred tax liabilities		**422**	424	(0)	587
Total liabilities		**1 442 037**	1 434 373	1	1 398 817
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 660**	1 655	0	1 657
Share premium	11	**10 636**	10 335	3	10 561
Retained earnings		**103 952**	90 150	15	95 345
Other reserves		**5 408**	14 063	(62)	8 108
		121 656	116 203	5	115 671
Non-controlling interest – ordinary shares		**5 194**	5 304	(2)	4 984
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**7 004**	5 795	21	7 004
Total equity		**138 498**	131 946	5	132 303
Total liabilities and equity		**1 580 535**	1 566 319	1	1 531 120

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	**828 789**	**1 657**	**10 561**	**95 345**	**8 108**	**1 181**
Total comprehensive income	—	—	—	8 458	(2 597)	—
Profit for the period	—	—	—	8 162	—	—
Other comprehensive income	—	—	—	296	(2 597)	—
Dividends paid during the reporting period	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(264)	6	—	—
Elimination of the movement in treasury shares held by Group entities	1 190	3	75	—	—	—
Movement in share-based payment reserve	—	—	264	—	40	—
Transfer from share-based payment reserve	—	—	264	—	(264)	—
Value of employee services	—	—	—	—	278	—
Deferred tax	—	—	—	—	26	—
Movement in general credit risk reserve	—	—	—	185	(185)	(185)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2	—
Share of post-tax results of associates and joint ventures	—	—	—	(40)	40	—
Balance at the end of the reporting period	**829 979**	**1 660**	**10 636**	**103 952**	**5 408**	**996**

Consolidated IFRS statement of changes in equity

for the reporting period ended

30 June 2021

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
960	(3 147)	(410)	—	—	—	5 861	288	120	290	6 559
—	—	—	—	—	—	8 162	374	120	290	8 946
960	(3 147)	(410)	—	—	—	(2 301)	(86)	—	—	(2 387)
—	—	—	—	—	—	—	(78)	(120)	—	(198)
—	—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	—	(258)	—	—	—	(258)
—	—	—	—	—	—	78	—	—	—	78
—	—	—	—	40	—	304	—	—	—	304
—	—	—	—	(264)	—	—	—	—	—	—
—	—	—	—	278	—	278	—	—	—	278
—	—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—	—
—	—	—	—	—	40	—	—	—	—	—
(265)	2 166	524	42	423	1 522	121 656	5 194	4 644	7 004	138 498

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	828 628	1 657	10 428	95 386	5 807	912
Total comprehensive income	—	—	—	(57)	8 272	—
Profit for the period	—	—	—	485	—	—
Other comprehensive income	—	—	—	(542)	8 272	—
Dividends paid during the reporting period	—	—	—	(5 126)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	37	—	—
Elimination of the movement in treasury shares held by Group entities	(1 249)	(2)	(93)	—	—	—
Movement in share-based payment reserve	—	—	235	—	(106)	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—
Value of employee services	—	—	—	—	222	—
Deferred tax	—	—	—	—	(93)	—
Movement in general credit risk reserve	—	—	—	(74)	74	74
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—
Balance at the end of the reporting period	827 379	1 655	10 335	90 150	14 063	986

Consolidated IFRS statement of changes in equity

for the reporting period ended

30 June 2020										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
(841)	4 706	4 407	—	—	—	8 215	730	172	334	9 451
—	—	—	—	—	—	485	(1)	172	334	990
(841)	4 706	4 407	—	—	—	7 730	731	—	—	8 461
—	—	—	—	—	—	(5 126)	(392)	(172)	—	(5 690)
—	—	—	—	—	—	—	—	—	(334)	(334)
—	—	—	—	—	—	(198)	—	—	—	(198)
—	—	—	—	—	—	(95)	—	—	—	(95)
—	—	—	—	(106)	—	129	—	—	—	129
—	—	—	—	(235)	—	—	—	—	—	—
—	—	—	—	222	—	222	—	—	—	222
—	—	—	—	(93)	—	(93)	—	—	—	(93)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	24	—	—	—	—	—	—	—
—	—	—	—	—	(8)	—	—	—	—	—
(1 469)	6 022	6 157	37	820	1 510	116 203	5 304	4 644	5 795	131 946

Consolidated IFRS statement of changes in equity

for the reporting period ended

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

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

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

Consolidated IFRS statement of changes in equity

for the reporting period ended

31 December 2020										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
(597)	3 997	(816)	—	—	—	7 877	508	307	589	9 281
—	—	—	—	—	—	5 880	437	307	589	7 213
(597)	3 997	(816)	—	—	—	1 997	71	—	—	2 068
—	—	—	—	—	—	(5 115)	(452)	(307)	—	(5 874)
—	—	—	—	—	—	—	—	—	(589)	(589)
—	—	—	—	—	—	—	—	—	1 209	1 209
—	—	—	—	—	—	(873)	—	—	—	(873)
—	—	—	—	—	—	133	—	—	—	133
—	—	—	—	(543)	—	422	—	—	—	422
—	—	—	—	(965)	—	—	—	—	—	—
—	—	—	—	409	—	409	—	—	—	409
—	—	—	—	13	—	13	—	—	—	13
—	—	—	—	—	—	—	—	—	—	—
—	—	—	27	—	—	—	—	—	—	—
—	—	—	—	—	(36)	—	—	—	—	—
—	—	—	—	—	—	—	(14)	—	—	(14)
—	—	—	—	—	—	(51)	(24)	—	—	(75)
(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303

Condensed consolidated IFRS statement of cash flows

for the reporting period ended

	Note	30 June 2021 Rm	30 June Restated[1] 2020 Rm	Change %	31 December 2020 Rm
Net cash (utilised in)/generated from operating activities		**(4 652)**	4 286	>(100)	6 967
Net cash (utilised in)/generated from investing activities		**(1 563)**	1 306	>(100)	(718)
Net cash generated from/(utilised in) financing activities		**5 404**	(6 727)	>(100)	(8 259)
Net (decrease)/increase in cash and cash equivalents		**(811)**	(1 134)	(29)	(2 010)
Cash and cash equivalents at the beginning of the interim reporting period	1	**16 796**	18 288	(8)	18 288
Effect of foreign exchange rate movements on cash and cash equivalents		**237**	(541)	>(100)	518
Cash and cash equivalents at the end of the interim reporting period	2	**16 222**	16 613	(2)	16 796

Notes to the condensed consolidated statement of cash flows

	30 June 2021 Rm	30 June Restated[1] 2020 Rm	Change %	31 December 2020 Rm
1. Cash and cash equivalents at the beginning of the interim reporting period				
Cash, cash balances and balances with central bank[2]	**14 403**	14 033	3	14 033
Loans and advances to banks[3]	**2 393**	4 255	(44)	4 255
	16 796	18 288	(8)	18 288
2. Cash and cash equivalents at the end of the interim reporting period				
Cash, cash balances and balances with central bank[2]	**12 896**	12 833	0	14 403
Loans and advances to banks[3]	**3 326**	3 780	(12)	2 393
	16 222	16 613	(2)	16 796

[1] In December 2020, the Group voluntarily amended the basis on which the statement of cash flows is presented, from the direct to the indirect method. The change has not had an impact on the condensed consolidated statement of cashflows.

[2] Includes coins and bank notes.

[3] Includes call advances, which are used as working capital by the Group.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings	30 June 2021 Gross Rm	30 June 2021 Net Rm	30 June 2020 Gross Rm	30 June 2020 Net Rm	Net change %	31 December 2020 Gross Rm	31 December 2020 Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		8 162		485	>100		5 880
Total headline earnings adjustment		24		74	(68)		158
IFRS 3 – Goodwill impairment	—	—	2	2	(100)	2	2
IFRS 3 – Gain on bargain purchase gain	—	—	(86)	(66)	(100)	(86)	(86)
IFRS 5 – Profit on disposal of non-current assets held for sale	(9)	(7)	—	—	100	(1)	1
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	22	20	(100)	33	29
IAS 16 – Profit on disposal of property and equipment	(12)	(10)	(12)	(9)	11	(65)	(49)
IAS 21 – Recycled foreign currency translation reserve	—	—	—	—	—	(118)	(92)
IAS 28 – Impairment of investments in associates and joint ventures	—	—	—	—	—	11	11
IAS 36 – Impairment of property and equipment	56	41	75	55	(25)	223	162
IAS 36 – Impairment of intangible assets	—	—	74	72	(100)	195	176
IAS 40 – Change in fair value of investment properties	—	—	—	—	—	5	4
		8 186		559	>100		6 038

	30 June 2021 Rm	30 June 2020 Rm	Change value/ %	31 December 2020 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 162**	485	>100	5 880
Weighted average number of ordinary shares in issue (million)	**830.1**	825.5	4.6	826.1
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(17.7)**	(22.3)	4.6	(21.7)
Basic earnings per ordinary share (cents)	**983.3**	58.8	>100	711.8
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 162**	485	>100	5 880
Diluted weighted average number of ordinary shares in issue (million)	**831.4**	826.1	5.3	826.6
Weighted average number of ordinary shares in issue (million)	**830.1**	825.5	4.6	826.1
Adjustments for share options issued at no value (million)	**1.3**	0.6	0.7	0.5
Diluted basic earnings per ordinary share (cents)	**981.8**	58.7	>100	711.3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 186**	559	>100	6 038
Weighted average number of ordinary shares in issue (million)	**830.1**	825.5	4.6	826.1
Headline earnings per ordinary share (cents)	**986.2**	67.7	>100	730.9
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 186**	559	>100	6 038
Diluted weighted average number of ordinary shares in issue (million)	**831.4**	826.1	5.3	826.6
Diluted headline earnings per ordinary share (cents)	**984.6**	67.7	>100	730.5

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2021 Rm	2020 Rm	Change %	2020 Rm
Net gains/(losses) on investments	**301**	(204)	<(100)	(77)
Debt instruments designated at fair value through profit or loss	**54**	82	(34)	179
Equity instruments at fair value through profit or loss	**17**	(300)	<(100)	(288)
Unwind from reserves for debt instruments at FVOCI	**230**	14	>100	32
Net trading result	**3 287**	3 329	(1)	6 593
Net trading income excluding the impact of hedge accounting	**3 686**	3 066	20	6 016
Ineffective portion of hedges	**(399)**	263	<(100)	577
Cash flow hedges	**(442)**	230	<(100)	566
Fair value hedges	**43**	33	30	11
Other gains/(losses)	**25**	(80)	<(100)	(137)
	3 613	3 045	19	6 379
Segment split[1]				
RBB	**549**	627	(12)	1 240
CIB	**3 324**	2 013	65	4 613
Head office, Treasury and other operations[2]	**(275)**	174	<(100)	363
Barclays separation effects	**15**	231	(94)	163
	3 613	3 045	19	6 379

[1] The numbers have been restated, refer to the report overview.

[2] This includes the elimination of investment returns of Absa Life Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Property-related income	**31**	35	(11)	107
Income from investment properties	**2**	3	(33)	—
Change in fair value	**—**	—	—	(5)
Rentals	**2**	3	(33)	5
Property-related income arising from contracts with customers	**29**	32	(9)	107
Profit on disposal of property and equipment	**12**	12	—	65
Profit on sale of developed properties	**3**	2	50	7
Profit on sale of repossessed properties	**3**	1	>100	4
Rental income	**11**	17	(35)	31
Other operating income	**160**	438	(63)	635
Foreign exchange differences, including recycle from other comprehensive income	**(10)**	94	<(100)	143
Income from maintenance contracts	**14**	25	(44)	36
Sundry income	**156**	319	(51)	456
	191	473	(60)	742
Segment split[1]				
Property-related income	**31**	35	(11)	107
RBB	**33**	22	50	62
CIB	**—**	9	(100)	8
Head Office, Treasury and other operations	**2**	4	(50)	37
Barclays separation effects	**(4)**	—	(100)	—
Other operating income	**160**	438	(63)	635
RBB	**147**	318	(54)	401
CIB	**—**	102	(100)	103
Head office, Treasury and other operations	**15**	24	(38)	149
Barclays separation effects	**(2)**	(6)	(67)	(18)
	191	473	(60)	742

[1] The numbers have been restated, refer to the report overview.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Breakdown of operating expenses	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Administration fees	**45**	166	(73)	529
Amortisation of intangible assets	**1 194**	864	38	2 017
Auditors' remuneration	**165**	168	(2)	414
Cash transportation	**606**	557	9	1 181
Depreciation	**1 759**	1 851	(5)	3 942
Equipment costs	**155**	178	(13)	353
Information technology	**2 393**	2 065	16	4 247
Marketing costs	**522**	844	(38)	1 624
Other operating costs (includes fraud losses, travel and entertainment costs)	**1 097**	1 090	1	1 951
Printing and stationery	**136**	195	(30)	342
Professional fees	**989**	1 155	(14)	2 717
Property costs	**902**	1 025	(12)	1 970
Staff costs	**12 652**	12 127	4	25 407
Bonuses	**881**	148	>100	1 308
Deferred cash and share-based payments	**329**	251	31	468
Other[1]	**454**	478	(5)	1 316
Salaries and current service costs on post-retirement benefit funds	**10 855**	11 120	(2)	21 910
Training costs	**133**	130	2	405
Straight line lease expenses on short term leases and low value assets	**89**	102	(13)	183
Telephone and postage	**555**	560	(1)	1 121
TSA direct costs	**—**	93	(100)	113
	23 259	23 040	1	48 111
Barclays separation effects	**654**	1 427	(54)	2 535
TSA direct costs	**—**	93	(100)	113
Professional fees	**4**	194	(98)	400
Staff costs	**(15)**	208	<(100)	267
Other[2]	**665**	932	(29)	1 755

Total operating cost growth reflects costs incurred in relation to the separation from Barclays PLC of **R654m** (30 June 2020: R1 427m), a decrease of 54%. These costs decrease the year-on-year growth rates mainly in marketing costs, staff costs, professional fees and TSA direct costs; and increase the year-on-year growth rates in amortisation of intangible assets.

6. Indirect taxation

	30 June 2021 Rm	30 June 2020 Rm	31 December 2020 Rm
Training levy	**107**	84	177
Value-added tax net of input credits	**800**	928	1 867
	907	1 012	2 044

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

[2] Includes marketing costs, travel and entertainment costs, information technology costs, property costs, depreciation, amortisation and auditor's remuneration costs.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**12 281**	1 461	>100	10 369
Share of post-tax results of associates and joint ventures	**(40)**	8	<(100)	36
	12 241	1 469	>100	10 405
Tax calculated at a tax rate of 28%	**3 427**	411	>100	2 913
Effect of different tax rates in other countries	**131**	72	82	(23)
Expenses not deductible for tax purposes[1]	**378**	322	17	484
Assessed losses	**6**	6	—	9
Dividend income	**(401)**	(303)	32	(519)
Non-taxable interest[2]	**(247)**	(136)	82	(344)
Other income not subject to tax	**(81)**	(41)	98	(33)
Other	**116**	32	>100	557
Items of a capital nature	**6**	108	(94)	112
	3 335	471	>100	3 156

11. Equity

	30 June 2021 Rm	30 June 2020 Rm	Change %	31 December 2020 Rm
Authorised				
891 774 054 (30 June 2020: 880 467 500; 31 December 2020: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 761	1	1 784
Issued				
847 750 679 (30 June 2020: 847 750 679; 31 December 2020: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
17 771 580 (30 June 2020: 20 371 564; 31 December 2020: 18 961 880) treasury shares held by Group entities	**(36)**	(41)	(12)	(39)
	1 660	1 655	0	1 657
Total issued capital				
Share capital	**1 660**	1 655	0	1 657
Share premium	**10 636**	10 335	3	10 561
	12 296	11 990	3	12 218

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2021 Number of shares (million)	30 June 2020 Number of shares (million)	Change %	31 December 2020 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(17.8)**	(20.4)	(13)	(19.0)
	830.0	827.4	0	828.8

[1] This includes donations, non-deductible levies and non-deductible expenses.

[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

Reconciliation of IFRS to normalised results

for the reporting period ended

	Total Group normalised performance			
	30 June			31 December
	2021	2020	Change %	2020
Statement of comprehensive income (Rm)				
Net interest income	**25 585**	24 072	6	48 790
Non-interest income	**15 625**	16 006	(2)	32 592
Total income	**41 210**	40 078	3	81 382
Impairment losses	**(4 702)**	(14 661)	(68)	(20 569)
Operating expenses	**(22 605)**	(21 613)	5	(45 576)
Other expenses	**(992)**	(1 051)	(6)	(2 274)
Operating profit/(loss) before income tax	**12 911**	2 753	>100	12 963
Tax expenses	**(3 511)**	(718)	>100	(3 606)
Profit/(loss) for the reporting period	**9 400**	2 035	>100	9 357
Profit attributable to:				
Ordinary equity holders	**8 607**	1 443	>100	7 912
Non-controlling interest – ordinary shares	**383**	86	>100	549
Non-controlling interest – preference shares	**120**	172	(30)	307
Non-controlling interest – Additional Tier 1	**290**	334	(13)	589
	9 400	2 035	>100	9 357
Headline earnings	**8 628**	1 459	>100	7 965
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.41**	4.23		4.17
Credit loss ratio	**0.88**	2.77		1.92
Non-interest income as % of income	**37.9**	39.9		40.0
Income growth	**3**	3		2
Operating expenses growth	**5**	(2)		(2)
Cost-to-income ratio	**54.9**	53.9		56.0
Statement of financial position (Rm)				
Loans and advances to customers	**955 838**	932 293	3	929 969
Loans and advances to banks	**80 765**	113 168	(29)	84 538
Investment securities	**182 623**	156 665	17	153 504
Other assets	**357 336**	358 870	(0)	357 953
Total assets	**1 576 562**	1 560 996	1	1 525 964
Deposits due to customers	**1 009 954**	919 620	10	951 894
Debt securities in issue	**129 601**	178 795	(28)	145 740
Other liabilities	**302 697**	336 401	(10)	300 784
Total liabilities	**1 442 252**	1 434 816	1	1 398 418
Financial performance (%)				
RoRWA	**1.93**	0.32		0.86
RoA	**1.12**	0.20		0.52

Reconciliation of IFRS to normalised results

for the reporting period ended

	Barclays separation effects				IFRS Group			
	30 June			31 December	30 June			31 December
	2021	2020	Change %	2020	**2021**	2020	Change %	2020
	12	52	(77)	67	**25 597**	24 124	6	48 857
	8	225	(96)	144	**15 633**	16 231	(4)	32 736
	20	277	(93)	211	**41 230**	40 355	2	81 593
	—	—	—	—	**(4 702)**	(14 661)	(68)	(20 569)
	(654)	(1 427)	(54)	(2 535)	**(23 259)**	(23 040)	1	(48 111)
	4	(142)	<(100)	(270)	**(988)**	(1 193)	(17)	(2 544)
	(630)	(1 292)	(51)	(2 594)	**12 281**	1 461	>100	10 369
	176	247	(29)	450	**(3 335)**	(471)	>100	(3 156)
	(454)	(1 045)	(57)	(2 144)	**8 946**	990	>100	7 213
	(445)	(958)	(54)	(2 032)	**8 162**	485	>100	5 880
	(9)	(87)	(90)	(112)	**374**	(1)	<(100)	437
	—	—	—	—	**120**	172	(30)	307
	—	—	—	—	**290**	334	(13)	589
	(454)	(1 045)	(57)	(2 144)	**8 946**	990	>100	7 213
	(442)	(900)	(51)	(1 927)	**8 186**	559	>100	6 038
	n/a	n/a		n/a	**4.41**	4.23		4.17
	n/a	n/a		n/a	**0.88**	2.77		1.92
	n/a	n/a		n/a	**37.9**	40.2		40.1
	n/a	n/a		n/a	**2**	3		2
	n/a	n/a		n/a	**1**	0		(1)
	n/a	n/a		n/a	**56.4**	57.1		59.0
	—	—	—	—	**955 838**	932 293	3	929 969
	—	—	—	—	**80 765**	113 168	(29)	84 538
	—	—	—	—	**182 623**	156 665	17	153 504
	3 973	5 323	(25)	5 156	**361 309**	364 193	(1)	363 109
	3 973	5 323	(25)	5 156	**1 580 535**	1 566 319	1	1 531 120
	—	—	—	—	**1 009 954**	919 620	10	951 894
	—	—	—	—	**129 601**	178 795	(28)	145 740
	(215)[1]	(443)	(51)	399	**302 482**	335 958	(10)	301 183
	(215)	(443)	(51)	399	**1 442 037**	1 434 373	1	1 398 817
	n/a	n/a		n/a	**1.83**	0.12		0.66
	n/a	n/a		n/a	**1.06**	0.07		0.40

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 32).

Barclays separation effects

Update on programme

In December 2020, the Group celebrated an important milestone in its history, by achieving separation from Barclays PLC within budget and timeline.

The financial effect post Separation is highlighted below:

	Barclays separation effects			
	30 June			31 December
	2021	2020	Change %	2020
Statement of comprehensive income (Rm)				
Net interest income	**12**	52	(77)	67
Non-interest income	**8**	225	(96)	144
Total income	**20**	277	(93)	211
Operating expenses	**(654)**	(1 427)	(54)	(2 535)
Other operating expenses	**4**	(142)	<(100)	(270)
Operating profit before income tax	**(630)**	(1 292)	(51)	(2 594)
Tax expenses	**176**	247	(29)	450
Profit for the reporting period	**(454)**	(1 045)	(57)	(2 144)
Profit attributable to:				
Ordinary equity holders	**(445)**	(958)	(54)	(2 032)
Non-controlling interest – ordinary shares	**(9)**	(87)	(90)	(112)
	(454)	(1 045)	(57)	(2 144)
Headline earnings	**(442)**	(900)	(51)	(1 927)
Statement of financial position (Rm)				
Intangible assets	**3 355**	4 149	(19)	3 910
Property, plant and equipment	**546**	636	(14)	618
Other assets	**72**	538	(87)	628
Total assets	**3 973**	5 323	(25)	5 156
Other liabilities[1]	**(215)**	(443)	(51)	399
Total equity	**4 188**	5 766	(27)	4 757
Total equity and liabilities	**3 973**	5 323	(25)	5 156

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 32).

Barclays separation effects

Statement of comprehensive income

Net interest income of **R12m** (2020: R52m) was earned on the remaining capital invested after successful completion of separation.

Non-interest income of **R8m** (2020: R225m) predominantly relates to foreign currency revaluation gains on GBP and USD deposits to settle remaining foreign currency denominated costs after completion of separation.

Operating expenses of **R654m** (2020: R1 427m) mainly relates to amortisation of intangible assets of R556m (2020: R292m) and depreciation costs of R69m (2020: R58m). The increase in amortisation expense reflects intangible assets brought into use.

Other operating expenses of **(R4m)** (2020: R84m) reflects an indirect taxation credit.

Statement of financial position

Total assets

Intangible assets consist of capitalised software, professional fees and staff costs relating to the development of such assets net of accumulated amortisation and impairment losses.

Property, plant and equipment mainly consists of computer hardware relating to separation technology projects, brand related signage, and furniture and fittings.

Total equity and liabilities

Total equity of **R4.2bn** (2020: R5.8bn), is the R12.1bn contribution received from Barclays PLC and income earned on the contribution less separation expenditure up to completion of the programme.

Risk management

Risk management overview

for the reporting period ended

The Enterprise Risk Management Framework (ERMF)

The Group actively identifies and assesses risks arising from internal and external environments and takes a proactive approach to identifying emerging risks. The consolidated response to these risks is monitored for effective implementation:

- An integrated and dynamic governance structure at Group, country, and business and enterprise core function levels, promoting a sound risk culture.
- Well-defined material risk categories, known as principal risks, for complete risk coverage.
- A combined assurance model with clear accountability for managing and overseeing the effective execution of assurance throughout the Group.
- Comprehensive and structured processes for evaluating, responding to and monitoring risks.
- An efficient risk culture stipulating an effective risk operating model and appropriate risk practices, tools and techniques to support the Group's strategy.

The following graphic is a visual representation of the ERMF:

Risk strategy and appetite

The strategy is set within the parameters of an agreed risk appetite. The risk strategy is developed alongside the Group's strategy. The risk appetite defines the nature and amount of risk the Group is willing to take to achieve strategic objectives.

Risk management framework

The Group's approach to managing risk is outlined in the ERMF. The following foundations underpin the ERMF:

1. A robust and consistent governance structure at Group, country, business and enterprise core function level.
2. Well defined material risk categories known as principal risks.
3. A three lines of defence model with clear accountability for overseeing and managing risk.
4. A structured three-step process to evaluate, respond to and monitor risks.
5. A robust risk operating model which provides clear roles and responsibilities.

Twelve principal risks

Financial

Credit
Traded Market
Treasury
Insurance
Business
Model

Non-financial

Operational
Resilience
Conduct
Financial crime
Reputational
Sustainability

Risk operating model

The Group applies a three lines of defence model, which provides independent, aligned and coordinated assurance in the risk and control environment across the Group.

1st line
Process and control owners in customer facing segments and core Group functions who are responsible for the risk profile and managing the risks and controls in their businesses.

2nd line
Independent risk and compliance control functions who formulate risk and control policies, review the 1st line's adherence to these, and check and challenge the business risk profile.

3rd line
Internal audit functions provide independent assurance, through tests and reviews of controls to determine that the first and second lines execute their responsibilities effectively and consistently.

Evaluate, respond, monitor

The risk management process is structured in three steps, this enables management to identify and assess risks, determine the appropriate response, and then monitor the effectiveness of the risk response and any changes to the risk profile.

Evaluate
Identifying the objectives being assessed, and the events that could cause a failure to meet the objectives, identifying the risks, measuring the risks in terms of impact and probability, analyse root causes of risks.

Respond
Determine the appropriate risk response, so that risks are managed to within risk appetite. This includes:
- risk mitigation;
- risk transfer; and
- ceasing certain activities.

Monitor
Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks. Analyse current and evolving risk trends.

Risk management overview

for the reporting period ended

Risks arising from the operating environment

The Group actively identifies and assesses risks arising from internal and external environments and takes a proactive stance to identifying emerging risks. The consolidated response to these risks is monitored for effective implementation.

Globally, the COVID-19 pandemic significantly increased the risks faced by financial market participants and the economy, and materially changed the economic outlook. Recent social unrest in South Africa is expected to result in lower economic growth. The Group's focus remains on proactive risk and capital management to positively position the Group for the future.

For more information, refer to the impact of COVID-19 section on page 22.

Current and emerging risks	Management's response
Global recovery with economic uncertainty	
• Recovery from significantly reduced economic activity under pressure from further variants and waves of infections and impacted by the disparate speed of global COVID-19 vaccine rollouts. • High sovereign debt levels, and reduced debt and interest servicing capacity, increase the possibility of sovereign defaults and an emerging markets debt crisis. • Global uncertainty resulting in increased global economic pressure and risk aversion to emerging markets.	• Maintain a dynamic approach to risk appetite setting in response to the outlook for 2021 and beyond. • Use stress scenarios to evaluate the potential outcomes of a variety of external and internal factors. On an ongoing basis, management develops mitigating actions and assesses their effectiveness to guide decision making.
Anticipated long-term impact of sovereign interventions	
• Actions taken by governments, such as lockdowns, to curb waves of COVID-19 infections result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. These negative impacts are expected to continue increasing until COVID-19 vaccine programmes have reached herd immunity. • Heightened risk of social unrest due to rising fatigue from lockdowns and public anger over deteriorating economic environments.	• Actively engage governments, communities and customers to support initiatives to address economic hardship. • Monitor developments on an ongoing basis and proactively adjust business responses to address emerging risks, including re-evaluating credit policies and operational and resilience processes.
Sustained pressure on the financial services industry	
While signs of recovery are visible, the effects of further infection waves could exacerbate the already heightened stress experienced by stakeholders, such as: • Customer distress resulting in increased impairments and credit risk. • Increased long and short-term insurance claims negatively impacting solvency and capital requirements. • Reduced availability of capital supply, funding and liquidity. • Elevated business risk as earnings are impacted by the negative impact of the COVID-19 pandemic on the economy.	• Monitor and manage risk reduction strategies and downside risk presented by the uncertainty in the outlook where the economic recovery is likely to be unstable. • Monitor leading indicators to ensure economic risks are effectively managed through: ∘ Preservation of capital and liquidity. ∘ Conservative management of discretionary expenditure. ∘ Proactive management of credit portfolio risks.
Environmental and social risks impact the Group, its customers and operating environment	
• Adverse impact of ongoing and rapid climate and social change on communities and customers will sharply heighten the Group's credit and insurance risks. • Evolving complexities in the management of social trends and the societies and political environments in which the Group operates.	∘ Implement the United Nations Environmental Programme Finance Initiative Principles for Responsible Banking (UNEP FI PRB) as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). ∘ Reduce our direct environmental footprint in line with the Group's 2030 environmental action plan and understand physical climate risk impacts. ∘ Embed processes to encourage customers to adopt business strategies and practices which are aligned with the Group's sustainability policy. Develop financing standards for other climate sensitive industries in line with the existing coal financing standard. ∘ Enhance credit and insurance risk models to assess the impact of climate change risk. ∘ Continue to develop internal capabilities to utilise scenario analyses and stress testing to better estimate the impact of climate change on the Group's portfolio to inform future decision making. ∘ Regularly assess the suitability and strategic alignment of products and customer value propositions with changing environmental and social factors and the impact on the Group's risk profile. ∘ Maintain focus on financial inclusivity of customers, including the ongoing support of small-medium enterprises.

Risk management overview

for the reporting period ended

Risks arising from the operating environment (continued)

Current and emerging risks	Management's response
Heightened resilience, fraud, people and cyber risks expected for the foreseeable future	
• Heightened pressure on the health of employees, customers and suppliers as subsequent waves of the pandemic continue. • Ongoing pressure on operational resilience arising from the impact of the COVID-19 pandemic. • Heightened fraud and security risks arising from economic pressure. • Increasing opportunistic financial crime and cybercrime, combined with rising sophistication of criminal activity, impacting customers and the Group. • Increasing exposure to potential data leaks arising from third- and fourth-party suppliers. • Heightened risk to employee wellness from the pandemic and a prolonged work from home situation.	• Adhere to health and safety recommendations, including monitoring infections and adherence to preventive measures, to keep premises safe for employees, customers and suppliers. • Involvement in national and industry vaccination programmes for employees and stakeholders, in line with government regulations. • Maintain heightened focus on operational resilience and proactively identify and mitigate risks. • Maintain high stability of the technology estate to minimise incidents impacting customers and operational effectiveness. • Continue to invest in security platforms and further strengthen controls to secure customer information including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration. • Enhance due diligence performed on third party suppliers through ongoing review and monitoring of controls. • Monitor and manage the impact on employees through an expanded Group wellness programme and supporting employees in the evolution of working environments.
Strategic, execution and business risks arising from external and internal drivers	
• Swift and significant changes in the economic and social environment impact the execution of the Group's strategy, heightening business risk. • Disruption through changing customer preferences and competitor offerings. • Potential adverse impact of large strategic change projects on business risk, change risk and people risk.	• Monitor and manage risk strategy and risk appetite based on the ongoing evaluation of the global and regional developments to identify and mitigate risks as they arise, while enabling business to pursue selective strategic opportunities. • Ongoing alignment of risk objectives with the Group's strategy to support its customers and communities in an efficient, responsible and sustainable way. • Ensure sufficient investment to continue delivering scalable digital solutions that focus on current and evolving customer needs. • Build and embed a winning brand with a focus on innovative business processes and products designed to meet unique customer needs and preferences. • Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.
Increased compliance risk due to new and emerging regulations and oversight	
• Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets on the current business model. • Potential long-term impact on business strategy and Group performance from regulatory change.	• Maintain a forward-looking approach to evaluate, respond to and monitor regulatory and statutory change. • Engage with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy. • Instil a culture of sound regulatory compliance across the Group. • Develop systems with the agility to accommodate rapid change. • Understand the impact of future requirements on current business model and practices, and proactively make necessary changes.

Risk management overview

for the reporting period ended

Key performance metrics

Common equity tier 1 (CET 1) ratio[1]	12.4%	June 2020: 11.0%
Economic capital (EC) coverage[1]	1.6	June 2020: 1.4
Leverage ratio[1]	7.7%	June 2020: 6.5%
Liquidity coverage ratio (LCR)[2]	124.0%	June 2020: 126.6%
Net stable funding ratio (NSFR)	118.3%	June 2020: 117.1%
Credit loss ratio (CLR)	0.88%	June 2020: 2.77%
Stage 3 ratio on gross loans and advances	5.6%	June 2020: 5.6%
Stage 1 and stage 2 coverage ratio	1.6%	June 2020: 1.7%
Stage 3 coverage ratio	47.1%	June 2020: 45.4%
Operational risk losses	R266m	June 2020: R121m

Review of current reporting period

- Capital ratios were stronger year-on-year driven by improved earnings and lower RWAs, and moved to the top end of the Board risk appetite target range, well above minimum regulatory requirements.
- Liquidity continued to remain resilient and within risk appetite.
- The Group's excess over minimum regulatory requirements for capital and liquidity were enhanced by relief measures provided by the South African Reserve Bank (SARB) in Q1 2020, including the removal of the 2.5% capital conservation buffer and the reduction of the minimum LCR to 80%.
- Lower book growth in the reporting period was due to large corporate clients who continued to repay debt and the impact of significant Rand appreciation. In general, credit demand across Absa markets remained subdued, with the exception of RBB secured lending products.
- The CLR decreased as economic activity was gradually restored and the macroeconomic landscape improved. This was further supplemented by a strong collections performance and the benefit realised from model enhancements.
- Operational risk losses increased reflecting the higher levels of business activity in comparison with the prior period which was impacted by the lockdown.

Priorities

The Group's operating environment is expected to remain challenging and the management of risk, liquidity and capital remains a priority.

- Seek to create sustainable value for shareholders while maintaining sufficient capital supply for growth. Capital ratios to be maintained above the approved Board risk appetite and above minimum levels of regulatory capital.
- Maintain heightened focus on operational resilience and proactively identify and mitigate internal and external risks arising from the COVID-19 pandemic and social unrest.
- Maintain a diversified credit portfolio in terms of key concentration dimensions, such as individual counterparties, geographies, industries, products, and collateral, in accordance with the Group's strategy and risk appetite.
- Align risk objectives with the Group's strategy to support its customers and communities in an efficient, responsible and sustainable way.
- Embed processes to encourage customers to adopt business strategies and practices which are aligned with the Group's sustainability policy.
- Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.
- Improve control, efficiency and operational resilience across critical processes including collections, cybersecurity and fraud, data management, disaster recovery and financial crime.
- Engage regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy.
- Assess and evaluate quantitative and qualitative implications of implementing Basel III enhancements, including the Fundamental Review of the Trading Book (FRTB) and the proposed amendments to the Regulations relating to Banks.

[1] All banking capital and leverage ratios are stated on a statutory basis, including unappropriated profits.
[2] The Group LCR reflects an aggregation of the Bank LCR and the LCR of ARO. For this purpose, a simple average of the relevant three month-end data points is used for ARO. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

Risk management overview

for the reporting period ended

Credit risk

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

	30 June		31 December
Key metrics	**2021**	2020	2020
CLR (%)	**0.88**	2.77	1.92
Stage 3 ratio on gross loans and advances (%)	**5.6**	5.6	6.3
Stage 3 coverage ratio (%)	**47.1**	45.4	42.5
Stage 1 and stage 2 coverage ratio (%)	**1.6**	1.7	1.7
Total coverage ratio (%)	**4.5**	4.5	4.5
Performing book weighted average probability of default (PD) (%)[1]	**2.3**	2.3	2.4
Weighted average loss given default (LGD) (%)[1]	**30.7**	30.8	30.7
Total credit risk weighted assets (RWA) (Rbn)	**688.5**	723.0	714.3
Primary credit risk RWA (Rbn)[2]	**646.2**	683.3	668.1
CCR RWA (Rbn)[3]	**30.3**	27.2	34.9
Equity risk RWA (Rbn)	**12.0**	12.5	11.3

Review of current reporting period

- Gross loans and advances to banks and customers decreased to **R1 080bn** (30 June 2020: R1 089bn) mainly driven by large corporate clients who continued to repay debt and the impact of significant Rand appreciation. Credit demand across Absa markets remained subdued, with the exception of RBB secured lending products.
- The CLR decreased to **0.88%** (30 June 2020: 2.77%) as economic activity was gradually restored and the macroeconomic landscape improved. This was further supplemented by a strong collections performance and the benefit realised from model enhancements (refer to pages 15 to 16 for a detailed impact analysis of RBB expected credit loss model changes).
- The stage 3 ratio on gross loans and advances remained stable at 5.6%. The conclusion of the payment relief programme resulted in increased delinquencies and higher non-performing loans. This was offset by risk reduction strategies and benefits realised from the revised application of the existing definition of default which now aligns more closely with industry treatment (refer to pages 15 to 19 for a detailed impact analysis of the revised South African retail definition of default).
- Stage 3 coverage increased to **47.1%** (30 June 2020: 45.4%) as the definition of default revision resulted in loans with lower coverage transferring to the performing book.
- Total coverage remained flat at 4.5%. Despite some positive developments, uncertainty around multiple waves and variants of the COVID-19 pandemic remained, impacting the performance of certain industries and sectors.
- Primary credit risk RWAs decreased to **R646.2bn** (30 June 2020: R683.3bn), mainly driven by RWA optimisation initiatives and the appreciation of the Rand against other presence country currencies.
- CCR (including CVA) RWA consumption increased by R3.1bn, mainly driven by mark-to-market gains recognised on foreign exchange derivatives and credit quality deterioration on a single name exposure.

Priorities

- Proactive management of the potential downside risk presented by ongoing uncertainty in the outlook and a slow recovery off a low base.
- Proactive management of sectors and companies in distress as a consequence of the economic downturn.
- Maintenance of a diversified credit portfolio in terms of key concentration dimensions, such as individual counterparties, geographies, industries, products, and collateral, in accordance with the Group's strategy and risk appetite.
- Talent development and succession planning – ensuring a fully capacitated and well skilled credit team.
- Focus on regulatory change, specifically the rollout of a new large exposure framework and Basel III enhancements to capital rules for credit risk.
- Enhance collections capabilities further to effectively manage the back-book risk through the cycle.

[1] The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
[2] Primary credit risk RWA includes credit risk (excluding counterparty credit risk (CCR)) and securitisation exposures in the banking book.
[3] CCR RWA includes credit valuation adjustment (CVA).

Risk management overview

for the reporting period ended

Traded market risk

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

	30 June		31 December
Key risk metrics	**2021**	2020	2020
Average traded market risk – 99% value at risk (VaR) (Rm)	**49.0**	68.3[1]	62.9
Traded market risk RWA (Rbn)	**40.3**	48.8	40.1

Review of current reporting period

- The decrease in average VaR and RWA was principally due to risk reduction across the portfolio in light of the economic uncertainty arising from historic high asset prices/low interest rates alongside increasing inflation and COVID-19 pandemic concerns. The June 2020 portfolio was impacted by the COVID-19 pandemic induced volatility and low market liquidity resulting in a higher VaR.
- The Group remained cautious in ARO and reduced the exposure to local currency government bonds on reduced client activity and variable liquidity conditions.

Priorities

- Monitor and manage risk in a volatile environment with the potential that any number of events could significantly impact the market in a short period of time.
- Manage capital demand within the Group's risk appetite through close engagement with business, limit monitoring and return on capital analyses.
- Maintain close oversight of the non-cash collateral held against derivatives in the Prime Services business to ensure that appropriate hair-cuts are applied and the procedures for missed margin calls are clear and followed.
- Conduct business and product impact assessments and engagement with industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk, or FRTB, issued in January 2019.
- Maintain momentum on the FRTB project to prepare the Group for meeting the regulatory implementation deadline of 1 January 2024 in South Africa.

[1] The number reported In June 2020 included ARO and amounted to R80.7m. From December 2020 the regulatory VaR (99% 1 day VaR) has been reported. This includes only those entities that have approval to use the internal model approach for the capitalisation of market risk.

Risk management overview

for the reporting period ended

Treasury risks

Treasury risk is the risk and related constraints, which supports the effective management of the Group's financial resources, inter alia capital, liquidity and funding, that are critical to meeting the Group's strategic objectives. As such it comprises liquidity risk, capital risk, and interest rate risk in the banking book (IRRBB).

Liquidity risk

The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity which supports its assets.

Key risk metrics	30 June 2021	30 June 2020	31 December 2020
Sources of liquidity (Rbn)	**283.7**	317.1	260.1
NSFR (%)	**118.3**	117.1	115.9
LCR (%)[1]	**124.0**	126.6	120.6
Loan-to-deposit ratio (%)[2]	**83.6**	87.8	86.2
Loans and advances to customers and banks (Rbn)	**1 039.2**	1 031.2	1 034.6
South Africa	**909.2**	886.9	891.4
ARO	**130.0**	144.3	143.2
Deposits from customers and banks (including debt securities) (Rbn)	**1 242.4**	1 174.6	1 199.9
South Africa	**1 069.9**	998.5	1 020.5
ARO	**172.5**	176.1	179.4

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position was resilient, in line with risk appetite and above the minimum regulatory requirements.
  - In line with the Group's long-term liquidity and funding strategy, core deposit growth from RBB and corporate clients was much faster than both asset growth and wholesale funding, which resulted in both the liquidity profile and the NSFR strengthening.
  - The closure of the Absa Money Market Unit Trust led to an increase of deposits on Absa Bank's balance sheet, which further improved the liquidity position.
  - The Group maintained an excess supply of US dollars to ensure conservative management of foreign currency liquidity, which remained well diversified in composition and tenor.
  - All banking subsidiaries remained adequately liquid, maintaining compliance with Group Treasury standards, local liquidity risk appetite and regulatory reporting requirements. Furthermore, subsidiaries were self-sufficient from a local currency liquidity and funding perspective and placed only limited reliance on Absa Bank for US dollar working capital.
- **Long-term balance sheet structure:**
  - Long-term funding was raised with appropriate tenor to support the growth in long-term assets, particularly renewable energy transactions. This was achieved through a combination of funding instruments and capital market issuances. Overall wholesale funding growth was subdued given the strong growth in core deposits.
  - Debt capital market issuances for the first half of 2021 comprised of US$500m Additional Tier 1 (AT1) and R3.1bn senior debt.
  - The cost of wholesale funding, as demonstrated by liquidity premiums, stabilised in the first half of 2021, remaining at levels lower than pre-COVID-19 pandemic levels.
- **Short-term balance sheet structure and liquidity buffers:**
  - The Group's sources of liquidity of **R283.7bn** (June 2020: R317.1bn) amounted to **28.1%** (June 2020: 34.5%) of deposits due to customers.
  - Loan growth was funded by faster growth in customer deposits, ensuring a sustainable and diverse funding base. In addition, customer deposits were used to grow the HQLA portfolio.
  - The Group targeted a LCR above the minimum regulatory requirement, and consistently maintained an adequate HQLA buffer.
  - The Group used its internal liquidity stress metric (ILSM) framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
  - The Bank strengthened and diversified the liquid asset portfolio by investing in alternative forms of HQLA, thereby maintaining average HQLA at **R214.6bn** (June 2020: R215.2bn).

[1] The Group LCR reflects an aggregation of the Bank LCR and the LCR of ARO. For this purpose, a simple average of the relevant three month-end data points is used for ARO. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

[2] The methodology used to calculate the loan-to-deposit ratio includes loans and advances to banks and is based on average balances and not spot balances as disclosed per the Group financial statements.

Risk management overview

for the reporting period ended

Treasury risks (continued)

Liquidity risk (continued)

- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within appropriate guidelines.
  - Sources of funding were managed to maintain a wide diversity of depositors, products, tenors and currencies.
  - The Group's foreign currency funding position remained robust and flexible, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

Priorities

- Preserve the Group's liquidity position in line with risk appetite.
- Focus on growing core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements.
- Maintain adequate liquidity buffers to ensure the Group complies with the LCR in accordance with the COVID-19 pandemic-related relief provided by the SARB.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives, while optimising funding cost and complying with NSFR requirements.
- Collaborate with the regulatory authorities and other stakeholders on the SARB's proposed approach to resolution planning and the depositor insurance scheme in South Africa.

Capital risk

The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed condition.

	30 June		31 December
Key risk metrics	**2021**	2020	2020
Total RWA (Rbn)	**891.8**	935.8	915.1
CET 1 ratio (%)[1]	**12.4**	11.0	11.2
EC coverage[1]	**1.6**	1.4	1.5
Leverage ratio (%)[1]	**7.7**	6.5	7.2
Cost of equity (CoE) (%)[2]	**14.25**	13.75	14.0

Review of current reporting period

- The Group's CET 1 capital position was above minimum regulatory requirements as at 30 June 2021 and at the upper end of the 2021 Board target range of 11.0% to 12.5%.
- Capital ratios were stronger year-on-year due to strong earnings generation between June 2020 and June 2021 coupled with capital issuances and RWA savings achieved through model changes that were approved by the regulator. Capital buffers remained strong, consistently above minimum regulatory requirements
- The Group called R0.2bn of Tier 2 capital instruments in May 2021.
- In May 2021, Absa Group issued additional Tier 1 instruments to the value of US$500m in offshore capital markets, providing the Group with a strong Tier 1 and capital adequacy requirement (CAR) position and an optimised capital structure.
- All ARO entities were adequately capitalised above local minimum regulatory requirements, throughout the reporting period.
- The leverage ratio was supported by the additional Tier 1 issuance.

Priorities

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board approved risk appetite and above minimum levels of regulatory capital.
- Maintain adequate capital buffers to allow for the removal of the COVID-19 pandemic capital relief and subsequent uplift in the pillar 2A requirement from 1 January 2022.
- Monitor and assess upcoming regulatory developments that may affect the capital position. These include the Basel III enhancements, including FRTB; the proposed amendments to the regulations relating to banks; the resolution framework and the financial conglomerate supervisory framework in South Africa.
- With the publication of the draft Financial Sector Laws Amendment Bill (FSLAB) and requirement on banks to issue first loss after capital known as Flac instruments as defined in the Financial Sector Laws Amendments Bill, the Group will prioritise the issuance of Flac.
- Appropriately deploy and repatriate capital to and from subsidiaries.

[1] Includes unappropriated profits.
[2] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended

Treasury risks (continued)

Interest rate risk in the banking book (IRRBB)

The risk that the Group's current or projected financial condition and resilience might be adversely affected by changes in interest rate levels, yield curves and spreads. This risk arises in the banking book, due to re-pricing differences between assets, liabilities and equity, and also includes funding spread risk and foreign exchange rate risk.

	30 June		31 December
Key risk metrics	**2021**	2020	2020
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates (Rm)	**(1 741)**	(2 884)	(1 684)

Review of current reporting period

- 2020 was a year of significant rate cuts by the SARB and ARO central banks in response to the weak macroeconomic environment. In addition, the Group benefited from significant growth in deposits and HQLA which contributed to increased hedging activities, which continued in the first half of 2021.
- Methodology changes to the measurement of risk were implemented that more closely align NII sensitivity to the financial outcome of the FY 2020 rate cuts. These actions all contributed to the improvement in the Group NII sensitivity over the past year.
- The Bank's NII sensitivity to a 2% downward rate shock remained materially in line with December 2020.
- The Group strategy remained focused on actively hedging its structural, fixed and margin risks to NII volatility and providing margin protection through the interest rate cycle. The majority of the residual risk, reflecting as NII sensitivity, related to items unviable to hedge. These items included Prime-Johannesburg Interbank Average Rate (JIBAR) basis risk in South Africa and short-term reset risks.

Priorities

- Active management of interest rate risk within risk appetite.
- Deliver margin stability through risk management processes, such as the structural hedge programme in South Africa, and through appropriate asset and liability management processes in ARO.
- Adopt the BCBS standard on IRRBB, as proposed by the PA, as well as ongoing modelling and process enhancements. The Group is on track to go live from 1 June 2022. The proposed regulations promote the active risk management framework already in place and are not expected to raise any material adverse impact nor concern for the business.
- Prepare and transition to the new risk-free rates that have replaced or will be replacing certain benchmark interest rates, such as interbank offered rates, as part of global and South African benchmark reforms.

Risk management overview

for the reporting period ended

Insurance risk

The risk that future claims, expenses, policyholder behaviour and investment returns will be adversely different from the allowances made in measuring policyholder liabilities and in product pricing.

	30 June		31 December
Key risk metrics[1]	**2021**	2020	2020
Profit/(loss) before tax (Rm)	**(301)**	922	1 614
Capital adequacy cover (regulatory basis)[2]	**1.33**	1.45	1.37

Review of current reporting period

COVID-19 pandemic areas of focus

- The impact of the COVID-19 pandemic continued to have an adverse impact on earnings in the first half of 2021. The forward-looking risk associated with the pandemic was re-assessed, with provisions suitably increased to remain adequate, considering insights gained over the last half year. Strong financial performance by non-life entities partly offset the unfavourable earnings impact observed.
- The solvency position of the insurance group remained resilient, due to capital buffers and the mitigating impact of a reduction in dividends in response to the stress conditions.
- Areas of focus as a result of the pandemic:
  - Consideration of strategic priorities and discretionary expenditure.
  - Continued customer concessions and relief measures.
  - Monitoring and oversight of key risk drivers and early warning indicators.

Other areas of focus

- The Insurance Principal Risk Management Framework (IPRMF) and a subset of supporting policies were updated, to further align with revisions made to the ERMF and relevant prudential standards.
- Improvement to processes supporting the own risk and solvency assessment (ORSA), specifically considering the measurement response to emerging risks expected to arise over the medium term.
- The controlling company and formal insurance group structure was approved by the PA in November 2020. Outstanding insurance group governance and operational requirements were closed out in early 2021.

Priorities

COVID-19 pandemic areas of focus

- Ensure the COVID-19 pandemic provisions held for claims expected to emerge over the second half of 2021 remain adequate in light of unfolding experience.
- Sustain response to the pandemic in all areas of the insurance operations.
- Enhance and amend products as policyholder needs evolve, with an emphasis on digital solutions.
- Refresh forecasts and stress and scenario analysis, as economic and demographic experience emerges and the business adapts to the new operating conditions.
- Proactive identification, quantification and management of emerging and secondary risks associated with the pandemic.

Other areas of focus

- Update the remaining insurance risk policies.
- Streamline governance and oversight to ensure an efficient operating model.
- Improve the methodology and processes for risk appetite setting, capital and liquidity management and planning, stress and scenario testing, and ORSA reporting.
- Deliver on the IFRS 17[3] programme, including the upgrade of actuarial software and financial process to ensure compliance, along with implementation of the sub-ledger and the parallel run.
- Assist customers responding to the recent civil unrest, including facilitating claims to Sasria, the government owned insurer that covers perils of this nature. Secondary risks associated with the unrest will also be closely monitored as they relate to Absa's insurance entities and the broader economy.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group.
[2] Proforma capital position, post foreseeable dividends.
[3] IFRS 17 for insurance contracts replacing IFRS 4, effective from 1 January 2023.

Risk management overview

for the reporting period ended

Business risk

The risk assumed due to potential changes in general business conditions, competitive market environment and strategy, and the risk of earnings variability, resulting in business revenues not covering operating costs after excluding effects of market, credit and operational risks.

Review of current reporting period

- The operating environment and economic activity improved in the first half of 2021 as lockdown restrictions were lifted at the start of 2021. This contributed to an improvement in the Group's performance.
- The impact of the third wave of the COVID-19 pandemic and harder lockdown restrictions led to a slowdown in business activity at the end of the first half of 2021.

Priorities

- Respond to shifts in the competitive environment, the changing regulatory landscape, evolving customer behaviours, demand for innovative solutions and frictionless experiences.
- Improve operational efficiencies, developing innovative platforms and nurturing talent required to drive the Group's ambitions.
- Leverage the upcoming annual integrated planning process to identify sources of business risk arising from the Group's business plans and ensure mitigation thereof.

Model risk

The risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Review of current reporting period

- The Group continued to improve the accuracy and robustness of its models that support business decision making, impairment and regulatory credit capital calculations.
- The Group continued the process of redeveloping its wholesale regulatory credit capital models to improve their accuracy and address queries raised by the PA.
  - The Group received approval from the PA to implement six wholesale regulatory credit capital models that were submitted to the PA during 2020.
  - A further four wholesale regulatory credit capital models were developed and submitted to the PA for approval during 2021.
- Progress was made to align the definition of default, used in the retail regulatory credit capital and impairment models to align to South African peer banks.
  - All retail credit impairment models and behavioural scorecards have been redeveloped on the new definition of default.
  - Nine retail regulatory credit capital models were redeveloped and submitted for approval to the PA.
- The Group continued to enhance the model risk control environment through refinement of its model risk appetite, review of policies and standards, and updates of quantitative tests and methodologies. Enhancements were made to the model risk manager system, as well as continued training and development of scarce quantitative skills.

Priorities

- Develop the retail and wholesale regulatory credit capital models scheduled for completion in Q2 2022 and Q4 2022 respectively.
- Enhance and automate model performance monitoring, leading to an increase in frequency and consistency of performance assessments and quicker detection of non-performance.
- Strengthen the Group's capabilities to manage increasing quantity and complexity of models.
- Embed technological solutions, including the use of machine learning techniques, for independent validation and the general management of model risk.
- Reduce critical staff dependencies through automation, succession planning and development of talent pipeline.
- Optimise the architecture of the model development, validation and implementation technology platforms.

Risk management overview

for the reporting period ended

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Key risk metrics	30 June 2021	30 June 2020	31 December 2020
Total operational risk losses as a percentage of gross income (%)	**0.65**	0.3	0.36
Total operational risk losses (Rm)	**266**	121	292
Total operational risk RWA (Rbn)	**141.8**	144.9	143.4
Operational risk (Rbn)	**115.8**	115.6	117.2
Non-customer assets (Rbn)	**26.0**	29.3	26.2

Review of current reporting period

- Operational risk losses increased from R121m to R266m reflecting the higher levels of business activity in the current period in comparison with the prior period which was impacted by the lockdown.
- Areas of focus in the period were:
  - Improvement in the Group's fraud defences through deployment of technology, increased resourcing and refinement of the fraud operating model.
  - Maintained prioritisation of employee well-being issues emanating from COVID-19 pandemic fatigue and burnout.
  - Improved the management of processes with the embedment of the cyclical assessment of critical processes.
  - Implemented a new Operational Risk Management System, enhancing the Group's overall risk management and risk measurement processes.
  - Continued the close engagements with material suppliers focusing on their resilience.

Priorities

- Strengthen the Group's fraud defences through investment in automation, analytics and technologies.
- Prioritise employee well-being issues emanating from COVID-19 pandemic fatigue and burnout.
- Enhance process management capabilities through deployment of infrastructure (people, process and technology).
- Automate the execution of the AMA operational risk regulatory capital model.
- Implement the New Standardised Approach (NSA) in line with defined local guidelines.
- Implement artificial intelligence to enhance risk management capabilities.
- Maintain the close engagements with material suppliers focusing on their resilience.

Resilience risk

The risk of interruption of the Group's business, a loss of data or impairment of data due to technological failure, compromise of information security, unavailability of premises or infrastructure, inability to recover a process in the event of a disaster and inappropriate technology project selection and execution.

Review of current reporting period

- Technology infrastructure and architecture were optimised to enhance the remote working user experience and strengthen the technology controls environment.
- Cloud-migration was accelerated with new solutions commissioned onto the cloud, leading to a reduction in the physical infrastructure investment.
- Data leakage and security controls environment was enhanced, thereby strengthening the information security and cyber risk posture.
- Conducted a third-party supplier segmentation review to assess the risk exposure. Improved cyber and information security controls by revising contracts with suppliers.
- The established COVID-19 advisory board continued to respond to the evolving legislation requirements including the impacts of the COVID-19 pandemic on the business, as well as the workplace vaccination programme for staff.
- The data and records management policy aimed at enhancing the data management capabilities across the organisation was published.

Priorities

- Embed the recently published data and records management policy for completion by the end of 2021.
- Strengthen the information security and cyber security controls through the implementation of the access management controls, data leakage prevention (DLP) controls and the cyber assessment tool for third-party suppliers.
- Continue to automate disaster recovery testing to further improve the Group's technology resilience.
- Implement the technology governance, risk management and compliance solution to streamline and optimise the risk management capability across the Group.
- Refine and implement the resilience risk data architecture to optimise data quality management to fully meet regulatory information technology reporting requirements

Risk management overview

for the reporting period ended

Conduct risk

The risk of detriment to the Group, its customers, clients, market integrity, and effective competition from the inappropriate supply of financial services, including instances of wilful/negligent misconduct, unethical behaviour and the failure to manage regulatory relationships.

Review of current reporting period

- Maintained availability of banking services despite the difficult operating environment, with the health and safety of our employees and customers a top priority.
- Continued improvement in complaints management.
- Rolled out DebiCheck on all new debit orders to further protect customers against debit order fraud.
- Continued to actively drive thought leadership on the draft Conduct of Financial Institutions Bill.
- Implemented processes to comply to the Protection of Personal Information Act (PoPIA), and the broader privacy policy position across the Group.
- Conducted an inaugural ethics survey across the organisation.
- Rolled out a supplier code of ethics with providers of goods and services to the organisation.
- Enhanced automation of conflicts of interest management, including the launch of a mobile app.

Priorities

- Build on strengths and address weaknesses emanating from the Ethics Survey conducted in the first half of 2021.
- Work with suppliers and other third parties to improve their security capability, thereby protecting personal data of customers and employees.
- Continue to treat customers in distress fairly, during a prolonged difficult economic environment in many of the Group's markets.
- Migrate historical debit orders onto DebiCheck, thereby furthering customer fraud protection.
- Manage health and safety through the third wave of the COVID-19 pandemic in South Africa, with commensurate protocols in other markets.

Financial crime risk

The risk of an act or attempted act against institutions, organisations or individuals by internal or external agents to illegally appropriate, defraud, manipulate or circumvent legislation. Financial crime includes offences such as money laundering, terrorist financing, bribery and corruption, market abuse and insider trading.

Review of current reporting period

- Strengthened collaboration across financial crime types, such as cybercrime and fraud, to enhance surveillance and intelligence capabilities.
- Enhanced behavioural monitoring capabilities to proactively identify money laundering offences through the deployment of advanced data analytics.
- Continued to offer comment on new legislation and participated in further expert working groups covering proliferation finance, illegal wildlife trade, human trafficking and the terrorist insurgency in Northern Mozambique.
- Participated as a principal contributor in driving thought leadership with respect to financial inclusion, environmental crime, money laundering, Politically Exposed Persons (PEPs) and Beneficial Ownership Transparency through collaboration with local and global industry bodies.
- Conducted investigations as a member of the Tactical Operations Group's established under the South African Anti-Money-Laundering Integrated Task Force (SAMLIT) (a public-private partnership between the banking sector and government regulatory authorities, aimed at enhancing collaboration and coordination in combating financial crime, money laundering and terrorist financing).

Priorities

- Continue to expand on data-driven tools and capabilities to enhance the Group's decision making around the prevention and detection of financial crimes.
- Deploy planned technology and efficiency initiatives to further strengthen current capabilities to proactively identify and respond to financial crime threats.
- Complete the Anti-Bribery Management Systems (ISO 37001) assessment and embed associated practices to achieve ISO 37001 certification.
- Continue as an active role player in industry bodies and expert working groups that aim to strengthen the efforts to combat financial crime across the local and international financial crime community.

Risk management overview

for the reporting period ended

Reputational risk

The risk of damage to the Group brand arising from any association, action, transaction, investment or event which is, or is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion-formers) to be inappropriate or unethical.

Review of current reporting period

- Ongoing embedment of the Reputation Risk Management Framework across the Group.
- Continued training and awareness of the importance and management of reputation risk at various levels of the organisation.
- Managed specific reputational issues, including data leaks and broader industry matters such as the #BanksMustFall protest.

Priorities

- Review of the operating model for reputation risk management.
- Embed the revised framework and associated processes for the use of marketing agencies and management of the associated risks.
- Engage on matters of public interest, including ongoing customer distress, cost of banking, private sector corruption, state capture, and health and safety of employees, customers and suppliers.

Sustainability risk

The failure to implement responsible operational and lending practices to effectively manage and report the impact of the Group's direct and indirect impact on the environment, society and geographies we operate in.

Review of current reporting period

- Published first public progress report on implementing the United Nations Environment Programme – Finance Initiative (UNEP FI) PRBs as an overarching strategic sustainability framework, including the first Task Force on Climate-related Financial Disclosure (TCFD) report, highlighting high-level book exposure to climate change.
- Completed a pilot project with the Centre for Scientific and Industrial Research (CSIR) on a portion of the agri-business.
- Following the successful development and implementation of the Environmental and Social Management System (ESMS) in seven ARO businesses, annual progress of new deal screening was reported to the Multilateral Investment Guarantee Agency (MIGA). Based on the MIGA pilot, the Group developed an ESMS to scale up implementation of Environmental and Social Risk deal screening across the Group.
- The Group simultaneously investigated automating the ESMS into the existing credit system and trained more than 450 colleagues across the organisation on conducting environmental and social risk assessments of sustainable finance lending.
- Developed an oil and gas financing standard for upstream and midstream activities.

Priorities

- Embed the Sustainability Principal Risk Framework and revised sustainability policy.
- Embark on a larger climate change and materiality analysis to examine the remaining loan books in agriculture including real estate (home loans, commercial property finance and corporate real estate solutions).
- Embed the ESMS appropriately across the Group whilst simultaneously developing an automated application.
- Partner with experienced independent technical advisors to perform environmental and social risk assessments to support the growth of sustainable finance lending.
- Publish the oil and gas financing standard for upstream and midstream activities and a mining finance standard by the end of 2021.
- Develop a set of climate finance targets to overlay the climate sensitive finance standards for the Group.
- Adhere to publicly committed timelines relating to PRBs, TCFD, climate sensitive standards and climate targets.

Capital management and RWA

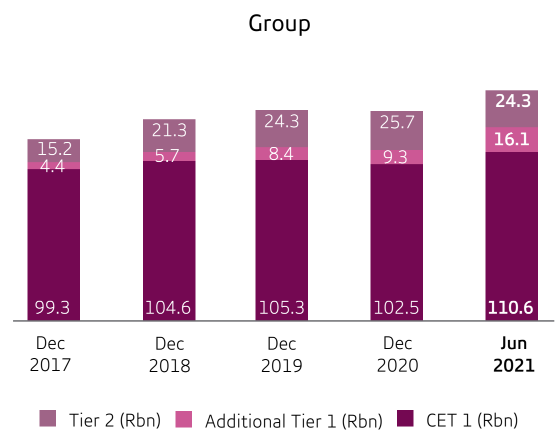
for the reporting period ended

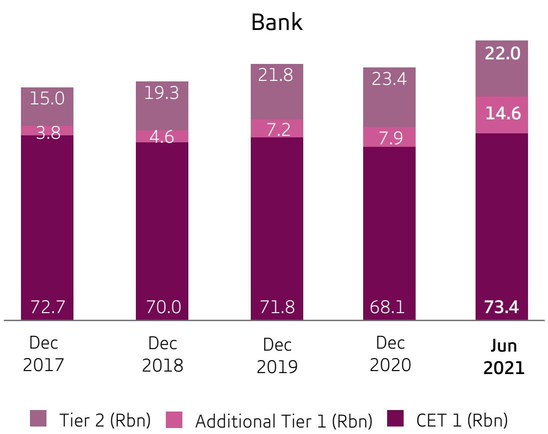
Capital adequacy

The Group's capital management strategy, which supports and aligns with its business strategy, is to build capital resilience while supporting targeted growth in balance sheet and capital demand.

	Board target ranges[1]	Minimum RC requirements[2]	Group performance			Bank performance		
			30 June		31 December	30 June		31 December
	%	%	2021	2020	2020	2021	2020	2020
Statutory capital ratios (include unappropriated profits) (%)								
CET 1	11.00 – 12.50		**12.4**	11.0	11.2	**11.8**	10.6	10.6
Tier 1	>12.00		**14.2**	11.9	12.2	**14.2**	11.7	11.9
Total CAR	>14.50		**16.9**	14.9	15.0	**17.7**	15.8	15.6
Leverage	5.50 – 7.50		**7.7**	6.5	7.2	**6.3**	5.1	5.7
Regulatory capital ratios (exclude unappropriated profits) (%)								
CET 1		8.0	**12.1**	11.0	11.2	**11.7**	10.6	10.6
Tier 1		9.5	**13.9**	11.9	12.2	**14.1**	11.7	11.9
Total CAR		11.5	**16.6**	14.9	15.0	**17.6**	15.8	15.6
Leverage		4.0	**7.5**	6.5	7.2	**6.3**	5.1	5.7

Qualifying capital (including unappropriated profits)





Group[3] 31 December 2017	2018	2019	2020	30 June 2021		Bank 31 December 2017	2018	2019	2020	30 June 2021
13.5	12.8	12.1	11.2	**12.4**	CET 1 ratio (%)	13.4	12.3	11.9	10.6	**11.8**
16.1	16.1	15.8	15.0	**16.9**	Total capital adequacy ratio (%)	16.9	16.5	16.7	15.6	**17.7**

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Absa Bank Limited CET 1 Board target range is 10.5% to 12%.
[2] The 2021 minimum total regulatory capital adequacy requirement of 11.5% includes the capital conservation buffer, Pillar 2A at zero percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance. Directive 5/2021 requires banks to hold the first 1% of the D-SIB requirement as CET1 this change has been included in the June 2021 regulatory minimums
[3] The historical normalised Group CET 1 ratios were 11.8% in December 2019, 12% in December 2018 and 12.1% in December 2017 and the historical normalised Bank CET 1 ratios were 11.4% in December 2019, 11.2% in December 2018 and 11.6% in December 2017.

Capital management and RWA

for the reporting period ended

Overview of RWA

The following table provides the RWAs per risk type and the associated minimum capital requirements:

Group	30 June 2021 RWA Rm	30 June 2020 RWA Rm	31 December 2020 RWA Rm	30 June 2021 Minimum capital requirement[1] Rm
Credit risk[2]	**688 527**	723 031	714 301	**79 181**
Traded market risk	**40 280**	48 759	40 110	**4 632**
Operational risk[3]	**141 834**	144 945	143 443	**16 311**
Threshold items	**21 128**	19 031	17 207	**2 429**
Total	**891 769**	935 766	915 061	**102 553**

Absa Bank[4]	30 June 2021 RWA Rm	30 June 2020 RWA Rm	31 December 2020 RWA Rm	30 June 2021 Minimum capital requirement[1] Rm
Credit risk[2]	**486 834**	485 856	507 425	**55 986**
Traded market risk	**27 118**	34 786	28 944	**3 119**
Operational risk[3]	**95 950**	94 721	80 107	**11 034**
Threshold items	**9 877**	4 049	4 227	**1 135**
Total	**619 779**	619 412	640 044	**71 274**

[1] The 2021 minimum total regulatory capital adequacy requirement of 11.5% includes the capital conservation buffer, Pillar 2A at zero percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[2] Credit risk includes equity positions in the banking book, CCR, CVA and securitisation.
[3] Operational risk includes non-customer assets.
[4] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates, and offshore holdings.

Capital management and RWA

for the reporting period ended

Capital supply

Breakdown of qualifying capital

Group	30 June 2021 Rm	%[1]	30 June 2020 Rm	%[1]	31 December 2020 Rm	%[1]
CET 1	**107 437**	**12.1**	102 818	11.0	102 496	11.2
Additional Tier 1 capital	**16 071**	**1.8**	8 067	0.9	9 307	1.0
Tier 1 capital	**123 508**	**13.9**	110 885	11.9	111 803	12.2
Tier 2 capital	**24 273**	**2.7**	28 526	3.0	25 651	2.8
Total qualifying capital (excluding unappropriated profits)	**147 781**	**16.6**	139 411	14.9	137 454	15.0
Qualifying capital (including unappropriated profits)						
CET 1 including unappropriated profits	**110 599**	**12.4**	102 909	11.0	102 496	11.2
CET 1	**107 437**	**12.1**	102 818	11.0	102 496	11.2
Unappropriated profits	**3 162**	**0.3**	91	0.0	—	—
Additional Tier 1 capital	**16 071**	**1.8**	8 067	0.9	9 307	1.0
Tier 1 capital	**126 670**	**14.2**	110 976	11.9	111 803	12.2
Tier 2 capital	**24 273**	**2.7**	28 526	3.0	25 651	2.8
Total qualifying capital (including unappropriated profits)	**150 943**	**16.9**	139 502	14.9	137 454	15.0

Absa Bank[2]	30 June 2021 Rm	%[1]	30 June 2020 Rm	%[1]	31 December 2020 Rm	%[1]
CET 1	**72 774**	**11.7**	65 452	10.6	68 051	10.6
Additional Tier 1 capital	**14 600**	**2.4**	6 724	1.1	7 933	1.3
Tier 1 capital	**87 374**	**14.1**	72 176	11.7	75 984	11.9
Tier 2 capital	**21 983**	**3.5**	25 880	4.1	23 426	3.7
Total qualifying capital (excluding unappropriated profits)	**109 357**	**17.6**	98 056	15.8	99 410	15.6
Qualifying capital (including unappropriated profits)						
CET 1 including unappropriated profits	**73 375**	**11.8**	65 452	10.6	68 051	10.6
CET 1	**72 774**	**11.7**	65 452	10.6	68 051	10.6
Unappropriated profits	**601**	**0.1**	—	—	—	—
Additional Tier 1 capital	**14 600**	**2.4**	6 724	1.1	7 933	1.3
Tier 1 capital	**87 975**	**14.2**	72 176	11.7	75 984	11.9
Tier 2 capital	**21 983**	**3.5**	25 880	4.1	23 426	3.7
Total qualifying capital (including unappropriated profits)	**109 958**	**17.7**	98 056	15.8	99 410	15.6

[1] Percentage of capital to RWAs.
[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended

Economic capital

EC provides a basis on which to aggregate and compare different risks using a forward-looking, single measure of risk. It is a critical input into the internal capital adequacy assessment process (ICAAP) and in capital allocation decisions, which support shareholder value creation. EC considers risk types that not only lead to potential operating losses but can also result in lower-than-expected earnings.

In the table below, EC demand is presented at a 99.9% confidence level, aligned to the ERMF principal risks. EC demand is compared to the available financial resources (AFR), also referred to as EC supply, to evaluate the total EC surplus. The Group ensures there is sufficient AFR to meet this minimum demand requirement under severe yet plausible stress conditions.

Economic capital	30 June 2021 Rm	30 June 2020 Rm	31 December 2020 Rm
Credit risk[1]	**55 746**	63 006	54 609
Traded market risk	**6 259**	5 004	3 906
Treasury risk	**8 390**	9 324	9 065
Insurance risk	**4 698**	5 469	6 448
Business risk	**6 115**	5 888	5 932
Model risk	**2 706**	—	2 723
Operational risk[2]	**10 278**	11 023	11 804
Total EC requirement	**94 192**	99 714	94 487
IFRS total EC AFR	**145 948**	137 044	137 347
IFRS total EC surplus	**51 755**	37 330	42 860
IFRS EC coverage ratio	**1.6**	1.4	1.5

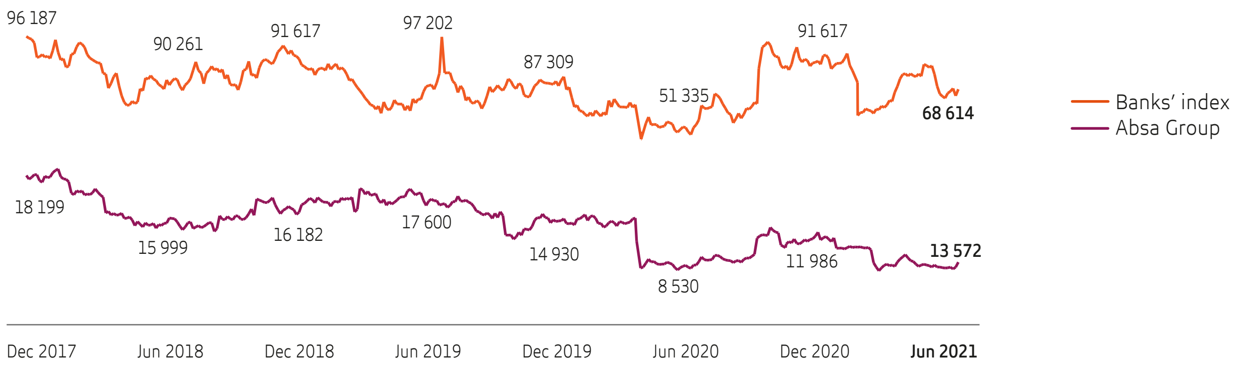
Model risk EC was included within total EC requirement for the first time in December 2020.

[1] Credit risk includes equity risk, CCR, CVA and securitisation.
[2] Total operational risk includes fixed asset risk and pension risk.

Appendices

Share performance

Share performance (cents)



Share performance on the JSE	30 June 2021	30 June 2020	Change %	31 December 2020
Number of shares in issue, which includes 1 791 425 (2020: 4 898 026) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**13 572**	8 530	59	11 986
high	**14 803**	8 931	66	15 069
low	**11 280**	8 522	32	6 330
average	**12 690**	10 800	18	10 091
Closing price/Normalised NAV per share (excluding preference shares) (%)	**0.98**	0.65	51	0.91
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**26.84**	98.8	(73)	25.5
Volumes of shares traded (million)	**358.0**	552.0	(35)	1 052.1
Value of shares traded (million)	**45 411.0**	5 508.0	>100	102 542.0
Market capitalisation (Rm)	**115 063.0**	72 313.0	59	101 617.0
Annual total return (%)	**59.1**	(0.5)	<(100)	(15.6)

Shareholder information and diary

Major ordinary shareholders (%)

2021	2020	
14.88	(14.88)	Barclays Bank PLC (UK)
6.24	(6.37)	Public Investment Corporation (SA)
5.65	(2.31)	Ninety One (SA)
5.27	(3.63)	Old Mutual (SA, NA)
4.92	(5.21)	Prudential Investment Managers (SA)
4.01	(4.01)	Citigroup Global Markets (SA)

2021	2020	
3.52	(3.81)	BlackRock Incorporated (US, UK, JP, AU, CA)
3.21	(3.08)	Investec Securities (SA)
2.99	(3.28)	The Vanguard Group (US, AU)
2.33	(2.12)	Sanlam Investment Management (SA)
46.98	(51.30)	Other

Major shareholding split by geography (%)

2021	2020	
19.73	(20.13)	United Kingdom
56.48	(47.33)	South Africa
14.76	(21.76)	United States and Canada
9.03	(10.78)	Other countries

Shareholder diary

Financial year-end	31 December 2021
Annual general meeting[1]	03 June 2022

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim	16 August 2021	14 September 2021	15 September 2021	17 September 2021	20 September 2021
Final[1]	14 March 2022	19 April 2022	20 April 2022	22 April 2022	25 April 2022

[1] Subject to change.

Glossary

Amounts written off
Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

Approaches (FIRB, AIRB, AMA and IMA)
Methods available to banks to calculate their regulatory capital requirements, based on their own risk estimates. These include the foundation internal ratings-based (FIRB) and advanced internal ratings-based (AIRB) approaches for credit risk, the advanced measurement approach (AMA) for operational risk and the internal models approach (IMA) for market risk.

Average interest-bearing assets
Average interest-bearing assets consist of all accounts that are not impaired and thus attract interest within the asset categories of cash, cash balances and balances with central banks, loans and advances to banks and customers and investment securities (including cash and short-term assets, money market assets and capital market assets).

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).

Balance sheet
The term "balance sheet" is used in the same context as the "statement of financial position".

Bank
Absa Bank Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as "the Bank" or "Absa Bank" in this report.

Banking average assets
Banking average assets consist of all average assets related to the banking activities of the Group. Banking average assets exclude "Other assets", "Current tax assets", "Non-current assets held for sale", "Reinsurance assets", "Goodwill and intangible assets", "Property and equipment" and "Deferred tax assets", and include "Trading portfolio liabilities".

Banking book annual earnings at risk
A measure of the sensitivity of net interest income over a one-year horizon due to a change in the level of interest rates. Calculated as the difference between the estimated income using the current yield curve, and the lowest estimated income following an increase or decrease in interest rates. As per regulatory requirement, a 200 bps downward shock is applied.

Banking income yield
Income as a proportion of banking average assets.

Banking interest yield
Net interest income after credit losses, as a proportion of banking average assets.

Banking non-interest yield
Non-interest income as a proportion of banking average assets.

Banks Act
This means the Banks Act, No 94 of 1990 and its accompanying regulations relating to banks published in the Government Gazette on 12 December 2012.

Barclays
Barclays PLC, registered in England under registration number 1026167.

Basel Capital Accord (II, II.5 and III)
The Basel Capital Accord of the Bank for International Settlements is an improved capital adequacy framework aimed at closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Borrowed funds
Subordinated callable notes qualifying as long-term Tier 2 capital in terms of section 1 of the Banks Act, No 94 of 1990.

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 divided 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.

Glossary

Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries of Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET 1; and
- Regulatory adjustments applied in the calculation of CET 1.

Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in CET 1);
- Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of Additional Tier 1 capital.

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.

Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital); Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital;
- Instruments issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital;
- Certain loan-loss provisions such as general provisions/general loan-loss reserve; and Regulatory adjustments applied in the calculation of Tier 2 capital.

Capital – Tier 2 ratio

A component of regulatory capital, comprising qualifying subordinated loan capital, related minority interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.

Claims ratio

Net insurance claims and benefits paid as a percentage of net premium income.

Combined ratio

Insurance losses incurred and expenses as a percentage of insurance premiums earned.

Conduct risk

Conduct risk is the detriment caused to the Group's customers and clients, counterparties or Absa Bank Limited as a result of inappropriate execution of the business activities.

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Africa regions market segment disclosed on pages 82 and 83 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

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

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

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

Cost-efficiency ratio

"Operating expenses" as a percentage of income. Income consists of net interest income and non-interest income, net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

Glossary

Cost of equity
An estimate of the return that the market demands in exchange for the risk of ownership of equity.

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

Coverage ratio
Impairment losses on loans and advances as a proportion of gross loans and advances.

Credit loss ratio
Impairment losses on loans and advances for the reporting period, divided by total average advances (calculated on a daily weighted average basis).

Debt securities in issue
Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

Diluted headline earnings per share
Headline earnings for the reporting period that is attributable to ordinary equity holders, as a proportion of the weighted average number of ordinary shares in issue adjusted for the effect of all potential dilutive ordinary shares.

Distribution force
Number of active advisers.

Dividend payout ratio
The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the attributable earnings of the Group. It is the percentage of attributable earnings paid to shareholders in dividends.

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.

Economic capital
Economic capital is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99.95% confidence level. This sets the internal capital requirement deemed necessary by the Group to support the risks which is exposed.

Embedded value
The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Group's dividend policy.

Exchange differences
Differences resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

Expected Credit Loss (ECL) coverage ratio
ECL allowance as a proportion of gross loans and advances to customers and banks.

Financial Markets Act
This means the Financial Markets Act No 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

Foreign currency translation
Foreign currency accounts of the Group's subsidiaries translated to reporting currency, with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

Glossary

Gains and losses from banking and trading activities

Banking and trading portfolios include:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gains and losses from investment activities

Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gross credit extended

Loans advanced to customers and banks, as well as off-balance sheet exposures.

Group

Absa Group Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as "the Group" or "Absa Group" in this report.

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

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 headline 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.

Income statement

The term Income statement is used in the same context as the Statement of comprehensive income.

Indirect taxation

Indirect taxes are the taxes that are levied on transitions rather than on persons (whether individuals or corporate). These taxes include unclaimed value-added taxes, stamp duties on deposits and Regional Services Council levies.

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.

Leverage

Average assets as a proportion of average equity.

Life new business margin

Embedded value of new business attained in the Life Insurance key business area of WIMI, as a proportion of the discounted value of the associated future premiums.

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.

Long-term funding ratio

Funding with a term in excess of six months.

Market capitalisation

The Group's closing share price, times the number of shares in issue at the reporting date.

Merchant income

Income generated from the provision of point-of-sale facilities to the Group's merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

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.

Glossary

Net income
Net income consists of net interest income and non-interest income, net of impairment losses on loans and advances.

Net insurance premium income
The amount of insurance premiums received or receivable on insurance assets net of insurance claims and benefits paid on insurance liabilities.

Net interest income
The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

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.

Net present value unwind on non-performing book
A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

Net trading result
Net trading result includes the profits and losses on CIB's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIB's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. It also includes similar activities from the African operations.

Non-interest income
Non-interest income consists of the following Statement of comprehensive income line items: "net fee and commission income", "net insurance premium income", "net insurance claims and benefits paid", "changes in investment contracts and insurance contract liabilities", "gains and losses from banking and trading activities", "gains and losses from investment activities as well as other operating income".

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.

Pre-provision profit
Total income less operating expenses.

Price-to-earnings ratio
The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

Probability of default
The probability that a debtor will default within a one-year time horizon.

Regulatory capital
The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

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

Return on average equity
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.

Income/total income
Income consists of net interest income and non-interest income.

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Solvency margin
The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

Stage 1
Assets comprise exposures that are performing in line with expectations at origination. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1.

Glossary

Stage 2

Exposures are required to be classified within stage 2 when a significant increase in credit risk has been observed. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices.

Stage 3

Credit exposures are classified within stage 3, when they are regarded as being credit impaired, which aligns to the bank's regulatory definition of default.

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.

Underwriting margin

Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

Value-at-risk model

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business

The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Weighted average number of shares

The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income, less treasury shares held by entities, weighted on a time basis for the period during which the entities held these shares.

Abbreviations and acronyms

A

AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine

B

Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

Abbreviations and acronyms

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

L

LCR	liquidity coverage ratio
LExCo	Legal Executive Committee
LGD	loss-given-default
LOD	lines of defence
LRA	liquidity risk appetite
LTIP	long-term incentive plan
LTV	loan-to-value

M

MC	Group Model Committee
MR	market risk

N

NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter

P

PA	Prudential Authority
PD	probability of default
PF	project finance
PFE	potential future exposure
PIT	point-in-time
PKIs	predictive key indicators
PnL	profit and loss
PRA	Prudential Regulation Authority
PRO	principal risk officer
PSE	public sector entity
PVIF	present value of in-force book

Q

QCCP	qualifying central counterparty

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	total loss absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

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