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Absa Group Limited

Financial results for the reporting period ended 31 December 2021

Report overview

This financial results booklet for the reporting period ended 31 December 2021 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 14 March 2022. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the annual financial results presentation. The full set of documents is available on www.absa.africa

Reportable segment changes

- In line with the vision to become a truly Pan-African bank, Retail and Business Banking (RBB) and Corporate and Investment Bank (CIB) will be managed on a Pan-Africa basis. The Absa Regional operations (ARO) centre, which had largely been providing support to the in-country RBB teams, has been merged into RBB SA with RBB ARO now run as a business alongside the existing RBB SA businesses. CIB was already set up as a Pan-African business with support provided by the centre. The Group's operating segments have subsequently been updated to reflect aforementioned change in operating model.
- The Group restructured some of the business units within RBBSA, which had a resultant impact on the consolidation stripe reported within Head Office and Other operations. This resulted in a change in other assets and other liabilities, specifically loans to and from group companies between these two segments, with no change at a Group level.

Business portfolio changes

- A portion of the Commercial Property Finance portfolio, previously reported in RBB SA, has been moved to CIB in line with portfolio segmentation criteria. Additionally, this resulted a reclassification from term loans to mortgages to align to the product offering of the respective segments.
- 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 Group has identified a statement of financial position misclassification between loans and advances to banks and loans and advances to customers as well as deposits from banks and deposits from customers. Refer to note 17 for further details.

The aforementioned changes resulted in the restatement of the business portfolios' financial results for comparative periods as well as the presentation of the statement of financial position. There is no impact on the overall financial position or net earnings of the Group.

Absa Group Limited (1986/003934/06)

The term Absa Group or the Group refers to Absa Group Limited and its subsidiaries.

Financial results for the reporting period ended 31 December 2021. Date of publication: 14 March 2022.

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

Dividend per share
Final: 475 cents

Key dates
Dividend payment: 25 April 2022
Financial year-end: 31 December 2021

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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.

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

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

The Board has reviewed and approved the reporting changes contained in the announcements released on Financial results on 14 March 2022.

Absa reporting suite for the annual reporting period ended 31 December 2021

2021 Absa Group annual consolidated and separate financial statements

2021 Investor presentation

Icons used with this report

Positive

Negative

Remains the same

Increase/decrease

Marginal

The full set of documents is available on **www.absa.africa**

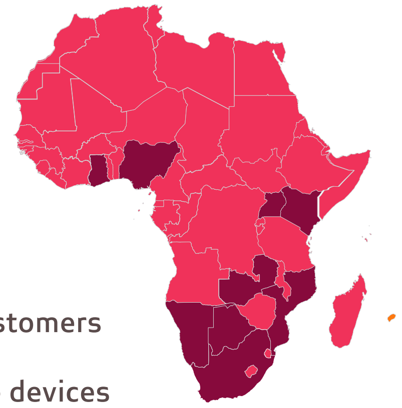
Contents

The Absa Group today

We are a Pan-African group, inspired by the people we serve and determined to be a globally respected organisation of which Africa can be proud. 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 United States; as well as securities entities in the United Kingdom and the United States, along with technology support colleagues in Czech Republic.

- **15** countries
- **1 007** outlets*
- **8 668** ATMs
- **35 267** employees
- **2.7m** digitally active customers
- **123 153** point-of-sale devices



* Outlets include branches and sales centres.

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
R18.6bn	6%	55.2%	0.77%	R38.5bn
(2020: R7.9bn)	(2020: 2%)	(2020: 56.0%)	(2020: 1.92%)	(2020: R35.8bn)

Shareholder value

Return on equity	Headline earnings per share	Total dividend per ordinary share	Net asset value per share
15.8%	2 197.0 cents	785 cents	14 868 cents
(2020: 7.2%)	(2020: 946.5 cents)	(2020: Nil)	(2020: 13 103 cents)

Gross loans and advances

Gross loans and advances[4]	Deposits[4]
R1 134bn	R1 174bn
(2020: R1 058bn)	(2020: R1 048bn)

Liquidity and capital

Liquidity coverage ratio[3]	Common equity tier 1 ratio[2]
116.8%	12.8%
(2020: 120.6%)	(2020: 11.2%)

[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 the 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 ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 80% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
[4] These numbers have been restated, refer to report overview.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended 31 December

Group headline earnings of R18.6bn

was more than double the earnings generated in prior year (FY'20: R8.0bn) and considerably stronger than pre-COVID-19 levels (FY'19: R16.3bn), supported by lower impairments and strong pre-provision profit growth (+7%, +10% ex FX). This resulted in a Return on Equity of **15.8%** which was materially higher than the prior year (FY'20: 7.2%) and above our Cost of Equity (14.5%).

Performance momentum improved

further in the second half with headline earnings of R10.0bn increasing by **53%** (+55% ex FX) on the comparative period in the prior year and was higher than the first half earnings of R8.6bn. Loan momentum has also shown stronger growth in the second half, particularly in CIB.

Impairment charges of R8.5bn

were significantly lower than prior year (FY'20: R20.6bn) which included a judgemental macroeconomic overlay adjustment of R5.4bn. The 2021 charge reflects improved credit delinquencies, improved forward-looking macroeconomic assumptions and model-related enhancements in RBB. The credit loss ratio decreased to **77 bps** (FY'20: 192 bps) which is at the bottom end of our through-the-cycle range. Group loan coverage ratio remains strong at **4.08%** (FY'20: 4.42%), and above historical levels (FY'19: 3.27%).

The Group has strengthened

its capital position with the CET 1 ratio improving to **12.8%** (FY'20: 11.2%) supported by improved profitability as well as capital precision initiatives offset by RWA growth from organic opportunities.

Revenue increased by 6%

(+8% ex FX) mainly from net interest income which grew by **9%** (+13% ex FX) mainly from a higher net interest margin which expanded to **4.46%** (FY'20: 4.17%) and strong growth in deposits and RBB secured advances.

Operating expenses increased

by only **4%** (+7% ex FX) notwithstanding materially higher variable remuneration costs whilst underlying cost growth continues to be well controlled. The cost-to-income ratio reduced to **55.2%** (FY'20: 56.0%) following 1% positive operating JAWS.

A strong liquidity position was maintained

and the Group Liquidity Coverage ratio of 117% and a Net Stable Funding Ratio[1] of 116% are well above the regulatory minimums. Customer deposit growth of **12%** (+10% ex FX) was stronger than customer advances growth (+7%, +6% ex FX).

Non-interest income was largely unchanged

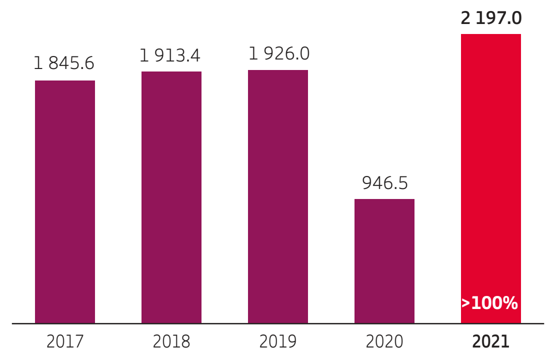
on the prior year (although increased by 2% ex FX). The low growth was adversely impacted by the Insurance business which was a c.4% drag on Group NIR growth following higher mortality claims and COVID-19 reserving. Fee income growth was moderate (+2%, +4% ex FX) and was adversely impacted by customer centric pricing changes in RBB SA. CIB Trading revenues grew strongly (+14%, +20% ex FX).

[1] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 80% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

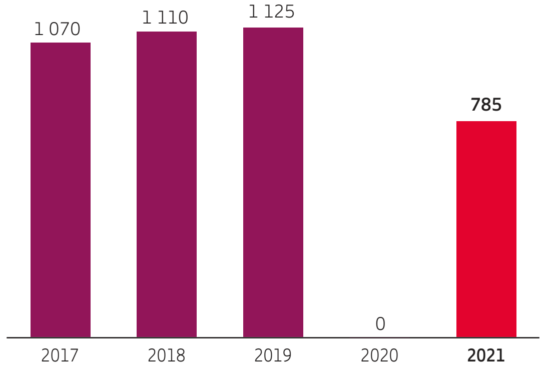
Normalised Group performance overview

for the reporting period ended 31 December

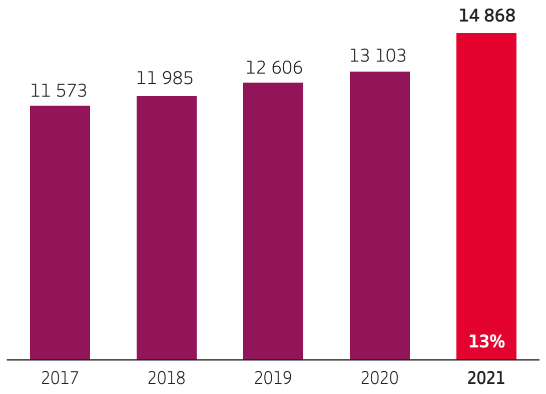
Headline earnings per ordinary share (HEPS) (cents)



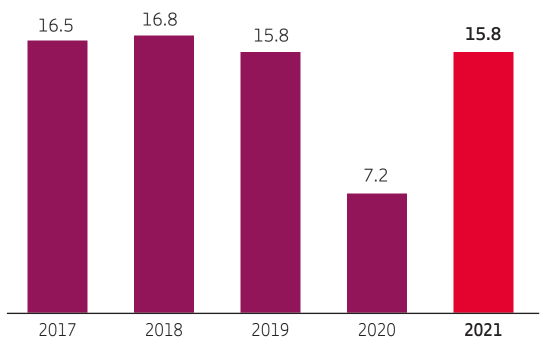
Dividend per ordinary share (DPS) (cents)



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



Return on equity (RoE) (%)



Normalised Group performance overview

for the reporting period ended 31 December

	2021		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
Impairment losses	(8 499)	—	(8 499)
Operating expenses	(48 610)	1 198	(47 412)
Other expenses	(2 205)	(42)	(2 247)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	26 724	1 123	27 847
Tax expenses	(7 299)	(305)	(7 604)
Profit for the reporting period	19 425	818	20 243
Profit attributable to:			
Ordinary equity holders	17 763	802	18 565
Non-controlling interest – ordinary shares	835	16	851
Non-controlling interest – preference shares	242	—	242
Other equity – Additional Tier 1 capital	585	—	585
	19 425	818	20 243
Headline earnings	17 825	766	18 591
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	n/a	4.46
Credit loss ratio on gross loans and advances to customers and banks	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances[1]	1 092 257	—	1 092 257
Loans and advances to customers	1 017 386	—	1 017 386
Loans and advances to banks	74 871	—	74 871
Investment securities	188 898	—	188 898
Other assets	359 678	(3 539)	356 139
Total assets	1 640 833	(3 539)	1 637 294
Deposits[1]	1 173 766	—	1 173 766
Deposits due to customers	1 075 736	—	1 075 736
Deposits due to banks	98 030	—	98 030
Debt securities in issue	131 076	—	131 076
Other liabilities	188 682	264	188 946
Total liabilities	1 493 524	264	1 493 788
Equity	147 309	(3 803)	143 506
Total equity and liabilities	1 640 833	(3 539)	1 637 294
Key performance ratios (%)			
Return on average assets (RoA)	1.13	n/a	1.18
Return on equity (RoE)	14.6	n/a	15.8
Capital adequacy[2]	17.0	n/a	17.0
Common Equity Tier 1[2]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

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

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 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
Other equity – Additional Tier 1 capital	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[1]	1 014 507	—	1 014 507
Loans and advances to customers	944 581	—	944 581
Loans and advances to banks	69 926	—	69 926
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[1]	1 048 000	—	1 048 000
Deposits due to customers	958 430	—	958 430
Deposits due to banks	89 570	—	89 570
Debt securities in issue	145 740	—	145 740
Other liabilities	205 077	(399)[2]	204 678
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[3]	15.0	n/a	15.0
Common Equity Tier[3]	11.2	n/a	11.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	730.5	n/a	946.0

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

2 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 30).

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

Normalised salient features

for the reporting period ended 31 December

	2021	2020	Change %
Statement of comprehensive income (Rm)			
Income	**85 873**	81 382	6
Operating expenses	**47 412**	45 576	4
Pre-provision profit	**38 461**	35 806	7
Credit Impairments	**8 499**	20 569	(59)
Profit attributable to ordinary equity holders	**18 565**	7 912	>100
Headline earnings	**18 591**	7 965	>100
Statement of financial position			
NAV	**125 823**	110 693	14
Gross loans and advances (Rm)[1,2]	**1 133 697**	1 058 203	7
Total assets (Rm)	**1 637 294**	1 525 964	7
Deposits (Rm)[1,2]	**1 173 766**	1 048 000	12
Loans to deposits and debt securities ratio (%)[1,2]	**86.9**	88.6	
Average loans to deposits and debt securities ratio (%)[1,2]	**84.2**	86.2	
Financial performance (%)			
Return on equity (RoE)	**15.8**	7.2	
Return on average assets (RoA)	**1.18**	0.52	
Return on risk-weighted assets (RoRWA)[3]	**2.05**	0.86	
Stage 3 loans ratio on gross loans and advances	**5.43**	6.28	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.46**	4.17	
Credit loss ratio on gross loans and advances to customers and banks	**0.77**	1.92	
Non-interest income as percentage of total income	**37.9**	40.0	
Cost-to-income ratio	**55.2**	56.0	
Jaws	**1**	3	
Effective tax rate	**27.3**	27.8	
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	
Number of ordinary shares in issue (excluding treasury shares)	**846.3**	844.8	
Weighted average number of ordinary shares in issue	**846.2**	841.5	
Diluted weighted average number of ordinary shares in issue	**847.6**	842.0	
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	**2 197.0**	946.5	132
Diluted headline earnings per ordinary share (DHEPS)	**2 193.4**	946.0	132
Basic earnings per ordinary share (EPS)	**2 193.9**	940.2	133
Diluted basic earnings per ordinary share (DEPS)	**2 190.3**	939.7	133
Dividend per ordinary share relating to income for the reporting period	**785**	—	>100
Dividend payout ratio (%)	**36**	—	100
NAV per ordinary share	**14 868**	13 103	13
Tangible NAV per ordinary share	**13 804**	12 258	13
Capital adequacy (%)			
Absa Group Limited[4]	**17.0**	15.0	
Absa Bank Limited[4]	**17.9**	15.6	
Common Equity Tier 1 (%)			
Absa Group Limited[4]	**12.8**	11.2	
Absa Bank Limited[4]	**12.4**	10.6	

[1] These numbers have been restated, refer to report overview.
[2] These numbers have been updated to include banks.
[3] 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.
[4] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Normalised salient features by segment

for the reporting period ended 31 December

	2021	2020	Change %
Headline earnings (Rm)			
RBB[1]	**10 209**	4 239	>100
CIB[1]	**7 760**	5 054	54
Head Office, Treasury and other operations[1]	**622**	(1 328)	<(100)
Return on average risk-weighted assets (%)			
RBB[1]	**2.15**	0.89	
CIB[1]	**2.41**	1.50	
Return on regulatory capital (%)			
RBB[1]	**18.5**	7.6	
CIB[1]	**21.6**	13.5	
Credit loss ratio (%)			
RBB[1]	**1.21**	2.78	
CIB[1]	**0.17**	0.75	
Gross loans and advances (Rm)			
RBB[1,2]	**669 793**	626 220	7
CIB[1,2]	**457 286**	428 035	7
Head Office, Treasury and other operations[1,2]	**6 618**	3 947	68
Deposits (Rm)			
RBB[1,2]	**570 110**	500 368	14
CIB[1,2]	**482 385**	421 898	14
Head Office, Treasury and other operations[1,2]	**121 271**	125 734	(4)

[1] These numbers have been restated, refer to the report overview.
[2] These numbers have been updated to include banks.

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.

Salient features

- Diluted headline earnings per share (DHEPS) grew 132% to 2 193.4 cents from 946.0 cents.
- Declared 785 cents dividend per ordinary share for the full year (2020: nil).
- Retail and Business Banking (RBB) headline earnings increased 141% to R10 209m and Corporate and Investment Bank (CIB) headline earnings grew 54% to R7 760m.
- Return on equity (RoE) improved to 15.8% from 7.2%.
- Revenue grew 6% to R85.9bn and operating expenses rose 4% to R47.4bn, resulting in a 55.2% cost-to-income ratio.
- Pre-provision profit increased 7% to R38.5bn.
- Credit impairments decreased 59% to R8.5bn, resulting in a 0.77% credit loss ratio from 1.92%.
- IFRS common equity tier 1 (CET 1) capital ratio increased to 12.8% and remains well above regulatory requirements and above the Board's target range of 11.0% – 12.5%.
- Net asset value (NAV) per share rose 13% to 14 868 cents.

Normalised reporting

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

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

Overview of results

The Group's headline earnings increased 133% to R18 591m from R7 965m and diluted HEPS grew 132% to 2 193.4 cents from 946.0 cents. The Group's RoE improved to 15.8% from 7.2% and its return on average assets was 1.18% from 0.52%.

Revenue grew 6% to R85 873m, with net interest income rising 9% and non-interest income flat at R32 576m. The Group's net interest margin on average interest-bearing assets increased to 4.46% from 4.17%, primarily due to non-recurrence of the significant policy rate cuts in 2020. With operating expenses increasing 4%, the cost-to-income ratio improved to 55.2% from 56.0%. Pre-provision profit grew 7% to R38.5bn, or 10% in CCY. Credit impairments fell 59% to R8.5bn, resulting in a 0.77% credit loss ratio down from 1.92%. Gross loans and advances grew 7% to R1 134bn, while deposits rose 12% to R1 174bn. A final ordinary dividend of 475 cents per ordinary share was declared, a payout ratio of 40% for the second half of 2021. The full year ordinary dividend of 785 cents, gives rise to a payout ratio of 36%.

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

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

Operating environment

Despite further waves of COVID-19 infections and periods of social-distancing restrictions, the global economy grew stronger during 2021, as countries began their recovery from 2020's sharp slowdown. Countries with the most extensive monetary and fiscal support led the rebound, as have countries with the most successful vaccination rollout. South Africa's economy, already under pressure before the onset of the pandemic, witnessed sharp economic contraction in the second quarter of 2020, followed by recovery through the second half of 2020 and into 2021. Economic recovery progressed somewhat more rapidly than expected, notwithstanding the challenges posed by load-shedding and July's social unrest. Real GDP grew 4.9% in 2021, although the fourth quarter was still 1.7% below pre-pandemic levels. With inflation increasing towards the upper end of the Reserve Bank's target in late 2021, the MPC increased policy rates by 25 basis points in November, signalling the start of a rising cycle. All our ARO presence countries have returned to positive economic growth during 2021, with those countries hit hardest by the COVID-19-related economic slowdown the previous year generally recovering faster. We expect 5.7% real GDP growth from our ARO countries in 2021.

Group performance

Statement of financial position

Total assets increased 7% to R1 637bn, reflecting 8% growth in net loans and advances and 23% higher investment securities, as surplus liquidity was deployed in treasury bills.

Loans and advances

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

Funding

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

Profit commentary

Group performance (continued)

Statement of financial position (continued)

Funding (continued)

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

Net asset value

The Group's NAV increased 14% to R126bn and NAV per share grew 13% to 14 868 cents. During 2021, it generated retained earnings of R16.3bn and declared ordinary dividends for the period totalling 785 cents.

Capital to risk-weighted assets

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

Statement of comprehensive income

Net interest income

Net interest income increased 9% to R53 297m from R48 790m, or 13% in CCY, while average interest-bearing assets grew 2%. The Group's net interest margin improved to 4.46% from 4.17%, mainly due to a stable rate environment in South Africa, compared to the 300 bps reduction during 2020.

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

Non-interest income

Non-interest income was flat at R32 576m from R32 592m (up 2% in CCY) and accounts for 37.9% of total revenue, down from 40.0%. Net fee and commission income grew 2% to R22 074m, representing 68% of total non-interest income. Within this, transactional fees and commissions increased 1%, with cheque account fees down 8% while electronic banking fees grew 9% and credit card fees rose 8%. Merchant income rose 10%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 17% to R7 066m, as Global Markets income increased by 14% to R7 098m up from R6 204m, with Markets South Africa up 24% and Markets ARO up 2% (or 14% in CCY).

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

Impairment losses (credit impairments)

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

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

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

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Impairment losses (credit impairments) (continued)

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

Operating expenses

Operating expenses grew 4%, or 7% in CCY, to R47 412m from R45 576m, improving the Group's cost-to-income ratio to 55.2% from 56.0%. Staff costs rose 4%, or 7% in CCY, to R26 147m and account for 55% of total operating expenses. Salaries, the largest component of staff costs, declined 1% largely due to a reduced headcount. Other staff costs fell 32% reflecting lower restructuring costs. Bonuses grew 119%, in line with improved results. Deferred cash and share-based payments increased by 32%.

Non-staff costs grew 4%, or 7% in CCY, with IT costs 19% higher reflecting continued investment in digital platforms. Total IT spend, including staff, amortisation and depreciation, grew 13% to R11 486m, amounting to 24% of Group expenses. Investment in digital, data and automation processes and analytics saw amortisation of intangible assets increase by 12%. Cash transportation costs fell 4%, given lower merchant cash volumes and the migration to digital banking. Professional fees rose 2%, mainly from increased change and technology services spend. Telephone and postage costs grew 4%, given higher communication costs to support remote working. Depreciation decreased 9% mainly due to lower depreciation on physical IT infrastructure. Property costs were flat, reflecting continued property optimisation. Marketing costs increased 16%, due to higher campaign spend, mostly in RBB. Other operating costs increased 21% reflecting higher fraud charges partially offset by lower travel and entertainment costs.

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

Taxation

The Group's taxation expense grew 111% to R7 604m from R3 606m, resulting in an effective tax rate of 27.3% from 27.8%.

Segment performance

RBB

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

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

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

CIB

Headline earnings rose 54% to R7 760m, as credit impairments decreased 78% and pre-provision profits grew 10%, or 16% in CCY. Revenue increased 10%, 15% in CCY, to R23 105m. Net interest income grew 3%, or 7% in CCY, while non-interest income rose 22%, or 28% in CCY. Costs increased 10% to R11 138m, 13% in CCY, resulting in a cost-to-income ratio of 48.2% from 48.1%. CIB's credit loss ratio improved to 0.17% from 0.75%. It contributed 43% of group headline earnings excluding Head Office, Treasury and other operations, and generated a 21.6% RoRC from 13.5%. Investment Bank headline earnings grew 48% to R5 473m, given 61% lower credit impairments and 15% higher pre-provision profits largely due to 31% higher non-interest income. Investment Bank earnings in SA rose 62% to R3 893m, while ARO grew 22% to R1 580m. Global Markets revenue increased 14% or 20% in CCY. Investment Bank accounted for 71% of CIB's earnings and its RoRC improved to 21.1% from 13.5%.

Profit commentary

Segment performance (continued)

CIB (continued)

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

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

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

Prospects

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

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

We forecast 5.3% GDP-weighted economic growth for our ARO presence countries. Policy rates are likely to rise in many of them, albeit gradually.

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

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

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

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

Basis of presentation

Basis of presentation

The Group's unaudited annual 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 Limited Listings Requirements and the requirements of the Companies Act.

The Group's unaudited regulatory capital and risk exposures have been prepared in accordance with the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements (Pillar 3 Standard) and Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of COVID-19 continue to have an impact on estimation uncertainty during the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement 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, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

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

Accounting policies

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

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

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

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

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

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

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

The changes to the definition of default are as follows:

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

Accounting policies (continued)

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

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

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

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

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

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

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

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

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Basis of presentation

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

	31 December 2020										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
RBB South Africa	—	488 486	5 538	1.13	65 144	7 651	11.74	57 131	25 816	45.19	571 756
Home Loans	—	210 738	666	0.32	20 581	552	2.68	23 812	6 233	26.18	247 680
Vehicle and Asset Finance	—	76 556	935	1.22	10 605	1 237	11.66	7 716	3 575	46.33	89 130
Everyday Banking	—	48 845	2 161	4.42	10 635	3 435	32.30	14 251	10 114	70.97	58 021
Card	—	31 726	1 389	4.38	6 174	2 302	37.29	7 975	5 780	72.48	36 404
Personal Loans	—	14 895	642	4.31	3 300	797	24.15	5 590	3 936	70.41	18 410
Transactions and Deposits	—	2 224	130	5.85	1 161	336	28.94	686	398	58.02	3 207
Relationship Banking[1]	—	101 918	800	0.78	17 786	1 228	6.90	7 345	3 418	46.54	121 603
RBB ARO	—	50 429	976	1.94	5 537	1 199	21.65	3 954	2 424	61.31	55 321
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1

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

	31 December 2020										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
RBB South Africa	—	492 050	6 167	1.25	67 432	7 248	10.75	51 279	24 445	47.67	572 901
Home Loans	—	211 547	712	0.33	23 830	701	2.94	19 754	5 354	27.10	248 364
Vehicle and Asset Finance	—	78 449	1 213	1.55	9 887	1 216	12.30	6 541	3 123	47.74	89 325
Everyday Banking	—	49 707	2 466	4.96	10 392	2 904	27.94	13 632	10 074	73.90	58 287
Card	—	32 324	1 445	4.47	6 102	1 886	30.91	7 449	5 445	73.10	37 099
Personal Loans	—	14 896	679	4.56	3 357	790	23.53	5 532	4 268	77.15	18 048
Transactions and Deposits	—	2 487	342	13.75	933	228	24.44	651	361	55.45	3 140
Relationship Banking[1]	—	101 918	800	0.78	17 786	1 228	6.90	7 345	3 418	46.54	121 603
RBB ARO	—	50 429	976	1.94	5 537	1 199	21.65	3 954	2 424	61.31	55 321
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1

[1] These amounts have been restates, refer to the reporting changes overview.

Basis of presentation

Events after the reporting period

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

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

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

On behalf of the Board

W E Lucas-Bull
Group Chairman

P Modise
Interim Financial Director

Johannesburg
14 March 2022

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Dividend announcement

Declaration of ordinary dividend number 69

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

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 475 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 380 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, 19 April 2022
Shares commence trading ex-dividend	Wednesday, 20 April 2022
Record date	Friday, 22 April 2022
Payment date	Monday, 25 April 2022

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

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
14 March 2022

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

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

Impact of COVID-19

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

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

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

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

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

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

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

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

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

(1) These numbers have been restated, refer to the report overview.

Impact of COVID-19

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

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

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

Macroeconomic scenarios

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

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

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

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

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

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

Impact of COVID-19

Baseline scenarios as at 31 December 2021

South Africa

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

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

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

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

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

ARO

The economic impact of the global pandemic has varied widely across our ARO presence countries. The economies of East Africa have generally been impacted less, as restrictions to economic activity were largely more modest, and their economies are more diversified. Broadly, those economies with less diversification, particularly those where tourism and/or commodity exports are a focus, were hardest hit in 2020 and in the first quarter of 2021. Against an estimated economic contraction of 0.4% in 2020 on a GDP-weighted basis, the baseline macroeconomic forecast for ARO for 2021 was for expected growth of 4.0% during the year and 5.3% in 2022.

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

Payment relief measures

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

Impact of COVID-19

Payment relief measures (continued)

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

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

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

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

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

Impact of COVID-19

Government Guaranteed Loan Scheme

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

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.

	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	13 966	—
Baseline	13 752	(2)
Upside	13 722	(2)
Downside	14 444	3

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

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

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

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

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

Impact of COVID-19

Single name impairments

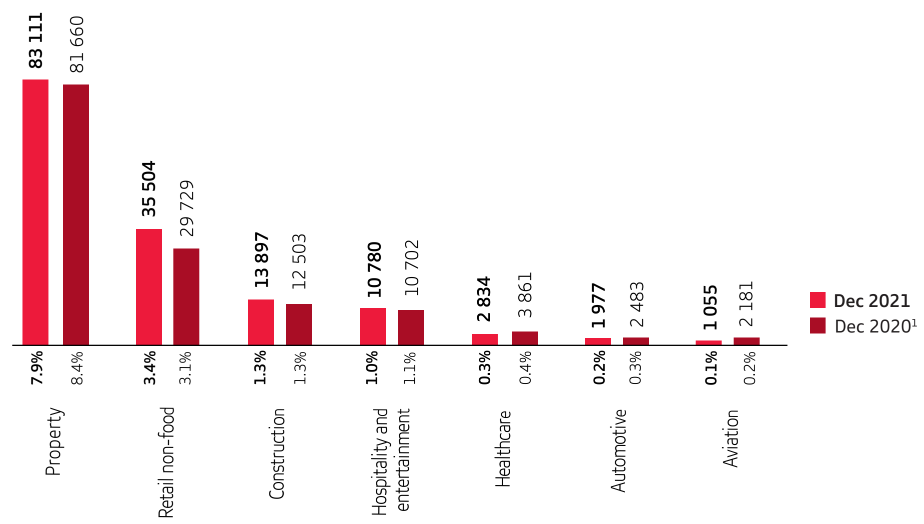
Impairment losses have been adversely impacted by increased level of risk for single name wholesale exposures that are currently categorised as stage 3. The Group continuously monitors these exposures through the Group Distressed Assets Committee to ensure any potential risk is appropriately identified,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

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

Wholesale lending in key COVID-19 impacted industries

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

Concentration risk exposures (Rm and % of total loans)



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

Impact of COVID-19

Insurance risk

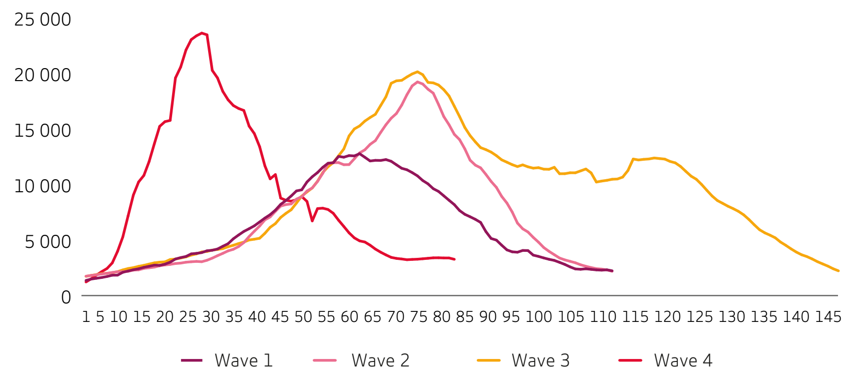
A significant amount of uncertainty remains with the COVID-19 pandemic with regards to the duration and impact of further waves, its long-term effects on mortality and morbidity, the emergence of new variants and the pace and effectiveness of the vaccine rollout programme. In response, a measured approach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

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

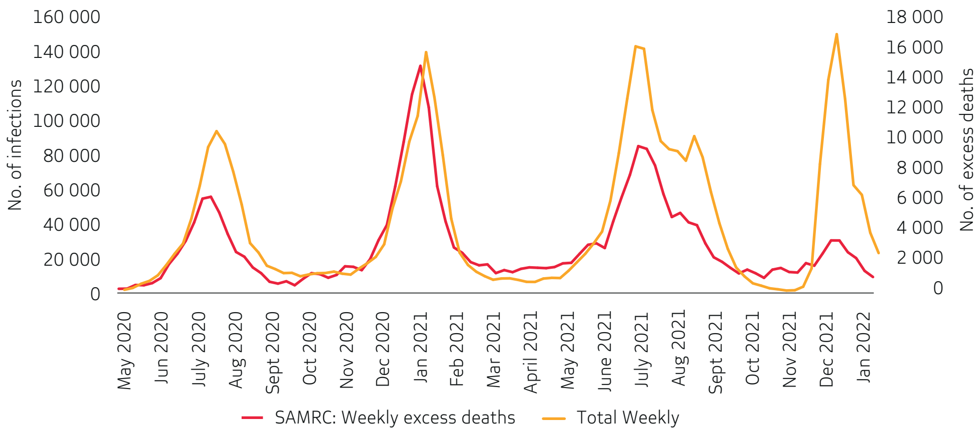
The fourth wave of COVID-19 infections in South Africa started towards the end of the last quarter of 2021 driven by the emergence of the Omicron variant with a progression in daily average infections that was significantly faster than the previous three waves at similar durations. Despite the accelerated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

National progression

SA daily cases (rolling 7-day average)



Infections vs excess deaths



Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Impact of COVID-19

Insurance risk (continued)

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

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

Other estimates and judgements

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

Hedge accounting

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

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm	Change %
Net interest income	2	53 297	48 790	9
Interest and similar income		89 495	93 045	(4)
Effective interest income		87 844	91 257	(4)
Other interest income		1 651	1 788	(8)
Interest expense and similar charges		(36 198)	(44 255)	(18)
Non-interest income	3	32 576	32 592	(0)
Net fee and commission income		22 074	21 598	2
Fee and commission income	3.1	25 550	25 120	2
Fee and commission expense	3.1	(3 476)	(3 522)	(1)
Net insurance premium income	3.2	8 778	8 286	6
Net claims and benefits incurred on insurance contracts	3.3	(5 514)	(4 205)	31
Changes in investment and insurance contract liabilities	3.4	(2 799)	(2 262)	24
Gains from banking and trading activities	3.5	6 590	6 216	6
Gains and losses from investment activities	3.6	2 704	2 199	23
Other operating income	3.7	743	760	(2)
Total income		85 873	81 382	6
Impairment losses	4	(8 499)	(20 569)	(59)
Operating income before operating expenses		77 374	60 813	27
Operating expenses	5	(47 412)	(45 576)	4
Other expenses		(2 247)	(2 238)	(0)
Other impairments		(384)	(345)	11
Indirect taxation	6	(1 863)	(1 893)	(2)
Share of post-tax results of associates and joint ventures		132	(36)	<(100)
Operating profit before income tax		27 847	12 963	>100
Taxation expense	7	(7 604)	(3 606)	>100
Profit for the reporting period		20 243	9 357	>100
Profit attributable to:				
Ordinary equity holders		18 565	7 912	>100
Non-controlling interest – ordinary shares		851	549	55
Non-controlling interest – preference shares		242	307	(21)
Other equity – Additional Tier 1 capital[1]		585	589	(1)
		20 243	9 357	>100
Earnings per share:				
Basic earnings per share (cents)	1	2 194.0	940.2	133
Diluted earnings per share (cents)	1	2 190.4	939.7	133

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

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	2021 Rm	2020 Rm	Change %
Profit for the reporting period	20 243	9 357	>100
Other comprehensive income			
Items that will not be reclassified to profit or loss	83	(578)	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	(133)	(5)	<(100)
Fair value (losses)	(172)	(7)	>100
Deferred tax	39	2	>100
Movement on liabilities designated at FVTPL due to changes in own credit risk	(26)	(82)	68
Fair value movements	(36)	(116)	(68)
Deferred tax	10	34	(71)
Movement in retirement benefit fund assets and liabilities	242	(491)	<(100)
Increase/(decrease) in retirement benefit surplus	108	(100)	<(100)
Decrease/(increase) in retirement benefit deficit	169	(433)	<(100)
Deferred tax	(35)	42	<(100)
Items that are or may be subsequently reclassified to profit or loss	(1 163)	2 533	<(100)
Movement in foreign currency translation reserve	2 549	(903)	<(100)
Differences in translation of foreign operations	2 645	(785)	<(100)
Release to profit or loss	(96)	(118)	(19)
Movement in cash flow hedging reserve	(4 051)	3 997	<(100)
Fair value (losses)/gains	(1 463)	9 034	<(100)
Amounts transferred within other comprehensive income	—	5	(100)
Amount removed from other comprehensive income and recognised in profit or loss	(4 163)	(3 488)	19
Deferred tax	1 575	(1 554)	<(100)
Movement in fair value of debt instruments measured at FVOCI	339	(541)	<(100)
Fair value gains/(losses)	691	(772)	<(100)
Release to profit or loss	(120)	(32)	>100
Deferred tax	(232)	263	<(100)
Total comprehensive income for the reporting period	19 163	11 332	69
Total comprehensive income attributable to:			
Ordinary equity holders	17 314	9 816	76
Non-controlling interest – ordinary shares	1 022	620	65
Non-controlling interest – preference shares	242	307	(21)
Other equity – Additional Tier 1 capital[1]	585	589	(1)
	19 163	11 332	69

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

Consolidated normalised statement of financial position

as at 31 December

	Note	2021 Rm	2020 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**66 041**	60 682	9
Investment securities		**188 898**	153 504	23
Trading portfolio assets		**203 079**	213 521	(5)
Hedging portfolio assets		**5 159**	11 000	(53)
Other assets		**23 982**	20 071	19
Current tax assets		**529**	531	(0)
Non-current assets held for sale		**4 259**	144	>100
Loans and advances[1]	8	**1 092 257**	1 014 507	8
Reinsurance assets		**732**	680	8
Investments linked to investment contracts		**19 803**	21 273	7
Investments in associates and joint ventures		**1 593**	1 601	(0)
Investment properties		**421**	496	(15)
Property and equipment		**15 509**	16 476	(6)
Goodwill and intangible assets		**9 008**	7 140	26
Deferred tax assets		**6 024**	4 338	39
Total assets		**1 637 294**	1 525 964	7
Liabilities				
Trading portfolio liabilities		**72 819**	108 976	(33)
Hedging portfolio liabilities		**3 659**	4 868	(25)
Other liabilities		**48 069**	33 570	43
Provisions		**5 394**	3 839	41
Current tax liabilities		**1 005**	268	>100
Non-current liabilities held for sale		**3 465**	—	100
Deposits[1]		**1 173 766**	1 048 000	12
Debt securities in issue	10	**131 076**	145 740	(10)
Loans from Barclays separation segment		**693**	78	>100
Liabilities under investment contracts		**21 126**	27 533	(23)
Policyholder liabilities under insurance contracts		**5 731**	4 198	37
Borrowed funds	11	**26 600**	20 761	28
Deferred tax liabilities		**386**	587	(34)
Total liabilities		**1 493 788**	1 398 418	7
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 692**	1 689	0
Share premium	11	**4 089**	4 006	2
Retained earnings		**113 327**	97 010	17
Other reserves		**6 715**	7 988	(16)
		125 823	110 693	14
Non-controlling interest – ordinary shares		**6 035**	5 205	16
Non-controlling interest – preference shares		**4 644**	4 644	—
Other equity – Additional Tier 1 capital[2]		**7 004**	7 004	—
Total equity		**143 506**	127 546	13
Total liabilities and equity		**1 637 294**	1 525 964	7

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

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

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Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

2021

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other 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[2] Rm	Total equity Rm
Balance at the beginning of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181	(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546
Total comprehensive income	—	—	—	18 664	(1 350)	—	380	(4 051)	2 321	—	—	—	17 314	1 022	242	585	19 163
Profit for the period	—	—	—	18 565	—	—	—	—	—	—	—	—	18 565	851	242	585	20 243
Other comprehensive income	—	—	—	99	(1 350)	—	380	(4 051)	2 321	—	—	—	(1 251)	171	—	—	(1 080)
Dividends paid during the reporting period	—	—	—	(2 573)	—	—	—	—	—	—	—	—	(2 573)	(192)	(242)	—	(3 007)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(585)	(585)
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	4	—	—	—	—	—	—	—	—	(276)	—	—	—	(276)
Elimination of the movement in Treasury shares held by Group entities	1 497	3	83	—	—	—	—	—	—	—	—	—	86	—	—	—	86
Movement in share-based payment reserve	—	—	280	—	299	—	—	—	—	—	299	—	579	—	—	—	579
Transfer from share-based payment reserve	—	—	280	—	(280)	—	—	—	—	—	(280)	—	—	—	—	—	—
Value of employee services	—	—	—	—	509	—	—	—	—	—	509	—	509	—	—	—	509
Deferred tax	—	—	—	—	70	—	—	—	—	—	70	—	70	—	—	—	70
Movement in general credit risk reserve	—	—	—	356	(356)	(356)	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—	—	—	—	17	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—	—	—	—	—	—	132	—	—	—	—	—
Disposal of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—	—	—	—	—	—	(15)	—	—	—	—	—
Balance at the end of the reporting period	846 266	1 692	4 089	113 327	6 715	825	(845)	1 262	3 145	57	672	1 599	125 823	6 035	4 644	7 004	143 506

[1] On 30 September 2021, the board of directors disposed of Integrated Processing Solutions.
[2] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity' instruments. This had no impact on the profit and loss, or net equity position of the Group.

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Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

2020	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other 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[3] Rm	Total equity Rm
Balance at the end of the reporting period	843 530	1 687	3 875	95 021	5 745	912	(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840
Total comprehensive income	—	—	—	7 327	2 489	—	(597)	3 997	(911)	—	—	—	9 816	620	307	589	11 332
Profit for the period	—	—	—	7 912	—	—	—	—	—	—	—	—	7 912	549	307	589	9 357
Other comprehensive income	—	—	—	(585)	2 489	—	(597)	3 997	(911)	—	—	—	1 904	71	—	—	1 975
Dividends paid during the reporting period	—	—	—	(5 115)	—	—	—	—	—	—	—	—	(5 115)	(450)	(307)	—	(5 872)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(589)	(589)
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1 209	1 209
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(965)	(88)	—	—	—	—	—	—	—	—	(877)	—	—	—	(877)
Elimination of the movement in Treasury shares held by Group entities	1 239	2	131	—	—	—	—	—	—	—	—	—	133	—	—	—	133
Movement in share-based payment reserve	—	—	965	—	(506)	—	—	—	—	—	(506)	—	459	—	—	—	459
Transfer from share-based payment reserve	—	—	965	—	(965)	—	—	—	—	—	(965)	—	—	—	—	—	—
Value of employee services	—	—	—	—	445	—	—	—	—	—	445	—	445	—	—	—	445
Deferred tax	—	—	—	—	14	—	—	—	—	—	14	—	14	—	—	—	14
Movement in general credit risk reserve	—	—	—	(269)	269	269	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(27)	27	—	—	—	—	27	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	36	(36)	—	—	—	—	—	—	(36)	—	—	—	—	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—	—	—	—	—	—	—	—	(14)	—	—	(14)
Acquisition of non-controlling interest[2]	—	—	—	(51)	—	—	—	—	—	—	—	—	(51)	(24)	—	—	(75)
Balance at the end of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181	(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546

[1] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania Limited, which was housed in Head office, Treasury and other operations.
[2] On 15 December 2020, the Group acquired the minority interest in Instant Life Proprietary Limited, increasing its shareholding to 100%.
[3] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity' instruments. This had no impact on the profit and loss, or net equity position of the Group

Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm	Change %
Net cash generated from operating activities		7 650	6 916	17
Net cash utilised in investing activities		(4 691)	(740)	>100
Net cash utilised in financing activities		(518)	(8 186)	(94)
Net cash increase/(decrease) in cash and cash equivalent		2 441	(2 010)	>(100)
Cash and cash equivalents at the beginning of the reporting period	1	16 796	18 288	(8)
Effect of foreign exchange rate movement on cash and cash equivalents		1 081	518	>100
Cash and cash equivalents at the end of the reporting period	2	20 318	16 796	21

Notes to the condensed consolidated normalised statement of cash flows

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

	2021 Rm	2020 Rm	Change %
Cash, cash balances and balances with central banks[1]	14 403	14 033	3
Loans and advances to banks[2]	2 393	4 255	(44)
	16 796	18 288	(8)

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

	2021 Rm	2020 Rm	Change %
Cash, cash balances and balances with the central banks[1]	14 577	14 403	1
Loans and advances to banks[2]	5 741	2 393	>100
	20 318	16 796	21

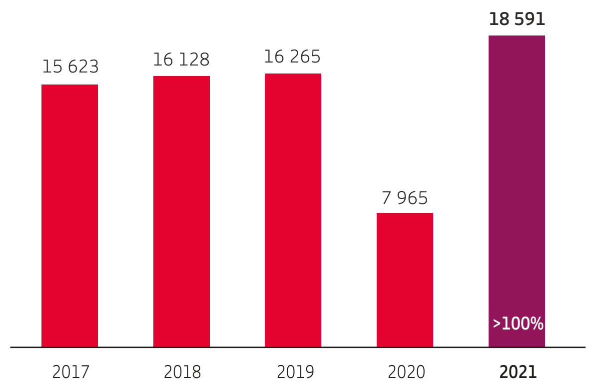
[1] Includes coins and bank note.
[2] Includes call advances which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	2021 Gross Rm	2021 Net Rm	2020 Gross Rm	2020 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		18 565		7 912	135
Total headline earnings adjustment		26		53	(51)
IFRS 3 – Goodwill impairment	29	29	2	2	1 350
IFRS 3 – Gain on bargain purchase	—	—	(86)	(86)	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	(20)	(16)	(1)	1	(1 700)
IFRS 5 – Re-measurement of non-current assets held for sale	1	1	33	29	(97)
IAS 16 – Profit on disposal of property and equipment	(106)	(81)	(65)	(48)	10
IAS 16 and IAS 36 – Insurance recovery of property and equipment	(121)	(87)	—	—	100
IAS 21 – Recycled foreign currency translation reserve	(96)	(74)	(118)	(92)	(20)
IAS 28 – Impairment of investments in associates and joint ventures	(11)	(11)	11	11	(200)
IAS 28 – Profit on disposal of associates and joint ventures	(1)	(1)	—	—	100
IAS 36 – Impairment of property and equipment	214	154	218	158	1
IAS 36 – Impairment of intangible assets	111	87	81	74	18
IAS 38 – Profit on disposal of intangible assets	1	1	—	—	100
IAS 40 – Change in fair value of investment properties	31	24	5	4	500
		18 591		7 965	133

Notable adjustments to headline earnings

- 'Profit on disposal of property and equipment' relates mainly to disposal of equipment and branch assets.
- 'Profit on disposal of non-current assets held for sale' related to mainly to disposal of property.
- 'Recycled foreign currency translation reserve' relates to a preference share redemption in the current period.
- 'Impairment of property and equipment' arose mainly due to branch exists and retired branch assets.
- 'Impairment of intangible assets' relates to intangible assets that are no longer in use.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

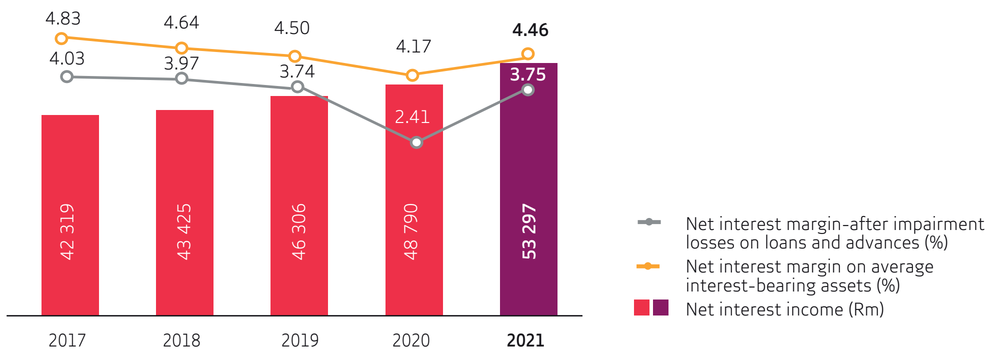
	2021 Rm	2020 Rm	Change value %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	18 565	7 912	135
Weighted average number of ordinary shares in issue (million)	846.2	841.5	4.7
Issued shares at the beginning of the reporting period (million)	847.8	847.8	—
Treasury shares held by Group entities (million)	(1.6)	(6.3)	4.7
Basic earnings per ordinary share (cents)	2 193.9	940.2	133
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	18 565	7 912	135
Diluted weighted average number of ordinary shares in issue (million)	847.6	842.0	5.6
Weighted average number of ordinary shares in issue (million)	846.2	841.5	4.7
Adjustments for share options issued at no value (million)	1.4	0.5	0.9
Diluted basic earnings per ordinary share (cents)	2 190.3	939.7	133
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	18 591	7 965	133
Weighted average number of ordinary shares in issue (million)	846.2	841.5	4.7
Headline earnings per ordinary share (cents)	2 197.0	946.5	132
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	18 591	7 965	133
Diluted weighted average number of ordinary shares in issue (million)	847.6	842.0	5.6
Diluted headline earnings per ordinary share (cents)	2 193.4	946.0	132

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income

Net interest income and net interest margin



	2021			2020		
	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	2 622	0.91	24	3 284	0.69	23
Investment securities	154 604	7.16	11 064	132 599	7.81	10 350
Loans and advances	1 038 348	7.55	78 407	1 034 879	7.99	82 673
Interest-bearing assets	1 195 574	7.49	89 495	1 170 762	7.95	93 045
Non-interest-bearing assets	381 681	—	—	350 284	—	—
Total assets	1 577 255	—	89 495	1 521 046	—	93 045
Liabilities						
Deposits	897 581	(3.08)	(27 645)	831 618	(3.72)	(30 941)
Debt securities in issue	109 718	(5.82)	(6 390)	143 770	(7.76)	(11 162)
Borrowed funds	22 856	(9.47)	(2 164)	21 676	(9.93)	(2 153)
Interest-bearing liabilities	1 030 155	(3.51)	(36 198)	997 065	(4.44)	(44 255)
Non-interest-bearing labilities	415 793	—	—	401 212	—	—
Total liabilities	1 445 948	—	(36 198)	1 398 277	—	(44 255)
Total equity	131 307	—	—	122 769	—	—
Total equity and liabilities	1 577 255	—	(36 198)	1 521 046	—	(44 255)
Net interest margin on average interest-bearing assets		4.46			4.17	

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income (continued)

	2021 bps	2020[1] bps
Net interest margin at the end of the previous reporting period	**417**	450
Loans and advances to customers (i)	**3**	(4)
Change in rates (pricing)	**6**	(13)
Change in composition	**(3)**	9
Deposits due to customers (ii)	**(3)**	(10)
Change in rates (pricing)	**(9)**	4
Change in composition	**16**	—
Endowment (iii)	**(10)**	(14)
Equity endowment (iii)	**(2)**	(10)
SA	**(2)**	(12)
Africa Regional Operations	**—**	2
Interest rate risk management (hedging strategy) (iii)	**8**	16
Other (iv)	**23**	(25)
Change in net interest margin	**29**	(33)
Net interest margin at the end of the current reporting period	**446**	417

Performance

The Group's net interest margin of **446 bps** (2020: 417 bps) is 29 bps higher than the previous reporting period (2020: decreased by 33 bps) mainly reflecting a relatively stable rate environment across most of the markets we operate in compared to the reductions noted in the previous reporting period. Strong customer deposit growth supported our reduced reliance on wholesale funding which had a positive impact on margin. The lower rates environment across markets we operate in continued to have an adverse impact on Group margin year-on-year 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 CIB SA supported Group margin.
- 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 of low growth in CIB loans and advances.

(ii) Deposits due to customers

- Deposit margins declined in RBB SA and in the Absa Regional Operations markets due to competitive pricing and in Corporate SA where the ability to pass on the impact of lower rates is constrained.
- Decreased reliance on wholesale funding had a positive composition effect, partially offset by growth in low-margin deposits in Corporate SA and RBB 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

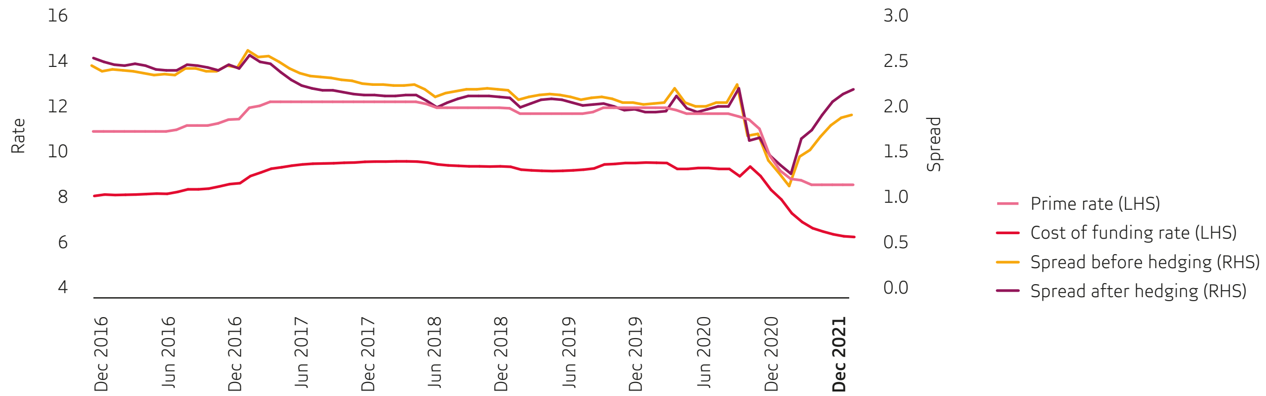
for the reporting period ended 31 December

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 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 31 December 2021 an aggregate of 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 **R0.8bn** (31 December 2020: R4.3bn). The year-on-year benefit realised on the structural hedge programme is 8 bps higher, releasing **R3 158m** (31 December 2020: R2 553m) to the statement of comprehensive income.
- The impact of total endowment after hedging in South Africa year-on-year was (-4 bps). This was a result of a lower rate earned on the hedging programme (-6 bps), partially offset by the faster growth of endowment balances relative to the Group's interest bearing assets (+2 bps).
- The impact of endowment on equity in ARO on the Group's net interest margin was flat (31 December 2020: 2 bps). 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. The impact of lower rates was only marginally adverse.

(iv) Other

Other items have had a cumulative **23 bps** positive impact mainly representing:

- The non-recurrence of interest rate related losses following a stable prime rate in South Africa in the current reporting period (+13 bps).
- Higher yields earned on the Liquid Asset Portfolio had a positive impact on margin (price impact) (+4 bps).
- Once-off benefit on a true-up on the capitalisation of funding costs on the intangible asset portfolio (+4 bps).

[1] Absa Bank Limited hedging strategy:
- The hedging programme provides greater 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) reporting liabilities after hedging.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.1 Net fee and commission income

	2021 Rm	2020 Rm	Change %
Consulting and administration fees	483	575	(16)
Transactional fees and commissions	19 447	19 301	1
Cheque accounts	4 715	5 112	(8)
Credit cards (includes card issuing fees)[3]	2 518	2 340	8
Electronic banking	5 808	5 333	9
Other (includes fees on mortgage loans and foreign currency	4 884	4 864	0
Savings accounts	1 522	1 652	(8)
Insurance commission received	973	766	27
Investment, markets execution and investment banking fees	394	390	1
Merchant income	2 439	2 209	10
Other fee and commission income	556	488	14
Trust and other fiduciary services fees	1 257	1 391	(10)
Portfolio and other management fees	952	1 092	(13)
Trust and estate income	305	299	2
Fee and commission income	25 549	25 120	2
Fee and commission expense	(3 475)	(3 522)	(1)
Brokerage fees	(95)	(100)	(5)
Cheque processing fees	(16)	(99)	(84)
Clearing and settlement charges	(1 000)	(999)	(0)
Insurance commission paid	(1 128)	(1 091)	3
Notification fees	(235)	(250)	(6)
Other	(881)	(897)	(2)
Valuation fees	(120)	(86)	40
	22 074	21 598	2
Segment split[1]			
RBB	18 229	17 956	2
CIB	3 214	2 879	12
Head Office, Treasury and other operations	631	763	(17)
	22 074	21 598	2

3.2 Net insurance premium income

	2021 Rm	2020 Rm	Change %
Gross insurance premiums	9 932	9 441	5
Premiums ceded to reinsurers	(1 154)	(1 155)	0
	8 778	8 286	6
Segment split			
RBB[2]	8 778	8 342	5
Head Office, Treasury and other operations	—	(56)	(100)
	8 778	8 286	6

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	2021 Rm	2020 Rm	Change %
Gross claims and benefits incurred on insurance contracts	(6 539)	(4 753)	38
Reinsurance recoveries	1 025	548	87
	(5 514)	(4 205)	31
Segment split			
RBB[1]	(5 465)	(4 154)	32
Head Office, Treasury and other operations	(49)	(51)	(4)
	(5 514)	(4 205)	31

3.4 Changes in investment and insurance contract liabilities

	2021 Rm	2020 Rm	Change %
Change in insurance contract liabilities	(788)	(104)	>100
Change in investment contract liabilities[2]	(2 011)	(2 158)	(7)
	(2 799)	(2 262)	24
Segment split			
RBB[1]	(2 804)	(2 267)	24
Head Office, Treasury and other operations	5	5	—
	(2 799)	(2 262)	24

[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 31 December

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	2021 Rm	2020 Rm	Change %
Net gains/(losses) on investments	55	(77)	>100
Debt instruments designated at fair value through profit or loss	(2)	179	<(100)
Equity instruments at fair value through profit or loss	(63)	(288)	(78)
Unwind from reserves for debt instruments at FVOCI	120	32	>100
Net trading result	6 561	6 593	(0)
Net trading income excluding the impact of hedge accounting	7 066	6 016	17
Ineffective portion of hedges	(505)	577	<(100)
Cash flow hedges	(539)	566	<(100)
Fair value hedges	34	11	>100
Other losses	(26)	(300)	(91)
	6 590	6 216	6
Segment split[1]			
RBB	1 175	1 240	(5)
CIB	6 035	4 613	31
Head Office, Treasury and other operations[2]	(620)	362	<(100)
	6 590	6 216	6

3.6 Gains and losses from investment activities

	2021 Rm	2020 Rm	Change %
Net gains on investments from insurance activities	2 681	2 216	21
Policyholder insurance contracts	472	231	>100
Policyholder investment contracts[3]	1 997	1 701	17
Shareholders' funds	212	284	(25)
Other gains	23	(17)	<(100)
	2 704	2 199	23
Segment split			
RBB	2 738	2 712	1
Head Office, Treasury and other operations[2]	(34)	(513)	(93)
	2 704	2 199	23

[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'.

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3. Non-interest income (continued)

3.7 Other operating income

	2021 Rm	2020 Rm	Change %
Property-related income	110	107	3
Income from investment properties	(28)	—	100
Change in fair value	(31)	(5)	>100
Rentals	3	5	(40)
Property-related income arising from contracts with customers	138	107	29
Profit on disposal of property and equipment	106	65	63
Profit on sale of developed properties	7	7	—
Profit on sale of repossessed properties	4	4	—
Rental income	21	31	—
Insurance proceeds received related to property and equipment[1]	96	—	—
	537	653	
Foreign exchange differences, including recycle from other comprehensive income	162	164	(1)
Income from maintenance contracts	37	36	3
Loss on disposal of intangible assets	(1)	—	100
Sundry income[2]	339	453	(25)
	743	760	(2)
Segment split[3]			
Property-related income	206	107	93
RBB	203	62	>100
CIB	25	8	>100
Head Office, Treasury and other operations	(22)	37	<(100)
Other operating income	537	653	(18)
RBB	385	401	(4)
CIB	23	103	(78)
Head Office, Treasury and other operations	129	149	(13)
	743	760	(2)

[1] Insurance proceeds received related to property and equipment amounted to **R121m** of which **R96m** is reflected in other operating income and **R25m** was recovered against the impairment.
[2] Sundry income includes profit on disposal of non-core assets and non-interest income.
[3] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

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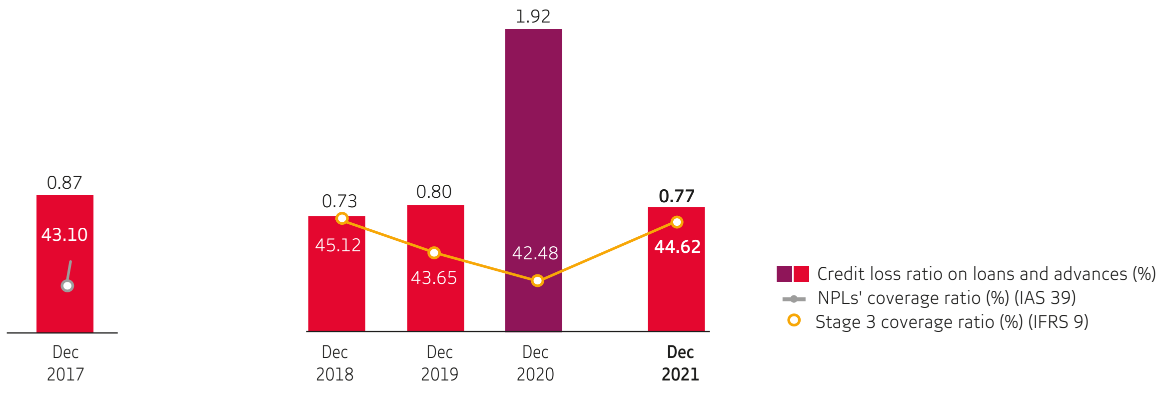
4. Impairment losses

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

Credit loss and Stage 3 coverage ratio/NPLs coverage ratios (%)



Charge to the statement of comprehensive income by market segment	2021 Rm	2020[1] Rm	Change %
RBB			
Home Loans[2]	(134)	2 189	<(100)
Vehicle and Asset Finance	1 426	3 062	(53)
Everyday Banking	4 348	7 337	(41)
Card	2 356	3 883	(39)
Personal loans	1 643	2 893	(43)
Transactions and deposits	349	561	(38)
Relationship Banking	867	2 032	(57)
RBB ARO	1 290	2 507	(49)
Retail and Business Banking Other (RBB Other)	—	1	(100)
Total charge	7 797	17 128	(54)
Credit loss ratio (%)	1.21	2.78	
CIB			
CIB South Africa	660	1 951	(66)
CIB ARO	76	1 340	(94)
Total charge	736	3 291	(78)
Credit loss ratio (%)	0.17	0.75	
Head Office, Treasury and other operations			
Total charge	(34)	150	<(100)
Total charge to the statement of comprehensive income[3]	8 499	20 569	(59)
Comprising:			
Impairment losses raised	10 977	23 203	(53)
Impairment on loans and advances to customers and undrawn facilities[4]	10 471	22 792	(54)
Impairment on loans and advances to banks	13	42	(69)
Impairment losses on other financial instruments subject to impairment	237	189	25
Impairment losses on guarantees and letters of credit	256	180	42
Recoveries of financial instruments subject to impairment previously written off	(774)	(656)	18
Net change in interest including other	(1 704)	(1 978)	(14)
Total charge to the statement of comprehensive income	8 499	20 569	(59)

[1] The numbers have been restated, refer to the report overview.
[2] The release in Home Loans includes a once-off benefit realised from model optimisation, refer to accounting policies.
[3] Included in the above number is interest on cured accounts of **R1 070** (2020: R250) which comprises of **R3 371m** (2020: R1 013m) relating to contractual interest that accrued on exposures while in stage 3 (interest in suspense), minus interest recognised on PV unwind.
[4] Impairment losses on loans and advances to customers and undrawn facilities includes net change in interest that has been suspended.

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4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	2021										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
RBB	—	543 071	5 618	1.03	59 982	6 427	10.71	51 659	24 473	47.37	618 194
Home Loans	—	236 205	638	0.27	21 210	803	3.79	19 999	5 699	28.50	270 274
Vehicle and Asset Finance	—	87 151	897	1.03	9 807	1 198	12.22	7 135	3 921	54.95	98 077
Everyday Banking	—	54 132	2 285	4.22	8 166	2 396	29.34	10 655	7 868	73.84	60 404
Card	—	35 294	1 270	3.60	4 732	1 504	31.78	6 753	5 045	74.71	38 960
Personal Loans	—	16 454	805	4.89	2 726	697	25.57	3 391	2 459	72.52	18 610
Transactions and Deposits	—	2 384	210	8.81	708	195	27.54	511	364	71.23	2 834
Relationship Banking	—	108 869	682	0.63	13 730	913	6.65	8 349	3 641	43.61	125 712
RBB ARO	—	56 714	1 116	1.97	7 069	1 117	15.80	5 468	3 292	60.20	63 726
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1
CIB	89 988	264 676	1 403	0.53	39 034	737	1.89	9 918	3 058	30.83	398 418
CIB South Africa	89 988	216 386	1 097	0.51	29 200	250	0.86	5 434	1 529	28.14	338 132
CIB ARO	—	48 290	306	0.63	9 834	487	4.95	4 484	1 529	34.10	60 286
Head Office, Treasury and other operations	—	352	(162)	—	64	(139)	—	—	(57)	—	774
Loans and advances to customers	—	352	4	1.14	64	—	—	—	—	—	412
Reclassification to provisions[1]	—	—	(166)	—	—	(139)	—	—	(57)	—	362
Loans and advances to customers	89 988	808 099	6 859	0.85	99 080	7 025	7.09	61 577	27 474	44.62	1 017 386
Loans and advances to banks	28 218	43 602	74	0.17	3 133	8	0.26	—	—	—	74 871
Total loans and advances	118 206	851 701	6 933	0.81	102 213	7 033	6.88	61 577	27 474	44.62	1 092 257

[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.

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4. Impairment losses (continued)

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

	2020										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
RBB[1]	—	488 486	5 538	1.13	65 144	7 651	11.74	57 131	25 816	45.19	571 756
Home Loans	—	210 738	666	0.32	20 581	552	2.68	23 812	6 233	26.18	247 680
Vehicle and Asset Finance	—	76 556	935	1.22	10 605	1 237	11.66	7 716	3 575	46.33	89 130
Everyday Banking	—	48 845	2 161	4.42	10 635	3 435	32.30	14 251	10 114	70.97	58 021
Card	—	31 726	1 389	4.38	6 174	2 302	37.29	7 975	5 780	72.48	36 404
Personal Loans	—	14 895	642	4.31	3 300	797	24.15	5 590	3 936	70.41	18 410
Transactions and Deposits	—	2 224	130	5.85	1 161	336	28.94	686	398	58.02	3 207
Relationship Banking[1]	—	101 918	800	0.78	17 786	1 228	6.90	7 345	3 418	46.54	121 603
RBB ARO	—	50 429	976	1.94	5 537	1 199	21.65	3 954	2 424	61.31	55 321
RBB Other	—	—	—	—	—	—	—	53	52	98.11	1
CIB[1]	70 147	247 873	1 710	0.69	49 465	874	1.77	9 356	2 497	26.69	371 760
CIB South Africa[1]	70 147	204 587	1 318	0.64	40 827	377	0.92	6 135	1 169	19.05	318 832
CIB ARO	—	43 286	392	0.91	8 638	497	5.75	3 221	1 328	41.23	52 928
Head Office, Treasury and other operations[1]	—	390	(137)	—	222	(248)	—	—	(68)	—	1 065
Loans and advances to customers	—	390	5	1.28	222	—	—	—	—	—	607
Reclassification to provisions[2]	—	—	(142)	—	—	(248)	—	—	(68)	—	458
Loans and advances to customers[1]	70 147	736 749	7 111	0.97	114 831	8 277	7.21	66 487	28 245	42.48	944 581
Loans and advances to banks[1]	25 584	42 088	59	0.14	2 317	4	0.17	—	—	—	69 926
Total loans and advances	95 731	778 837	7 170	0.92	117 148	8 281	7.07	66 487	28 245	42.48	1 014 507

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

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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:

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

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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, by market segment:

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

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

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

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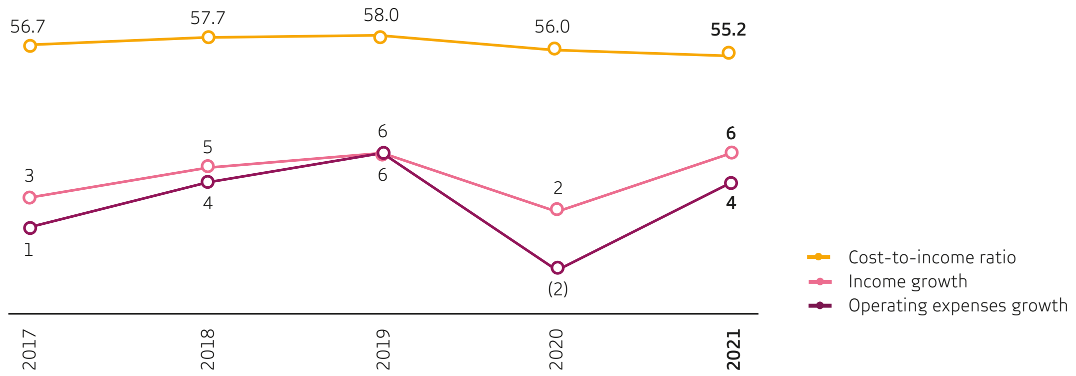
for the reporting period ended 31 December

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	2021 Rm	2020 Rm	Change %
Administration fees	52	497	(90)
Amortisation of intangible assets	1 445	1 286	12
Auditors' remuneration	450	403	12
Cash transportation	1 135	1 181	(4)
Depreciation	3 465	3 801	(9)
Equipment costs	333	339	(2)
Information technology	4 928	4 141	19
Marketing costs	1 287	1 114	16
Other operating costs[1]	2 288	1 897	21
Printing and stationery	288	292	(1)
Professional fees	2 358	2 316	2
Property costs	1 879	1 878	0
Staff costs	26 147	25 140	4
Bonuses	2 709	1 239	>100
Deferred cash and share-based payments	616	468	32
Other staff costs[2]	876	1 293	(32)
Salaries and current service costs on post-retirement benefit funds	21 566	21 734	(1)
Training costs	380	406	(6)
Straight line lease expenses on short term leases and low value assets	204	181	13
Telephone and postage	1 153	1 110	4
	47 412	45 576	4

Breakdown of IT-related spend included in operating expenses	2021 Rm	2020 Rm	Change %
Amortisation of intangible assets and depreciation of IT equipment	2 468	2 609	(5)
Information technology	4 928	4 141	19
Staff costs[3]	2 673	2 217	21
of which staff costs pre the capitalisation of project-related resource costs	3 165	2 598	22
Other IT-related spend[3]	1 417	1 161	22
	11 486	10 128	13

[1] This includes net fraud losses, travel and entertainment costs.
[2] Includes staff restructuring costs, recruitment costs, membership fees to professional bodies, staff parking, study assistance, staff relocation and refreshment costs.
[3] The current year staff cost growth reflects an increase relating to the insourcing of resources, into the newly formed Absa Prague Entity Ltd, which in 2020 were outsourced through an external service provider and included as professional fees in Other IT-related spend.

Performance indicators and condensed normalised notes to the consolidated financial statements

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5. Operating expenses (continued)

On a normalised basis operating costs increased by **4%** (CCY 7%) to **R47 412m** (31 December: R45 576m) reflecting an increase in staff costs of **4%** (CCY 7%) year-on-year whilst non-staff costs increased by **4%** (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 remained flat to prior year in constant currency terms. Non-staff cost growth was contained despite higher fraud charges, increased marketing spend as well as higher information technology costs and amortisation charges from continuing investments, which were partially offset by low growth on property costs, lower depreciation and cash transportation costs.

- Administration fees decreased by **90%** (CCY 88%) to R52m and are now a small component of the cost base following the sale of a store card portfolio and a non-recurring charge in the prior year base.
- Amortisation of intangible assets increased by **12%** (CCY 13%) to R1 445m. The Group has continued to invest in new digital, data and automation capabilities which has resulted in an increase in Goodwill and intangible assets to **R9 008m** (2020: R7 140m).
- Cash transportation costs decreased by **4%** (CCY 3%) to R1 135m and reflect lower merchant cash volumes supported by a migration towards digital banking and increased cash recycling.
- Depreciation decreased by **9%** (CCY 7%) to R3 465m mainly from reduced reliance on physical IT infrastructure.
- Information technology costs increased by **19%** (CCY 20%) to R4 928m 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 increased by **16%** (CCY 17%) to R1 287m and mainly reflect higher campaigns spend.
- Other operating costs increased by **21%** (CCY 35%) to R2 288m and mainly reflects higher operational losses and fraud items.
- Professional fees increased by **2%** (CCY 3%) to R2 358m mainly from increased change and technology services spend, partially offset by the impact of the insourcing of external IT resources into the newly formed Absa Prague entity.
- Property costs of R1 879m are in line with the prior year (CCY 2% higher) and reflect the continued benefit of the Group's property optimisation strategy including remote working.
- Staff costs increased by **4%** (CCY 7%) to **R26 147m** (2020: R25 140m). Salaries and Other staff costs of **R22 442m** (2020: R23 028m) have decreased by 3% (flat in constant currency terms) reflective of lower headcount levels, lower restructuring costs and other once-off items in the prior year base. Bonuses of **R2 709m** (2020: R1 239m) increased by **119%** (CCY 125%) in line with the Group's results whilst Deferred cash and share-based payments of **R616m** (2020: R468m) increased by **32%** (CCY 32%).
- Telephone and postage costs increased by **4%** (CCY 7%) to R1 153m and mainly reflect higher communication costs to support remote working.

6. Indirect taxation

	2021 Rm	2020 Rm	Change %
Training levy	209	177	18
Value-added tax net of input credits	1 654	1 716	(4)
	1 863	1 893	(2)

7. Taxation expense

	2021 Rm	2020 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	27 847	12 963	>100
Share of post-tax results of associates and joint ventures	(132)	36	<(100)
	27 715	12 999	>100
Tax calculated at a tax rate of 28%	7 760	3 640	>100
Effect of different tax rates in other countries	274	(23)	<(100)
Expenses not deductible for tax purposes[1]	734	441	66
Recognition of previously unrecognised deferred tax assets	—	9	(100)
Assessed losses[2]	124	—	100
Dividend income	(856)	(519)	65
Non-taxable interest[3]	(526)	(344)	53
Other income not subject to tax	(15)	(33)	(55)
Other	49	324	(85)
Effect of tax rate changes[4]	33	—	100
Items of a capital nature	27	111	(76)
	7 604	3 606	>100

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.
[2] Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.
[3] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.
[4] This relates to tax rate changes in Zambia and Mauritius.

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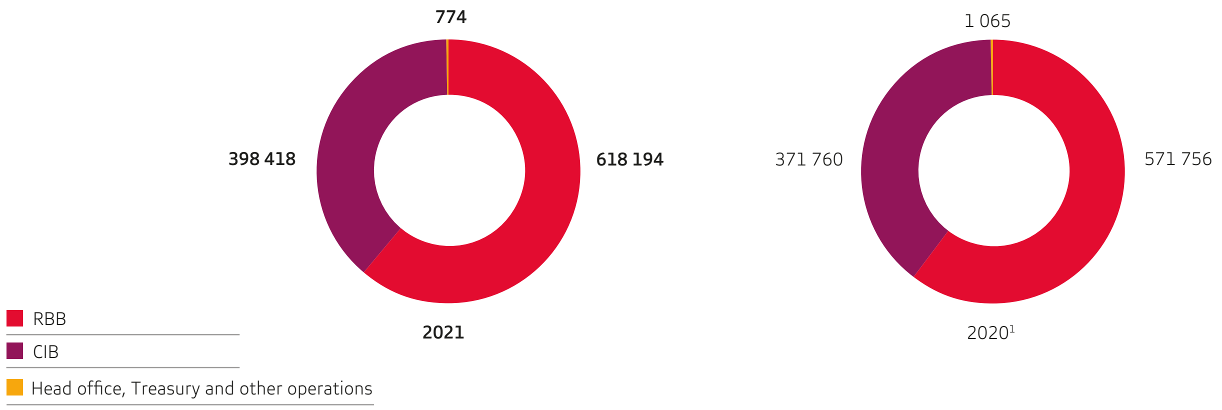
8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	2021 %	2020 %
Loans and advances to customers	**93.2**	93.1
RBB[1]	**56.6**	56.4
CIB[1]	**36.5**	36.6
Head Office, Treasury and other operations[1]	**0.1**	0.1
Loans and advances to banks	**6.8**	6.9
	100.0	100.0

Loans and advances to customers by segment	2021 Rm	2020 Rm	Change %
RBB			
RBB SA[1]	**585 461**	550 841	6
Credit cards	**45 110**	44 460	1
Instalment credit agreements	**112 987**	103 544	9
Loans to associates and joint ventures	**24 400**	24 563	(1)
Mortgages[1]	**300 832**	279 583	8
Other loans and advances	**3 625**	3 395	7
Overdrafts	**33 127**	33 167	(0)
Personal and term loans	**65 380**	62 129	5
ARO loans and advances	**69 251**	59 920	16
Gross loans and advances to customers[1]	**654 712**	610 761	7
Impairment losses on loans and advances to customers [1]	**(36 518)**	(39 005)	(6)
	618 194	571 756	8

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

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8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	2021 Rm	2020 Rm	Change %
CIB			
CIB SA[1]	**341 008**	321 696	6
Foreign currency loans	**37 949**	39 274	(3)
Mortgages[1]	**52 440**	47 507	10
Term loans[1]	**115 220**	113 605	1
Overdrafts	**12 358**	12 695	(3)
Overnight finance[1]	**24 759**	27 785	(11)
Preference shares	**27 450**	25 100	9
Reverse repurchase agreements[1]	**60 208**	43 247	39
Other loans and advances	**10 624**	12 483	(15)
ARO loans and advances	**62 608**	55 145	14
Gross loans and advances to customers[1]	**403 616**	376 841	7
Impairment losses on loans and advances to customers[1]	**(5 198)**	(5 081)	2
	398 418	371 760	7
Head Office, Treasury and other operations			
Gross loans and advances to customers	**416**	612	(32)
Impairment losses on loans and advances to customers	**358**	453	(21)
	774	1 065	(27)
Total loans and advances			
Gross loans and advances to customers[1]	**1 058 744**	988 214	7
Gross loans and advances to banks[1]	**74 953**	69 989	7
Gross loans and advances	**1 133 697**	1 058 203	7
Impairment losses on loans and advances	**(41 440)**	(43 696)	(5)
Impairment losses on loans and advances to customers	**(41 358)**	(43 633)	(5)
Impairment losses on loans and advances to banks	**(82)**	(63)	30
Net loans and advances to customers including reverse repurchase agreements	**1 092 257**	1 014 507	8
Less: Reverse repurchase agreements[1]	**(85 992)**	(70 570)	22
Net loans and advances excluding reverse repurchase agreements[1]	**1 006 265**	943 937	7

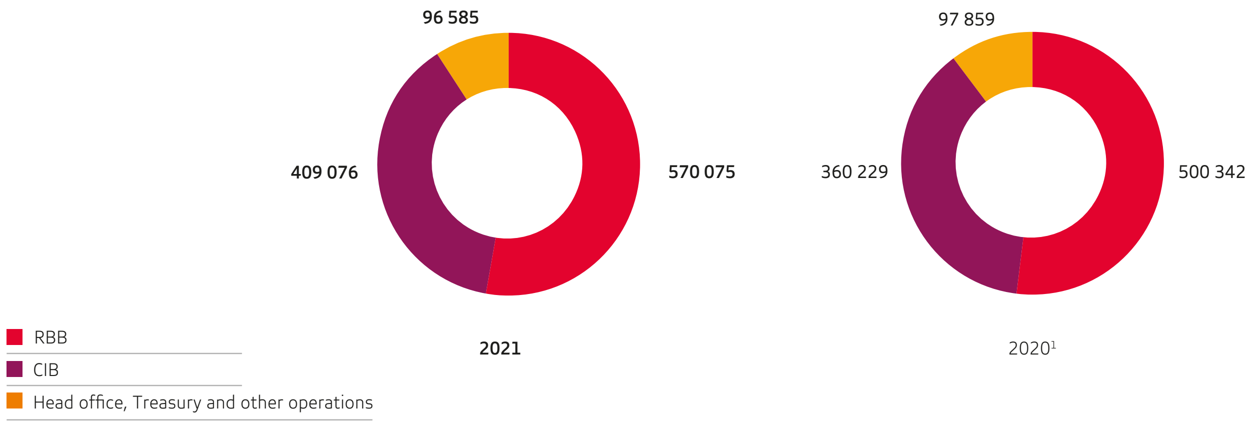
[1] These numbers have been restated; refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits due to customers customers by segment (Rm)

Deposits due to customers by segment (Rm)



Total funding mix	2021 %	2020 %
Deposits due to customers	82.5	80.3
RBB[1]	43.7	41.9
CIB[1]	31.4	30.2
Head Office, Treasury and other operations[1]	7.4	8.2
Deposits from banks	7.5	7.5
Debt securities in issue	10.0	12.2
	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 31 December

9. Deposits due to customers by segment (Rm) (continued)

Deposits by segment	2021 Rm	2020[1] Rm	Change %
RBB	570 075	500 342	14
RBB South Africa deposits	468 639	416 395	13
Call deposits	15 855	12 906	23
Cheque account deposits	109 828	97 560	13
Credit card deposits	2 137	2 033	5
Fixed deposits	92 171	92 219	(0)
Foreign currency deposits	1 281	1 074	19
Notice deposits	33 623	28 742	17
Other deposits	415	384	8
Saving and transmission deposits	213 329	181 477	18
ARO deposits	101 436	83 947	21
CIB	409 076	360 229	14
CIB South Africa deposits	320 687	289 307	11
Call deposits[1]	39 515	43 563	(9)
Cheque account deposits	124 199	124 835	(1)
Fixed deposits	75 525	65 963	14
Foreign currency deposits[1]	28 550	25 603	12
Notice deposits	18 542	15 409	20
Other deposits	521	552	(6)
Repurchase agreements with non-banks[1]	21 863	11 007	99
Saving and transmission deposits	11 972	2 375	>100
ARO deposits	88 389	70 922	25
Head Office, Treasury and other operations	96 585	97 859	(1)
Total deposits due to customers including repurchase agreements	1 075 736	958 430	12
Total deposits from banks including repurchase agreements[1]	98 030	89 570	9
Total deposits including reverse repurchase agreements	1 173 766	1 048 000	12
Less: Repurchase agreements[1]	(74 404)	(49 834)	49
Total deposits excluding repurchase agreements	1 099 362	998 166	10

[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 31 December

10. Debt securities in issue

	2021 Rm	2020 Rm	Change %
Commercial paper	**1 913**	4 504	(58)
Credit-linked notes	**15 165**	11 151	36
Floating rate notes	**34 693**	48 723	(29)
Negotiable certificates of deposit	**38 978**	42 670	(9)
Other	**2 124**	1 394	52
Promissory notes	**2**	49	(96)
Senior notes	**38 100**	37 149	3
Structured notes and bonds	**101**	100	1
	131 076	145 740	(10)
Segment split[1]			
RBB	**84**	77	9
CIB	**19 289**	18 276	6
Head Office, Treasury and other operations	**111 703**	127 387	(12)
	131 076	145 740	(10)

11. Equity and borrowed funds

	2021 Rm	2020 Rm	Change %
Authorised			
891 774 054 (2020: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—
Issued			
847 750 679 (2020: 847 750 679) ordinary shares of R 2.00	**1 696**	1 696	—
1 485 177 (2020: 2 981 725) treasury shares held by Group entities	**(4)**	(7)	(43)
	1 692	1 689	0
Total issued capital			
Share capital	**1 692**	1 689	0
Share premium	**4 089**	4 006	2
	5 781	5 695	2

Number of ordinary shares in issue (after deductions of treasury shares)	2021 Number of shares (million)	2020 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	0
Treasury shares held by the Group	**(1.5)**	(3.0)	(50)
	846.3	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 31 December

11. Equity and borrowed funds (continued)

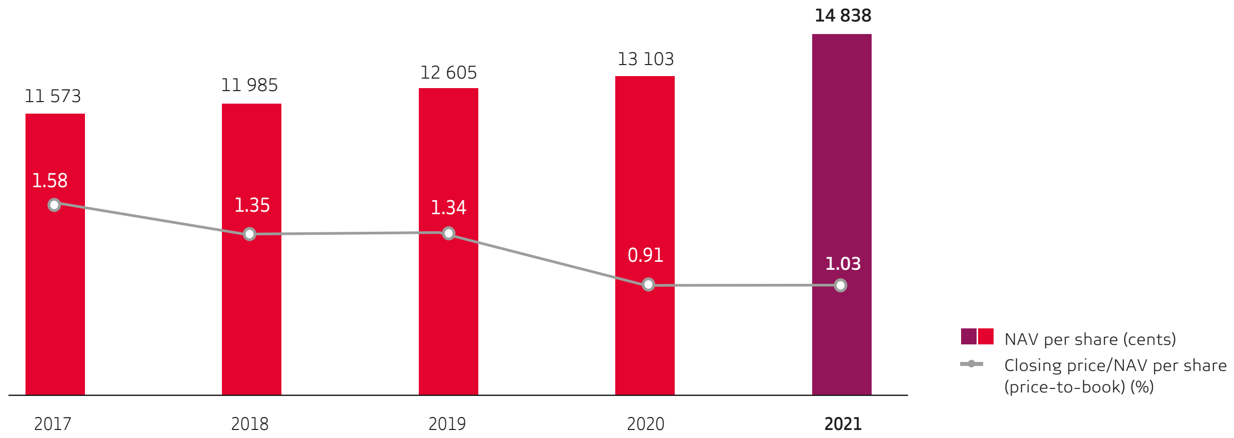
Borrowed funds		2021 Rm	2020 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**			
Consumer price index linked notes fixed at 5.50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by Absa Group Limited				
11.74%	20 August 2026	**—**	140	(100)
11.81%	3 September 2027	**737**	737	—
12.43%	5 May 2026	**—**	200	(100)
Three-months JIBAR + 2.13%	17 May 2030	**2 676**	2 676	—
Three-months JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—
Three-months JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—
Three-months JIBAR + 3.60%	3 September 2027	**30**	30	—
Three-months JIBAR + 4.00%	5 May 2026	**—**	31	(100)
Three-months JIBAR + 4.00%	20 August 2026	**—**	1 510	(100)
Three-months JIBAR + 4.00%	3 November2026	**—**	500	(100)
Three-months JIBAR + 3.78%	17 March 2027	**642**	642	—
Three-months JIBAR + 3.85%	25 May 2027	**500**	500	—
Three-months JIBAR + 3.85%	14 August 2029	**390**	390	—
Three-month JIBAR + 3.15%	30 September 2027	**295**	295	—
Three-month JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—
USD 6.25%	25 April 2028	**4 952**	4 952	—
USD 6.375%	n/a	**6 866**	—	100
Subordinated callable notes issued by other subsidiaries				
Absa Bank of Botswana limit Bank rate + 2.25%	14 November 2028	**136**	136	—
Other				
Accrued interest		**1 196**	1 108	8
Fair value adjustments		**60**	418	(86)
Foreign exchange movements		**2 526**	902	>100
		26 600	20 761	28

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

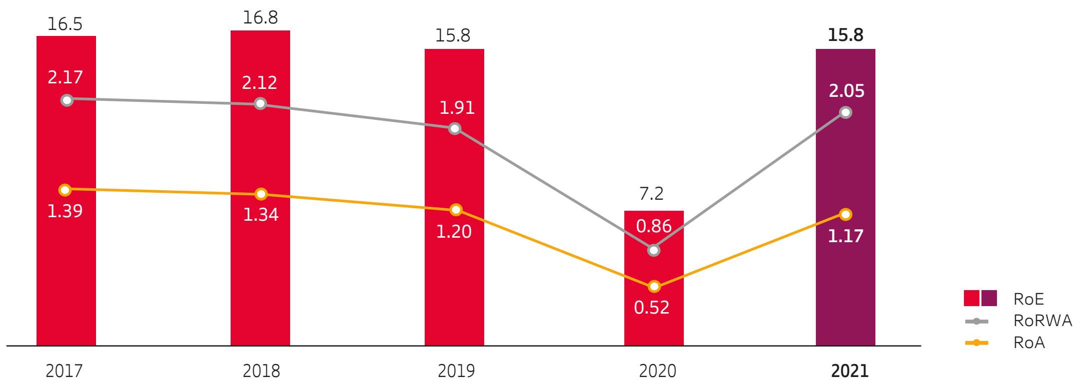
11. Equity and borrowed funds (continued)

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



12. Returns

RoE, RoA and RoRWA (%)



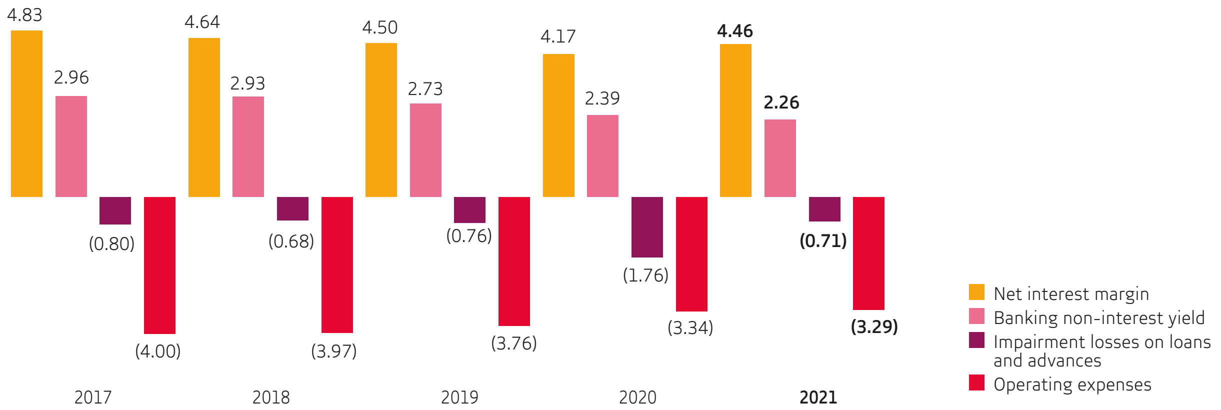
Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

13. RoE decomposition

Major drivers of RoE (%)



		2021 %	2020 %
	Net interest margin on average interest bearing assets	**4.46**	4.17
Less:	Impairment losses/average interest-bearing assets	**0.71**	1.76
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**3.75**	2.41
Multiply:	Average interest-bearing assets/average banking assets	**83.06**	85.68
Equals:	Banking interest yield	**3.11**	2.07
Plus:	Banking non-interest yield	**2.26**	2.39
Equals:	Banking income yield	**5.38**	4.45
Less:	Operating expenses/average banking assets	**3.29**	3.34
Equals:	Net banking return	**2.08**	1.12
Less:	Other[1]	**0.79**	0.53
Equals:	Banking return	**1.29**	0.58
Multiply:	Average banking assets/total average assets	**91.26**	89.82
Equals:	RoA	**1.18**	0.52
Multiply:	Leverage	**13.40**	13.71
Equals:	RoE	**15.8**	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 31 December

14. Off-statement of financial position items

	2021 Rm	2020 Rm	Change %
Contingencies, commitments and similar items			
Guarantees	**48 828**	45 405	8
Irrevocable debt facilities	**180 023**	176 264	2
Letter of credit	**17 782**	12 722	40
	246 633	234 391	5
Authorised capital expenditure			
Contracted but not provided for	**938**	758	24

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 reporting date the following material cases were considered:

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

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

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

16. Income tax

The Group is subject to income tax in numerous jurisdictions and the calculation of the Group's tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may indicate disagreement with the 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. Correction of prior period error and reclassifications

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

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

The restatement presents the Group with the opportunity to align the statement of financial position presentation of loans and advances and deposits to that of peer banks i.e., combining 'Loans and advances to banks' and 'Loans and advances to customers' to be reported in one line as 'Loans and advances', and similarly combining 'Deposits due to customers' and 'Deposits due to banks' to be reported in one line as 'Deposits'. The change will enhance the Group's comparability and relevance to its peers in the market. The impact of the restatement and combining the afore-mentioned items are disclosed below. The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to notes 8 and 9.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Correction of prior period error and reclassifications (continued)

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

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

18. Standards issued not yet effective

IFRS 17 – *Insurance Contracts*

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

18. Standards issued not yet effective (continued)

IFRS 17 – *Insurance Contracts* (continued)

Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. Not only is this measurement model more simplified, it also provides for a more cost effective option as opposed to the general measurement model. This approach will be applied mainly to the Group's short-term insurance businesses.

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

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

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

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

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

Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments. In 2022, the new finance process will be established with parallel runs commencing from Q1, 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

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

Segment performance

Segment performance overview

for the reporting period ended 31 December

Segment reporting structure

The Group's main reportable segments are based on an operating model that is primarily driven by customer and geography as secondary as disclosed in the table below:

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

Operational metrics	2021	2020	Change %
South Africa			
Outlets (including number of branches and sales centres)	616	619	(0)
ATMs	7 613	8 660	(12%)
Africa Regional Operations			
Outlets (including number of branches and sales centres)[1]	391	386	1
ATMs	1 055	1 074	(2)
Number of permanent and temporary employees	35 267	36 737	(4)
South Africa (excludes WFS employees)	25 908	27 160	(5)
Absa Regional Operations	9 180	9 543	(4)
International operations outside Africa[2]	179	34	>100

[1] 2020 restated to include sales centres in order to align with South Africa.
[2] 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 31 December

Performance per market segment

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

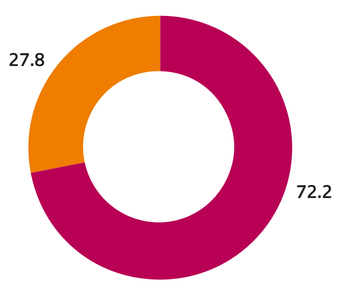
2021

2020

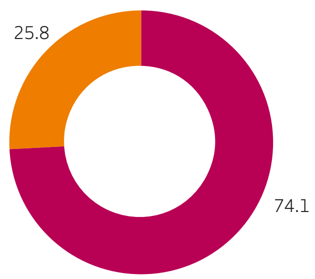
RBB
CIB

Headline earnings	2021 Rm	2020 Rm	Change %
RBB	10 209	4 239	>100
CIB	7 760	5 054	54
Head Office, Treasury and other operations	622	(1 328)	<(100)
	18 591	7 965	>100

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



2021



2020

RBB
CIB

Income	2021 Rm	2020 Rm	Change %
RBB	60 095	60 340	(0)
CIB	23 105	21 026	10
Head Office, Treasury and other operations	2 673	16	>100
	85 873	81 382	6

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Normalised Group performance | **Segment performance** | Group IFRS performance | Risk management | Appendices

Segment report per market segment

for the reporting period ended 31 December

	RBB[1]				CIB[1]			
	2021	2020	CCY%	Change %	**2021**	2020	CCY%	Change %
Statement of comprehensive income								
Net interest income	**36 856**	36 048	5	2	**13 808**	13 423	7	3
Non-interest income	**23 239**	24 292	(3)	(4)	**9 297**	7 603	28	22
Total income	**60 095**	60 340	2	(0)	**23 105**	21 026	15	10
Impairment losses	**(7 797)**	(17 128)	(54)	(54)	**(736)**	(3 291)	(76)	(78)
Operating expenses	**(35 110)**	(34 545)	4	2	**(11 138)**	(10 114)	13	10
Other expenses	**(1 088)**	(1 167)	(4)	(7)	**(316)**	(250)	37	26
Operating profit before income tax	**16 100**	7 500	>100	>100	**10 915**	7 371	58	48
Tax expense	**(4 885)**	(2 447)	>100	100	**(2 471)**	(1 604)	68	54
Profit for the reporting period	**11 215**	5 053	>100	>100	**8 444**	5 767	55	46
Profit attributable to:								
Ordinary equity holders	**10 177**	4 144	>100	>100	**7 739**	5 145	>100	50
Non-controlling interest – ordinary shares	**542**	371	53	46	**374**	264	57	42
Non-controlling interest – preference shares	**145**	185	(21)	(21)	**97**	122	(21)	(20)
Other equity – Additional Tier 1 capital	**351**	353	(0)	(1)	**234**	236	(1)	(1)
	11 215	5 053	>100	>100	**8 444**	5 767	55	46
Headline earnings	**10 209**	4 239	>100	>100	**7 760**	5 054	64	54
Operating performance (%)								
Net interest margin on average interest-bearing assets	**3.56**	3.81			**2.28**	2.39		
Credit loss ratio	**1.21**	2.78			**0.17**	0.75		
Non-interest income as % of income	**38.7**	40.3			**40.2**	36.2		
Income growth	**(0)**	0			**10**	14		
Operating expenses growth	**2**	(4)			**10**	5		
Cost-to-income ratio	**58.4**	57.3			**48.2**	48.1		
Statement of financial position (Rm)								
Loans and advances[1]	**633 275**	587 215	7	8	**452 004**	422 905	13	7
Loans and advances to customers	**618 194**	571 756	7	8	**398 418**	371 760	7	7
Loans and advances to banks	**15 081**	15 459	(3)	(2)	**53 586**	51 145	(1)	5
Investment securities	**34 198**	31 176	9	10	**43 242**	44 274	(2)	(2)
Other asset[1]	**519 465**	445 789	15	17	**495 574**	472 632	4	5
Total assets	**1 186 938**	1 064 180	10	12	**990 820**	939 811	4	5
Deposits[1]	**570 110**	500 368	12	49	**482 385**	421 898	4	14
Deposits due to customers	**570 075**	500 342	12	14	**409 076**	360 229	12	14
Deposits due to banks	**35**	26	(9)	35	**73 309**	61 669	19	19
Debt securities in issue	**84**	77	(0)	9	**19 289**	18 276	6	6
Other liabilities[1]	**602 526**	555 261	8	9	**482 617**	495 131	(1)	(3)
Total liabilities	**1 172 720**	1 055 706	10	11	**984 291**	935 305	4	5
RoRWA[2]	**2.15**	0.89			**2.41**	1.50		
RoA	**0.92**	0.41			**0.81**	0.56		
RoRC	**18.5**	7.6			**21.6**	13.5		

	Head Office, Treasury and other operations[1]				Normalised Group performance			
	2021	2020[1]	CCY%	Change %	**2021**	2020	CCY%	Change %
Statement of comprehensive income								
Net interest income	**2 633**	(681)	<(100)	<(100)	**53 297**	48 790	13	9
Non-interest income	**40**	697	(94)	(94)	**32 576**	32 592	2	(0)
Total income	**2 673**	16	>100	>100	**85 873**	81 382	8	6
Impairment losses	**34**	(150)	<(100)	<(100)	**(8 499)**	(20 569)	(58)	(59)
Operating expenses	**(1 164)**	(917)	27	27	**(47 412)**	(45 576)	7	4
Other expenses	**(711)**	(857)	(18)	(17)	**(2 115)**	(2 274)	(5)	(7)
Operating profit before income tax	**832**	(1 908)	<(100)	<(100)	**27 847**	12 963	>100	>100
Tax expense	**(248)**	445	<(100)	<(100)	**(7 604)**	(3 606)	>100	>100
Profit for the reporting period	**584**	(1 463)	<(100)	<(100)	**20 243**	9 357	>100	>100
Profit attributable to:								
Ordinary equity holders	**649**	(1 377)	<(100)	<(100)	**18 565**	7 912	>100	>100
Non-controlling interest – ordinary shares	**(65)**	(86)	(11)	(24)	**851**	549	64	55
Non-controlling interest – preference shares	**—**	—	—	—	**242**	307	(21)	(21)
Other equity – Additional Tier 1 capital	**—**	—	—	—	**585**	589	(1)	(1)
	584	(1 463)	<(100)	<(100)	**20 243**	9 357	>100	>100
Headline earnings	**622**	(1 328)	<(100)	<(100)	**18 591**	7 965	>100	>100
Operating performance (%)								
Net interest margin on average interest-bearing assets	**n/a**	n/a			**4.46**	4.17		
Credit loss ratio	**n/a**	n/a			**0.77**	1.92		
Non-interest income as % of income	**n/a**	n/a			**37.9**	40.0		
Income growth	**n/a**	n/a			**6**	2		
Operating expenses growth	**n/a**	n/a			**4**	(2)		
Cost-to-income ratio	**n/a**	n/a			**55.2**	56.0		
Statement of financial position (Rm)								
Loans and advances[1]	**6 978**	4 387	8	59	**1 092 257**	1 014 507	8	8
Loans and advances to customers	**774**	1 065	(27)	(27)	**1 017 386**	944 581	7	8
Loans and advances to banks	**6 204**	3 322	19	87	**74 871**	69 926	(1)	7
Investment securities	**111 458**	78 054	36	43	**188 898**	153 504	20	23
Other asset[1]	**(658 900)**	(560 468)	18	18	**356 139**	357 953	(5)	(1)
Total assets	**(540 464)**	(478 027)	15	13	**1 637 294**	1 525 964	5	7
Deposits[1]	**121 271**	125 734	(4)	(4)	**1 173 766**	1 048 000	10	12
Deposits due to customers	**96 585**	97 859	(1)	(1)	**1 075 736**	958 430	10	12
Deposits due to banks	**24 686**	27 875	(14)	(11)	**98 030**	89 570	9	9
Debt securities in issue	**111 703**	127 387	(12)	(12)	**131 076**	145 740	(10)	(10)
Other liabilities[1]	**(896 197)**	(845 714)	7	6	**188 946**	204 678	(13)	(8)
Total liabilities	**(663 223)**	(592 593)	13	12	**1 493 788**	1 398 418	5	7
RoRWA[2]	**n/a**	n/a			**2.05**	0.86		
RoA	**n/a**	n/a			**1.18**	0.52		
RoRC	**n/a**	n/a			**n/a**	n/a		

[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.

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

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Restatement reconciliation

for the reporting period ended 31 December

	31 December 2020 RBB SA (previously reported)	Other re-statements	2020 Adjusted from ARO	2021 RBB[1]	31 December 2020 CIB SA (previously reported)	Other re-statements	2020 Adjusted from ARO	2021 CIB[1]
Statement of comprehensive income								
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 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 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**
Other equity – Additional Tier 1 capital	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	15 430	52 928	**371 760**
Loans and advances to banks	15 458	—	1	**15 459**	58 203	(14 612)	7 554	**51 145**
Investment securities	31 212	(40)	4	**31 176**	43 122	40	1 112	**44 274**
Other assets	404 169	1 915	39 705	**445 789**	408 004	31 666	32 962	**472 632**
Total assets	968 092	1 057	95 031	**1 064 180**	812 731	32 524	94 556	**939 811**
Deposits due to customers	416 395	—	83 947	**500 342**	282 771	6 536	70 922	**360 229**
Debt securities in issue	—	—	77	**77**	18 276	—	—	**18 276**
Other liabilities	540 246	901	14 114	**555 261**	506 309	(35 803)	24 625	**495 131**
Total liabilities	956 641	927	98 138	**1 055 706**	807 356	32 402	95 547	**935 305**
Financial performance (%)								
RoRWA[2]	1.11			**0.89**	1.24			**1.5**
RoA	0.46			**0.41**	0.40			**0.56**
RoRC[3]	9.4			**7.6**	11.1			**13.5**

	31 December 2020 ARO (previously reported)	2020 Adjusted from ARO	2021 ARO[1]	2020 Head office, Treasury and other operations (previously reported)	31 December Other re-statements	2020 Adjusted from ARO	2021 Head office, Treasury and other operations[1]	2020 Normalised Group Performance (previously reported)	31 December 2020 Adjusted from ARO	2021 Normalised Group Performance
Statement of comprehensive income										
Net interest income	13 879	(13 879)	—	(547)	(1)	(133)	**(681)**	48 790	—	**48 790**
Non-interest income	6 270	(6 270)	—	669	(1)	29	**697**	32 592	—	**32 592**
Total income	20 149	(20 149)	—	122	(2)	(104)	**16**	81 382	—	**81 382**
Impairment losses	(3 995)	3 995	—	(2)	—	(148)	**(150)**	(20 569)	—	**(20 569)**
Operating expenses	(12 085)	12 085	—	(595)	(331)	9	**(917)**	(45 576)	—	**(45 576)**
Other expenses	(537)	537	—	(858)	2	(1)	**(857)**	(2 274)	—	**(2 274)**
Operating profit before income tax	3 532	(3 532)	—	(1 333)	(331)	(244)	**(1 908)**	12 963	—	**12 963**
Tax expense	(1 556)	1 556	—	352	92	1	**445**	(3 606)	—	**(3 606)**
Profit for the reporting period	1 976	(1 976)	—	(981)	(239)	(243)	**(1 463)**	9 357	—	**9 357**
Profit attributable to:										
Ordinary equity holders	1 595	(1 595)	—	(977)	(239)	(161)	**(1 377)**	7 912	—	**7 912**
Non-controlling interest – ordinary shares	381	(381)	—	(4)	—	(82)	**(86)**	549	—	**549**
Non-controlling interest – preference shares	—	—	—	—	—	—	**—**	307	—	**307**
Other equity – Additional Tier 1 capital	—	—	—	—	—	—	**—**	589	—	**589**
	1 976	(1 976)	—	(981)	(239)	(243)	**(1 463)**	9 357	—	**9 357**
Headline earnings	1 589	(1 589)	—	(929)	(239)	(160)	**(1 328)**	7 965	—	**7 965**
Operating performance (%)										
Net interest margin on average interest-bearing assets	6.64		—	n/a			**n/a**	4.17		**4.17**
Credit loss ratio	2.66		—	n/a			**n/a**	1.92		**1.92**
Non-interest income as % of income	31.1		—	n/a			**n/a**	40.0		**40.0**
Income growth	8		—	n/a			**n/a**	2		**2**
Operating expenses growth	12		—	n/a			**n/a**	(2)		**(2)**
Cost-to-income ratio	60.0		—	n/a			**n/a**	56.0		**56.0**
Statement of financial position (Rm)										
Loans and advances to customers	108 249	(108 249)	—	1 065	—	—	**1 065**	929 969	14 612	**944 581**
Loans and advances to banks	18 910	(18 910)	—	(8 033)	—	11 355	**3 322**	84 538	(14 612)	**69 926**
Investment securities	47 165	(47 165)	—	32 005	—	46 049	**78 054**	153 504	—	**153 504**
Other assets	50 914	(50 914)	—	(505 134)	(33 581)	(21 753)	**(560 468)**	357 953	—	**357 953**
Total assets	225 238	(225 238)	—	(480 097)	(33 581)	35 651	**(478 027)**	1525 964	—	**1 525 964**
Deposits due to customers	159 233	(159 233)	—	93 495	—	4 364	**97 859**	951 894	6 536	**958 430**
Debt securities in issue	2 105	(2 105)	—	125 359	—	2 028	**127 387**	145 740	—	**145 740**
Other liabilities	42 585	(42 585)	—	(788 356)	(61 204)	3 846	**(845 714)**	300 784	(6 536)	**294 248**
Total liabilities	203 923	(203 923)	—	(569 502)	(33 329)	10 238	**(592 593)**	1398 418	—	**1 398 418**
Financial performance (%)										
RoRWA[2]	0.61		—	n/a			**n/a**	0.86		**0.86**
RoA	0.64		—	n/a			**n/a**	0.52		**0.52**
RoRC[3]	6.4		—	n/a			**n/a**	n/a		**n/a**

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Segment report per geographical segment

for the reporting period ended 31 December

	South Africa[1]			Africa regions[1]				Normalised Group performance			
	2021	2020	Change %	2021	2020	CCY%	Change %	2021	2020	CCY%	Change %
Statement of comprehensive income (Rm)											
Net interest income	**39 781**	34 898	14	**13 516**	13 892	8	(3)	**53 297**	48 790	13	9
Non-interest income	**25 791**	25 783	0	**6 785**	6 809	11	(0)	**32 576**	32 592	2	(0)
Total income	**65 572**	60 681	8	**20 301**	20 701	9	(2)	**85 873**	81 382	8	6
Impairment losses	**(7 163)**	(16 574)	(57)	**(1 336)**	(3 995)	(62)	(67)	**(8 499)**	(20 569)	(58)	(59)
Operating expenses	**(35 279)**	(32 787)	8	**(12 133)**	(12 789)	4	(5)	**(47 412)**	(45 576)	7	4
Other expenses	**(1 605)**	(1 710)	(6)	**(510)**	(564)	(1)	(10)	**(2 115)**	(2 274)	(5)	(7)
Operating profit before income tax	**21 525**	9 609	>100	**6 322**	3 354	>100	88	**27 847**	12 963	>100	>100
Tax expenses	**(5 152)**	(2 113)	>100	**(2 452)**	(1 493)	80	64	**(7 604)**	(3 606)	>100	>100
Profit for the reporting period	**16 373**	7 497	>100	**3 870**	1 860	>100	>100	**20 243**	9 357	>100	>100
Profit attributable to:											
Ordinary equity holders	**15 470**	6 445	>100	**3 095**	1 467	>100	>100	**18 565**	7 912	>100	>100
Non-controlling interest – ordinary shares	**76**	156	(51)	**775**	393	>100	97	**851**	549	64	55
Non-controlling interest – preference shares	**242**	307	(21)	**—**	—	—	—	**242**	307	(21)	(21)
Other equity – Additional Tier 1 capital	**585**	589	(1)	**—**	—	—	—	**585**	589	(1)	(1)
	16 373	7 497	>100	**3 870**	1 860	>100	>100	**20 243**	9 357	>100	>100
Headline earnings	**15 530**	6 484	>100	**3 061**	1 481	>100	>100	**18 591**	7 965	>100	>100
Operating performance (%)											
Net interest margin on average interest-bearing assets	**4.00**	3.87		**6.71**	5.13			**4.46**	4.17		
Credit loss ratio	**0.75**	1.80		**0.94**	2.66			**0.77**	1.92		
Non-interest income as % of income	**39.3**	42.5		**33.4**	32.9			**37.9**	40.0		
Income growth	**8**	(0)		**(2)**	9			**6**	2		
Cost growth	**8**	(6)		**(5)**	11			**4**	(2)		
Cost-to-income ratio	**53.8**	54.0		**59.8**	61.8			**55.2**	56.0		
Statement of financial position (Rm)											
Loans and advances[1]	**940 457**	887 062	6	**151 800**	127 445		19	**1 092 257**	1 014 507		8
Loans and advances to customers	**893 373**	836 332	7	**124 013**	108 249	7	15	**1 017 386**	944 581	7	8
Loans and advances to banks	**47 084**	50 730	(7)	**27 787**	19 196	31	45	**74 871**	69 926	(1)	7
Investment securities	**122 906**	105 525	16	**65 992**	47 979	26	38	**188 898**	153 504	20	23
Other asset	**287 316**	305 031	(6)	**68 823**	52 922	2	30	**356 139**	357 953	(5)	(1)
Total assets	**1 350 679**	1 297 618	4	**286 615**	228 346	12	26	**1 637 294**	1 525 964	5	7
Deposits[1]	**966 352**	880 605	10	**207 414**	167 395	—	24	**1 173 766**	1 048 000	—	12
Deposits due to customers	**880 247**	799 197	10	**195 489**	159 233	12	23	**1 075 736**	958 430	10	12
Deposits due to banks	**86 105**	81 408	6	**11 925**	8 162	—	46	**98 030**	89 570	—	9
Debt securities in issue	**127 982**	143 635	(11)	**3 094**	2 105	47	47	**131 076**	145 740	(10)	(10)
Other liabilities[1]	**138 879**	167 685	(17)	**50 067**	36 993	(11)	35	**188 946**	204 678	(13)	(8)
Total liabilities	**1 233 213**	1 191 925	3	**260 575**	206 493	12	26	**1 493 788**	1 398 418	5	7
RoRWA	**2.32**	0.99		**1.28**	0.57			**2.05**	0.86		
RoA	**1.17**	0.54		**1.25**	0.48			**1.18**	0.52		
RoE[2]	**15.6**	7.2		**13.6**	5.9			**15.8**	7.2		

[1] These numbers have been restated, refer to the report overview.
[2] Africa regions RoE is on notional equity basis calculated using SARB RWAs.

RBB

for the reporting period ended 31 December

RBB earnings more than doubled as a significantly lower impairment charges, following the balance sheet protection built in 2020, was partially offset by a 3% contraction in pre-provision profit reflecting the impact of higher excess mortality claims in the life insurance business, customer centric pricing reductions and increased performance costs.

Customer advances grew by 7% to R618bn reflecting the growth in the secured portfolios

Deposits grew 12% (CCY) to **R570bn** further securing the funding base

Balance sheet resiliency maintained in the insurance business

Credit loss ratio improved to 1.21% (2020: 2.78%) reflecting the non-recurrence of the balance sheet protection built in 2020

RORC increased to 18.5% (2020: 7.6%) as a result of the earnings growth and is well above cost of equity

Interest margin contracted given the lower interest rates and product mix

Non-interest income declined by 3% (CCY) to R23.2bn (2020: R24.3bn) reflecting higher mortality claims and customer centric pricing reductions

Cost to income ratio increased to 58.4% (2020: 57.3%) reflecting higher mortality claims, increased performance costs and faster growth in activity-based costs

Salient features	2021	2020	Change %
Income (Rm)	**60 095**	60 340	(0)
Pre-provision profit (Rm)	**24 985**	25 795	(3)
Headline earnings (Rm)	**10 209**	4 239	>100
Credit loss ratio (%)	**1.21**	2.78	
Cost-to-income ratio (%)	**58.4**	57.3	
RoRWA (%)	**2.15**	0.89	
RoA (%)	**0.92**	0.41	
RoRC (%)	**18.5**	7.6	

RBB

for the reporting period ended 31 December

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 credit-linked 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 and digital channels.
- **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 within 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 insurance solutions being iDirect and Activate, 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, 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.

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RBB

for the reporting period ended 31 December

	RBB SA			RBB ARO				RBB			
	2021	2020	Change %	2021	2020	CCY%	Change %	2021	2020	CCY%	Change %
Statement of comprehensive income (Rm)											
Net interest income	**28 232**	27 143	4	**8 624**	8 905	8	(3)	**36 856**	36 048	5	2
Non-interest income	**19 970**	20 854	(4)	**3 269**	3 438	5	(5)	**23 239**	24 292	(3)	(4)
Total income	**48 202**	47 997	0	**11 893**	12 343	7	(4)	**60 095**	60 340	2	(0)
Impairment losses on loans and advances	**(6 507)**	(14 621)	(55)	**(1 290)**	(2 507)	(41)	(49)	**(7 797)**	(17 128)	(54)	(54)
Operating expenses	**(26 824)**	(25 551)	5	**(8 286)**	(8 994)	2	(8)	**(35 110)**	(34 545)	4	2
Other expenses	**(652)**	(749)	(13)	**(436)**	(418)	13	4	**(1 088)**	(1 167)	(4)	(7)
Operating profit before income tax	**14 219**	7 076	>100	**1 881**	424	>100	>100	**16 100**	7 500	>100	>100
Tax expenses	**(3 944)**	(2 010)	96	**(941)**	(437)	>100	>100	**(4 885)**	(2 447)	>100	100
Profit for the reporting period	**10 275**	5 066	>100	**940**	(13)	<(100)	>100	**11 215**	5 053	>100	>100
Profit attributable to:											
Ordinary equity holders	**9 698**	4 372	>100	**478**	(228)	<(100)	>100	**10 176**	4 144	>100	>100
Non-controlling interest – ordinary shares	**80**	156	(49)	**462**	215	>100	>100	**542**	371	53	46
Non-controlling interest – preference shares	**146**	185	(21)	**—**	—	—	—	**146**	185	(21)	(21)
Other equity – Additional Tier 1 capital	**351**	353	(1)	**—**	—	—	—	**351**	353	(0)	(1)
	10 275	5 066	>100	**940**	(13)	<(100)	>100	**11 215**	5 053	>100	>100
Headline earnings	**9 747**	4 466	>100	**462**	(227)	>100	>100	**10 209**	4 239	>100	>100
Operating performance (%)											
Net interest margin on average interest-bearing assets	**3.00**	3.18		**8.96**	9.49			**3.56**	3.81		
Credit loss ratio	**1.12**	2.65		**2.03**	3.88			**1.21**	2.78		
Non-interest income as % of income	**41.4**	43.4		**27.5**	27.9			**38.7**	40.3		
Income growth	**0**	(2)		**(4)**	9			**(0)**	(0)		
Operating expenses growth	**5**	(8)		**(8)**	9			**2**	(4)		
Cost-to-income ratio	**55.6**	53.2		**69.7**	72.9			**58.4**	57.3		
Statement of financial position (Rm)											
Loans and advances	**569 239**	531 610	7	**64 036**	55 605	8	15	**633 275**	587 215	7	8
Loans and advances to customers	**554 467**	516 435	7	**63 727**	55 321	8	15	**618 194**	571 756	7	8
Loans and advances to banks	**14 772**	15 175	(3)	**309**	284	(4)	9	**15 081**	15 459	(3)	(2)
Investment securities	**33 049**	30 358	9	**1 149**	818	29	40	**34 198**	31 176	9	10
Other assets[1]	**466 359**	404 276	15	**53 106**	41 513	12	28	**519 465**	445 789	15	17
Total assets	**1 068 647**	966 244	11	**118 291**	97 936	10	21	**1 186 938**	1 064 180	10	12
Deposits	**468 643**	416 413	13	**101 467**	83 955	9	21	**570 110**	500 368	12	14
Deposits due to customers	**468 639**	416 395	13	**101 436**	83 947	9	21	**570 075**	500 342	12	14
Deposits due to banks	**4**	18	(78)	**31**	8	>100	>100	**35**	26	(9)	35
Debt securities in issue	**—**	—	—	**84**	77	(0)	9	**84**	77	(0)	9
Other liabilities[1]	**583 516**	538 834	8	**19 010**	16 427	11	16	**602 526**	555 261	8	9
Total liabilities	**1 052 159**	955 247	10	**120 561**	100 459	9	20	**1 172 720**	1 055 706	10	11
Financial performance (%)											
Return on average risk-weighted assets	**2.47**	1.17		**0.58**	(0.24)			**2.15**	0.89		
Return on average assets	**0.97**	0.48		**0.43**	(0.22)			**0.92**	0.41		
RoRC	**21.2**	10.0		**5.0**	(2.0)			**18.5**	7.6		

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

RBB

for the reporting period ended 31 December

RBB SA headline earnings recovered to 2019 levels, and doubled from 2020 levels, reflecting lower impairment charges given the balance sheet resiliency built in 2020, whilst pre-provision profit contracted 5% driven by excess mortality claims in the life insurance business, customer-centric fee reductions and increased costs related to incentives and restructurings.

Prioritised employee and customers specifically during the hard lockdowns and the civil unrest

Continued momentum in secured asset production

Deposits grew faster than advances
up 13% and 7% respectively

Expected Credit Loss allowance coverage levels remain strong
and above pre-COVID-19 levels

Insurance COVID-19 provision strengthened
for the impact of the fourth wave and a potential impact of fifth wave

Credit loss ratio normalised to 1.12%
(2020: 2.65%) which is within the through the cycle range of 110-155 bps

Return on Regulatory Capital improved to 21.2%
from improved earnings

Net interest margin contracted
from lower interest rates and faster growth in secured assets

Cost to income ratio increased to 55.6%
from 53.2%

Transactional activity remained subdued
given COVID-19-related lockdowns and the civil unrest

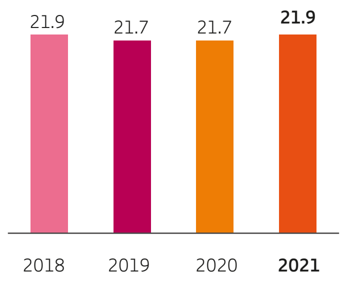
Salient features	2021	2020	Change %
Income (Rm)	48 202	47 997	0
Pre-provision profit (Rm)	21 378	22 446	(5)
Headline earnings (Rm)	9 747	4 466	>100
Credit loss ratio (%)	1.12	2.65	
Cost-to-income ratio (%)	55.6	53.2	
RoRWA (%)	2.47	1.17	
RoA (%)	0.97	0.48	
RoRC (%)	21.2	10.0	

Headline earnings by segment	2021 Rm	2020 Rm	Change %
RBB	9 747	4 466	>100
Home Loans	2 531	534	>100
Vehicle and Asset Finance	605	(927)	>100
Everyday Banking	3 930	2 405	63
Relationship Banking	3 459	2 317	49
Insurance Cluster	68	993	(93)
Retail and Business Banking Other	(846)	(856)	(1)

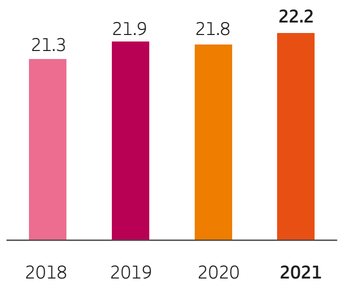
RBB

for the reporting period ended 31 December

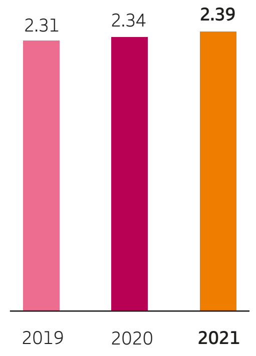
Retail deposits market share (%)[1]



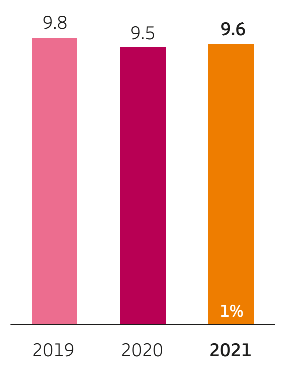
Retail Banking advances market share (%)[1]



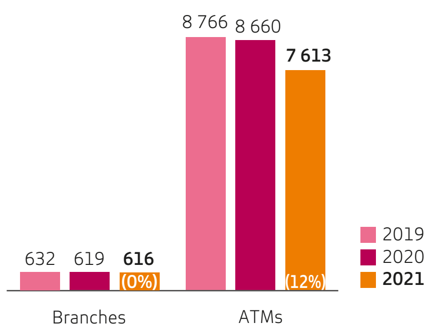
Retail and Business Banking average product holding per customer



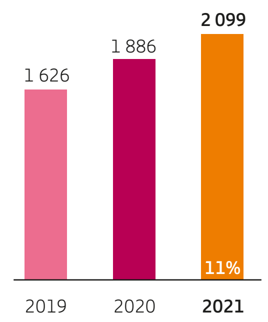
Customer numbers (millions and % change)



Physical footprint (number and % change)



Number of digitally active customers (thousands and % change)



[1] Source: SARB BA900.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

RBB

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance			Everyday Banking		
	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %
Statement of comprehensive income (Rm)									
Net interest income	4 999	4 478	12	3 047	2 603	17	12 418	12 610	(2)
Non-interest income	459	457	0	602	540	11	10 897	11 278	(3)
Total income	5 458	4 935	11	3 649	3 143	16	23 315	23 888	(2)
Impairment losses	134	(2 189)	>100	(1 426)	(3 062)	(53)	(4 348)	(7 337)	(41)
Operating expenses	(1 882)	(1 827)	3	(1 402)	(1 244)	13	(13 172)	(12 737)	3
Other expenses	(76)	(46)	65	53	(48)	>100	(95)	(125)	(24)
Operating profit before income tax	3 634	873	>100	874	(1 211)	>100	5 700	3 689	55
Tax expenses	(999)	(205)	>100	(208)	346	<(100)	(1 582)	(1 022)	55
Profit for the reporting period	2 635	668	>100	666	(865)	>100	4 118	2 667	54
Profit attributable to:									
Ordinary equity holders	2 506	534	>100	604	(929)	>100	3 930	2 391	64
Non-controlling interest – ordinary shares	—	—	—	—	—	—	79	152	(48)
Non-controlling interest – preference shares	38	46	(17)	18	22	(18)	32	43	(26)
Other equity – Additional Tier 1 capital	91	88	3	44	42	5	77	81	(5)
	2 635	668	>100	666	(865)	>100	4 118	2 667	54
Headline earnings	2 531	534	>100	605	(927)	>100	3 930	2 405	63
Operating performance (%)									
Net interest margin on average interest-bearing assets	1.77	1.74		3.07	2.91		3.73	4.09	
Credit loss ratio	(0.05)	0.88		1.45	3.45		5.02	8.42	
Non-interest income as % of income	8.4	9.3		16.5	17.2		46.7	47.2	
Income growth	11	9		16	(31)		(2)	(5)	
Operating expenses growth	3	1		13	(9)		3	(10)	
Cost-to-income ratio	34.5	37.0		38.4	39.6		56.5	53.3	
Statement of financial position (Rm)									
Loans and advances	270 571	248 320	9	98 077	89 129	10	72 856	70 742	3
Loans and advances to customers	270 275	247 679	9	98 077	89 129	10	60 404	58 022	4
Loans and advances to banks	296	641	(54)	—	—	—	12 452	12 720	(2)
Investment securities	13 785	12 369	11	4 742	4 284	11	3 383	3 395	(0)
Other assets[1]	26 874	20 330	32	3 666	3 531	4	279 052	247 910	13
Total assets	311 230	281 019	11	106 485	96 944	10	355 291	322 047	10
Deposits	1 915	1 833	4	—	—	—	278 323	247 328	13
Deposits due to customers	1 915	1 833	4	—	—	—	278 323	247 328	13
Deposits due to banks	—	—	—	—	—	—	—	—	—
Other liabilities[1]	305 620	277 816	10	104 816	96 797	8	71 625	71 029	1
Total liabilities	307 535	279 649	10	104 816	96 797	8	349 948	318 357	10
Financial performance (%)									
RoRWA	2.71	0.62		1.13	(1.90)		4.10	2.52	
RoA	0.86	0.20		0.60	(1.00)		1.19	0.78	

	Relationship Banking			Insurance SA			Retail and Business Banking Other			RBB SA		
	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %
Statement of comprehensive income (Rm)												
Net interest income	8 318	8 032	4	(2)	(3)	(33)	(548)	(577)	(5)	28 232	27 143	4
Non-interest income	5 811	5 616	3	1 284	2 375	(46)	917	588	56	19 970	20 854	(4)
Total income	14 129	13 648	4	1 282	2 372	(46)	369	11	>100	48 202	47 997	0
Impairment losses	(867)	(2 032)	(57)	—	—	—	—	(1)	(100)	(6 507)	(14 621)	(55)
Operating expenses	(8 215)	(8 003)	3	(932)	(778)	20	(1 221)	(962)	27	(26 824)	(25 551)	5
Other expenses	(41)	(161)	(75)	(147)	(132)	11	(346)	(237)	46	(652)	(749)	(13)
Operating profit before income tax	5 006	3 452	45	203	1 462	(86)	(1 198)	(1 189)	1	14 219	7 076	>100
Tax expenses	(1 380)	(1 000)	38	(135)	(466)	(71)	360	337	7	(3 944)	(2 010)	96
Profit for the reporting period	3 626	2 452	48	68	996	(93)	(838)	(852)	(2)	10 275	5 066	>100
Profit attributable to:												
Ordinary equity holders	3 440	2 247	53	68	993	(93)	(850)	(864)	(2)	9 698	4 372	>100
Non-controlling interest – ordinary shares	—	—	—	—	3	(100)	1	1	—	80	156	(49)
Non-controlling interest – preference shares	55	71	(23)	—	—	—	3	3	—	146	185	(21)
Other equity – Additional Tier 1 capital	131	134	(2)	—	—	—	8	8	—	351	353	(1)
	3 626	2 452	48	68	996	(93)	(838)	(852)	(2)	10 275	5 066	>100
Headline earnings	3 459	2 317	49	68	993	(93)	(846)	(856)	(1)	9 747	4 466	>100
Operating performance (%)												
Net interest margin on average interest-bearing assets	3.73	4.12		n/a	n/a		n/a	n/a		3.00	3.18	
Credit loss ratio	0.67	1.61		n/a	n/a		n/a	n/a		1.12	2.65	
Non-interest income as % of income	41. 1	41. 1		n/a	n/a		n/a	n/a		41.4	43.4	
Income growth	4	(2)		(46)	(15)		n/a	n/a		0	(2)	
Operating expenses growth	3	(5)		20	(5)		n/a	n/a		5	(8)	
Cost-to-income ratio	58.1	58.6		72.8	32.8		n/a	n/a		55.6	53.2	
Statement of financial position (Rm)												
Loans and advances	126 451	122 005	4	580	797	(27)	704	617	14	569 239	531 610	7
Loans and advances to customers	125 712	121 604	3	—	—	—	(1)	1	<(100)	554 467	516 435	7
Loans and advances to banks	739	401	84	580	797	(27)	705	616	14	14 772	15 175	(3)
Investment securities	6 148	6 201	(1)	4 910	3 891	26	81	218	(63)	33 049	30 358	9
Other assets[1]	117 562	90 966	29	22 692	26 376	(14)	16 513	15 162	9	466 359	404 276	15
Total assets	250 161	219 172	14	28 182	31 064	(9)	17 298	15 997	8	1 068 647	966 244	11
Deposits	188 394	167 241	13	—	—	—	11	11	—	468 643	416 413	13
Deposits due to customers	188 390	167 223	13	—	—	—	11	11	—	468 639	416 395	13
Deposits due to banks	4	18	(78)	—	—	—	—	—	—	4	18	(78)
Other liabilities[1]	57 653	48 302	19	26 258	28 575	(8)	17 544	16 315	8	583 516	538 834	8
Total liabilities	246 047	215 543	14	26 258	28 575	(8)	17 555	16 325	8	1 052 159	955 247	10
Financial performance (%)												
RoRWA	2.48	1.68		n/a	n/a		n/a	n/a		2.47	1.17	
RoA	1.47	1.10		0.23	3.05		n/a	n/a		0.97	0.48	

RBB

for the reporting period ended 31 December

Business performance

In 2021, RBB SA's focus shifted from mitigating the financial consequences of the COVID-19 pandemic to growing the business in a sustainable and selective manner through dynamic execution of the strategic transformation journey launched in 2018. The economic recovery first experienced in the second half of 2020 continued into 2021 although the momentum was moderated by the impact of the hard lockdowns for the second and third waves as well as the civil unrest in July. Against this backdrop, the customer franchise has strengthened as reflected by the delivery against the key performance indicators:

- Home loans registrations increased by **49%** against 2020 and **51%** against 2019;
- VAF production increased by **24%** relative to 2020, while the market grew by **23%** (TransUnion);
- Personal loans production increased **40%** relative to 2020 but remains below 2019 levels;
- Credit card limits increased by **3%**;
- Deposits grew **13%**, supported by both Transactional and Investment products;
- Relationship Banking advances increased by **3%** in a subdued market;
- Credit card issuing turnover volumes grew **13%** on 2020 levels and were flat on 2019 levels;
- Physical cash volumes contracted by **5%** relative to 2020 and declined by 22% when compared to 2019 levels;
- Merchant acquiring turnover grew **14%**;
- Embedded value of new business increased **45%** to **R543m** from improving new business volumes;
- Insurance lapse rates remained stable at **2.6%** per month;
- Product holding increased to **2.39**; and
- Digitally active customers grew by **11%** to **2.1m**, primarily driven by increased app users.

Since the start of the COVID-19 pandemic, the business has focused on being close to customers and responding proactively and empathetically with initiatives to support them. This continued in 2021 as customers were supported through the hard lockdowns and the civil unrest with bespoke relief measures including:

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

Customers that received the specific payment relief in 2020, continue to be monitored actively as a ring-fenced population. Performance within this population has been better than original expectations with delinquencies within the unsecured portfolios remaining elevated when compared to the secured portfolios as reflected in the COVID-19 section on page 20.

RBB SA continues to apply a dynamic approach to assessing the macroeconomic management adjustments raised in 2020, with expert judgement augmenting the framework developed in 2020.
The macroeconomic outlooks have improved relative to initial expectations and underlying model data has started to reflect the impact of the COVID-19 pandemic on customer delinquencies, specifically in the shorter dated unsecured portfolios. Accordingly, a portion of the macroeconomic management adjustments have been released to the extent that the underlying data is captured in the impairment models and to reflect the improved macroeconomic outlook.

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 14 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 **7.89%** and stage 3 coverage of **45.86%** 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 2 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 20.

The Expected Credit Loss allowance remains significantly higher than levels before the onset of the COVID-19 pandemic as the balance sheet resilience built in 2020 has largely been retained. The overall expected loss allowance of **R30.9bn** decreased by **R3.5bn** from 2020, with overall coverage decreasing slightly to **5.29%**. The decrease in overall coverage is attributable to an improvement in overall book construct, including NPL management in the unsecured portfolios, the recovery in the macro-economic outlook, and the faster growth within the lower coverage secured portfolios.

The impact of excess mortality on the Life Insurance business from both the second and third COVID-19 waves was significantly more severe than the first wave impact. The discovery of the Omicron variant, late in the year, initially carried with it the expectation of a similar impact on excess deaths however latest information has shown that while it is more transmissible, mortality rates are significantly lower than the Delta variant. The Life Insurance balance sheet has proved resilient through the COVID-19 pandemic and was further strengthened for the likely impact of the fourth wave and a potential fifth wave. Further information is available on page 20.

RBB

for the reporting period ended 31 December

Business performance (continued)

The improvement in production momentum in the secured portfolios in the second half of 2020 continued throughout 2021 and has supported the **7%** growth in Advances. Production in the unsecured portfolios increased in the second half of 2021, as credit strategies implemented in 2020 to avoid adverse selection were prudently maintained through the first quarter of 2021 before being cautiously released through the second and third quarter. Market share of Retail advances, per the BA 900, improved to **22.2%** from 21.8% in 2020.

Deposit growth continued to be resilient with growth of **13%**, supported by both transactional and investment deposits with growth of **11%** and **13%** respectively. Customer consumption spending remains lower than pre-COVID-19 levels and together with a deepening of customer relationships has driven transactional deposit growth. Investment deposit growth was assisted by the closure of the Absa Money Market Fund in July 2021, with a significant portion of customers electing to migrate to Absa investment products. Retail Deposit market share, per the BA 900, has increased to **21.9%** from 21.7% in 2020.

The insurance in force book grew by **2%** since December 2020, reflecting the benefits of the bancassurance model, where refreshed product propositions and deeper integration into customer banking journeys drove improved volumes.

Re-engaging with the customer base is a critical element of the strategic turnaround, more specifically the focus on improving customer experience. In 2021 the business delivered on the next step in the process started in 2019, with the implementation of customer centric pricing changes which are expected to alleviate the strain on customers with R500m in fee reductions. Together with this, the business has revamped key capabilities within the customer relationship matrix, including the launch of a behavioural rewards programme - Absa Advantage – which as a data driven customer communication approach has improved the understanding of customer preferences and therefore enhanced the ability to engage empathetically in all interactions. Social media engagement with customers has been elevated across the business as evidenced by the improvements made in the 2021 BrandsEye Net Sentiment Banking Index where Absa came out on top after being the bottom ranked bank for a number of years.

Customer numbers grew to **9.6m** (2020: 9.5m) with growth primarily in the Middle Market and Retail Affluent segments, which grew **3%** and **2%** respectively. The COVID-19-related lockdown restrictions continue to impact consumer income levels and transactional activity, particularly in the entry level banking segment, and resulted in a reduction in primary customer numbers to **2.8m** (2020: 2.9m). Leveraging the RBB ecosystem to deepen customer relationships has continued to show traction as evidenced by the improvement in product holding per customer to **2.39%** (2020: 2.34%).

The strategic imperative of 'being digitally first, in everything we do' was accelerated in 2021, as the impact of the COVID-19 pandemic shifted digital trends globally. The digital journey up to 2020 was focused on the stability and resilience of the estate, whereas in 2021 this shifted to ensuring consistency of the customer experience whilst driving innovation across products and channels. The Absa Banking App continues to be enhanced, with recent enhancements being Absa ID, a facial identity technology, and the 'Abby' chatbot, which have both received digital banking accolades over the past year. The **11%** increase in digitally active customers, as well as the consistently high rating of the App, is testament to the digital journey to date. The payments ecosystem has evolved continuously and RBB SA remains at the forefront with the launch of Apple Pay, contactless payments with Garmin and FitBit wearables as well as the introduction of the universal QR scan to pay functionality in the Absa App in 2021. The digital transformation extends across the business with process digitisation and automation accelerating across the business to simplify and improve customer journeys as well as internal processes.

Becoming an efficient business is a key part of the strategic turnaround and the focus of driving efficiencies has seen the cost to income ratio reduce to **55.6%** from 58.4% in 2018, despite significantly lower insurance revenues in 2021. Prudent management of business-as-usual costs has created the capacity to invest in the digitisation of products and automation of processes, both internal and customer led, and the business will continue to create this investment capacity going forward.

RoRC has improved to **21.2%** (2020: 10.0%) driven by the normalisation of earnings and capital demand optimisation and is well above the Group's cost of equity.

Looking ahead RBB SA will focus on:

- 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.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

RBB

for the reporting period ended 31 December

Everyday Banking

	Card			Personal Loans			Transactions and Deposits			Everyday Banking		
	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %	2021	2020	Change %
Statement of comprehensive income (Rm)												
Net interest income	**4 405**	4 462	(1)	**2 691**	2 887	(7)	**5 322**	5 261	1	**12 418**	12 610	(2)
Non-interest income	**2 484**	2 399	4	**355**	392	(9)	**8 058**	8 487	(5)	**10 897**	11 278	(3)
Total income	**6 889**	6 861	0	**3 046**	3 279	(7)	**13 380**	13 748	(3)	**23 315**	23 888	(2)
Impairment losses	**(2 356)**	(3 883)	(39)	**(1 643)**	(2 893)	(43)	**(349)**	(561)	(38)	**(4 348)**	(7 337)	(41)
Operating expenses	**(3 116)**	(2 991)	4	**(1 264)**	(1 152)	10	**(8 792)**	(8 594)	2	**(13 172)**	(12 737)	3
Other expenses	**(34)**	(46)	(26)	**(14)**	(2)	>100	**(47)**	(77)	(39)	**(95)**	(125)	(24)
Operating profit before income tax	**1 383**	(59)	>100	**125**	(768)	>100	**4 192**	4 516	(7)	**5 700**	3 689	55
Tax expenses	**(387)**	18	<(100)	**(28)**	223	<(100)	**(1 167)**	(1 263)	(8)	**(1 582)**	(1 022)	55
Profit for the reporting period	**996**	(41)	>100	**97**	(545)	>100	**3 025**	3 253	(7)	**4 118**	2 667	54
Profit attributable to:												
Ordinary equity holders	**879**	(237)	>100	**63**	(588)	>100	**2 988**	3 216	(7)	**3 930**	2 391	64
Non-controlling interest – ordinary shares	**79**	152	(48)	**—**	—	—	**—**	—	—	**79**	152	(48)
Non-controlling interest – preference shares	**11**	15	(27)	**10**	15	(33)	**11**	13	(15)	**32**	43	(26)
Other equity – Additional Tier 1	**27**	29	(7)	**24**	28	(14)	**26**	24	8	**77**	81	(5)
	996	(41)	>100	**97**	(545)	>100	**3 025**	3 253	(7)	**4 118**	2 667	54
Headline earnings	**878**	(237)	>100	**63**	(588)	>100	**2 989**	3 230	(7)	**3 930**	2 405	63
Operating performance (%)												
Credit loss ratio	**5.01**	8.49		**7.13**	11.87		**2.09**	3.28		**5.02**	8.42	
Non-interest income as % of income	**36.1**	35.0		**11.7**	12.0		**60.2**	61.7		**46.7**	47.2	
Income growth	**0**	(12)		**(7)**	1		**(3)**	(2)		**(2)**	(5)	
Operating expenses growth	**4**	(22)		**10**	(2)		**2**	(7)		**3**	(10)	
Cost-to-income ratio	**45.2**	43.6		**41.5**	35.1		**65.7**	61.6		**56.5**	53.3	
Statement of financial position (Rm)												
Loans and advances	**39 164**	36 671	7	**18 610**	18 410	1	**15 082**	15 661	(4)	**72 856**	70 742	3
Loans and advances to customers	**38 960**	36 405	7	**18 610**	18 410	1	**2 834**	3 207	(12)	**60 404**	58 022	4
Loans and advances to banks	**204**	266	(23)	**—**	—	—	**12 248**	12 454	(2)	**12 452**	12 720	(2)
Investment securities	**1 923**	1 855	4	**935**	996	(6)	**525**	544	(3)	**3 383**	3 395	(0)
Other assets	**9 778**	9 543	2	**450**	387	16	**268 824**	237 980	13	**279 052**	247 910	13
Total assets	**50 865**	48 069	6	**19 995**	19 793	1	**284 431**	254 185	12	**355 291**	322 047	10
Deposits	**2 056**	1 952	5	**21**	16	31	**276 246**	245 360	13	**278 323**	247 328	13
Deposits due to customers	**2 056**	1 952	5	**21**	16	31	**276 246**	245 360	13	**278 323**	247 328	13
Deposits due to banks	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Debt securities in issue	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Other liabilities	**46 532**	45 061	3	**19 910**	20 365	(2)	**5 183**	5 603	(7)	**71 625**	71 029	1
Total liabilities	**48 588**	47 013	3	**19 931**	20 381	(2)	**281 429**	250 963	12	**349 948**	318 357	10
Financial performance (%)												
RoRWA	**1. 93**	(0.52)		**0.25**	(2.25)		**11.60**	13. 43		**4.10**	2. 52	
RoA	**1. 78**	(0.49)		**0.32**	(2.74)		**1. 14**	1. 36		**1. 19**	0.78	

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for the reporting period ended 31 December

Business unit performance

Home Loans

Business performance

Demand in the South African housing market has been strong across all segments in 2021, with total applications growing by **18%** against 2020 and 48% against 2019. This growth was underpinned by the low interest rate environment and positive sentiment towards home ownership. The strategic changes made by the business enabled Home Loans to grow faster than the market.

The overall confidence in the South African property market improved:

- Absa average homeowner sentiment index increased by 4 percentage points to **80%** in 2021 (2020: 76%); and
- National house price inflation index increased by **5.1%** in 2021 (2020: 3.7%).

The business continued to create sustainable value by executing against a consistent strategy. This was achieved through:

- Enhancing acquisition strategies, resulting in an improvement in quality and volume, notwithstanding increased competition;
- Investing in systems and processes to enhance collection capabilities which improved efficiency;
- Revising the definition of default in the IFRS9 impairment models, aligning the treatment of forbearance and cures to the market;
- Improving the customer journey by advancing digital self-service capabilities;
- Focusing on the bancassurance and Everyday banking integration providing the customer with improved solutions;
- Building and improving the integrated frontend and workflow system; and
- Playing an active role in the affordable housing market by providing relevant financial solutions.

The financial performance was driven by:

- New mortgages registered increased by **49%** against 2020, whilst the market increased by 41%;
- Market share for new mortgages registered increasing to **23.2%** (2020: 21.8%);
- Average LTV on new mortgages registered increased to **89.1%** (2020: 88.4%); and
- Mortgages originated by mortgage originators as a percentage of business increased to **64.8%** (2020: 57.5%).

Financial performance

Gross loans and advances increased by **9%** to **R277bn** (2020: R255bn) on the back of continued growth in new mortgages registered. Absa's home loans market share increased to **23.7%** from 23.4% in 2020 (BA900).

Headline earnings increased to **R2 531m** (2020: R534m) on the back of a strong pre-provision profit growth of **15%** and a reduction in the impairments.

Net interest income increased **12%** to **R4 999m** (2020: R4 478m), driven by advances growth and increased margins from pricing initiatives and lower funding cost.

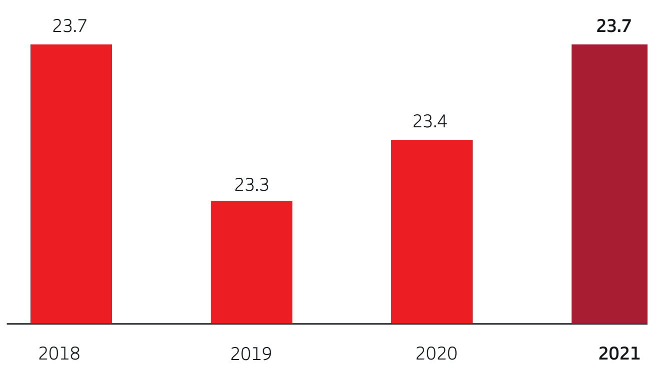
Impairments charge reflects a release of **R134m**, relative to a charge of R2 189m in 2020, driven by a refinement of the Stage 3 assumptions in the IFRS9 models, along with an improvement in book construct. This resulted in overall coverage decreasing to **2.57%** (2020: 2.92%) which remains above pre-COVID-19 levels. The NPL ratio of **7.3%** (2020: 9.3%) reflects the impact of the change in the definition of default and is now consistent with industry treatment.

Looking ahead Home Loans will focus on:

- Delivering a superior home loan experience throughout the product's lifetime with the development of digital self-service and application capabilities;
- Remaining sustainable and competitive through the cycle with consistent market presence and advanced credit modelling developments;
- Improving collections efficiency with process automation in distressed property sales and providing early distress solutions to customers in their time of need; and
- Broadening franchise value by providing integrated home loan solutions with transactional and insurance products.

Mortgage market share

Mortgages market share (%)[1]



[1] Source: SARB BA900.

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for the reporting period ended 31 December

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

The domestic vehicle market experienced a steady recovery in 2021, however it still remains below pre-COVID-19 levels, characterised by:

- New vehicle sales increasing by **22%** for the period ending December 2021 compared to a 29% decline in 2020, however this remains 14% down on the same period in 2019 (naamsa)[2];
- New vehicle price inflation averaging **5.0%** for the twelve month period ending December 2021 (StatsSA); and
- The combined new and used financed vehicle market growing by **23%** in 2021 after a 28% decline in 2020 although this remains 11% down on the comparable period in 2019 (Transunion)[3].

VAF continued to focus on achieving its strategic objectives through:

- Excellence in Voice and Digital service levels through the implementation of additional customer self-service features on digital platforms;
- Enhancements to collections strategies and capabilities to improve efficiency and effectiveness, including the expansion of asset realisation processes through digital platforms thereby helping customers to sell more easily and enabling dealers to access stock virtually with >100% take-up year on year;
- Embedding a refined digital application service across Dealer, Branch, Private Banking and Virtual Channels that resulted in industry leading turnaround times;
- Delivering holistic dealer propositions in collaboration with Relationship Banking resulting in an increase in the number of primary banked dealers; and
- Deepening relationships with industry stakeholders and playing a meaningful role in the industry.

The above has resulted in:

- Production increasing by **24%** year on year;
- Market share on Instalment Debtors (per BA900) increasing from 21.7% to **23.4%** as at December 2021;
- Continued positive trends in margins that yielded an improvement of **21 bps**; and
- Early arrears returning to 2019 levels together with an improvement in the legal book.

Financial performance

Gross loans and advances to customers increased by **10%** to **R104.1bn** (2020: R94.9bn) driven by strong production levels that supported solid instalment sales growth.

Headline earnings improved by R1 532m to a profit of **R604.7m** driven by the reduced impairment charge and pre-provision profit growth of **18%**. Cost to income improved to **38.4%** supported by robust revenue growth enabled by investments in technology to improve business scalability and service delivery although this has resulted in increased depreciation charges.

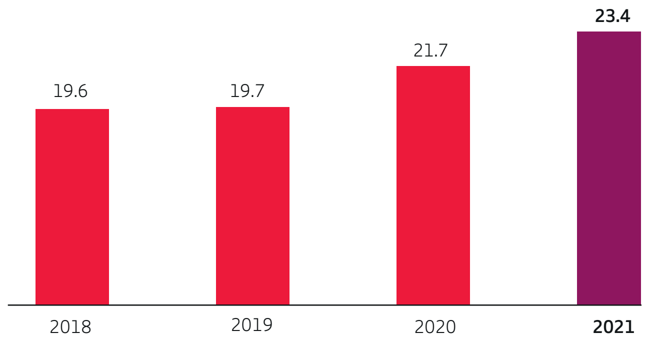
Net interest income grew by **17%** to **R3 047m** (2020: R2 603m) underpinned by the strong book growth, stable pricing on flow business and run-off of the lower margin back book.

Impairments reduced to **R1 426m** (2020: R3 062m) with the credit loss ratio improving to **1.45%** (2020: 3.45%), driven by an improvement in both the underlying collections performance and the economic outlook relative to 2020 as well as the once-off impairment adjustment taken in 2020. The NPL ratio reduced to **6.9%** (2020: 7.9%) driven by a change in the default definition implemented in the first half of the year and a reduction in the legal portfolio. Total impairment coverage remained fairly stable at **5.8%** whilst NPL coverage was strengthened to **55.0%** (2020: 46.3%) given some ageing within the legal book.

Looking ahead, VAF will focus on:

- Continued effort on improving returns through quality new business origination and efficient use of financial resources;
- Further enhancement of collections efficiency and effectiveness to better assist customers in distress;
- Implementation of additional acquisition and payment features on digital platforms; and
- Deepening strategic partnerships to become the preferred financial services partner of the Dealer as well as expanding relationships with industry stakeholders.

VAF market share (%)[1]



[1] Source SARB BA900.

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for the reporting period ended 31 December

Business unit performance (continued)

Everyday Banking

Business performance

The business continued its improving performance trajectory, notwithstanding the operational challenges and uncertainties emanating from the COVID-19 pandemic and sustained the focus on executing its growth strategy, as demonstrated in the following:

- Implementation of new pricing reforms, in the first quarter, addressing key customer pain points whilst providing R500m in annual pricing relief;
- Sustaining targeted acquisitions in the Core Middle Market, and Retail Affluent segments;
- Driving primacy and digital engagement to enhance digital adoption and activity whilst improving usage;
- Deploying new strategic payment innovations, including Apple Pay, Virtual Card, QR Scan to Pay, and wearables, contributing to the digital transformation journey;
- Improving lending production through enhanced credit and collections strategies that supported customers through the COVID-19 pandemic; and
- Driving growth in deposits, supported by strong performance in the transactional deposit portfolio and the successful migration of customers from the Absa Money Market fund.

Production and usage momentum improved, particularly in the second half of the year, with increased activity levels across the products, notwithstanding the moderate demand for credit and economic pressure on the entry-level banking segments:

- Sales to the targeted segments increased and exceeded 2019 levels;
- The number of digitally active customers increased **11%**;
- Sales of cheque accounts grew **73%** year on year and 24% up on 2019;
- Sales of new credit cards grew **33%**;
- Credit card limit production increased **17%** whilst total limits in issue increased **3%**;
- Credit card Point-of-sale turnover grew **12%** in total;
- The e-commerce turnover increased **34%**, and significantly exceeded 2019 levels;
- Volumes of digital transactions increased **20%** and benefited from the pricing reforms;
- Personal Loan production grew **40%** supported by the enhanced credit strategies but remains below the 2019 level given the measured approach to lending by the business; and
- Deposits achieved above-market growth of **13%**.

Financial performance

Gross loans and advances to customers contracted **1%** to **R73.0bn** (2020: R73.7bn) despite the good production momentum in the second half of 2021. The book contraction was mostly a function of increased liquidity, moderate credit demand in the market, as well as the effect of the measured approach to lending.

Deposits grew **13%** to **R278.3bn** (2020: R247.3bn) supported by growth in both the transactional and investment deposit portfolios which increased **10%** and **13%** respectively. Transactional deposit growth reflected the impact of increased liquidity in the market and a resilient primary customer base. The increase in investment deposits was driven by selective growth in key areas across the products suite, led by the migration of customers from the Absa Money Market Fund.

Headline earnings grew **63%** to **R3 930m** (2020: R2 405m), supported by a **41%** reduction in credit impairments which offset a **9%** contraction in pre-provision profit as income declined **2%** and cost growth was contained to **3%**.

Total income declined by **2%** to **R23 315m** (2020: R23 888m) 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 declined **2%** to **R12 418m** (2020: R12 610m) mostly due to the low-interest-rate environment:

- Net interest income on loans and advances reduced **3%** reflecting the lower interest rates and the measured approach to lending within the portfolio.
- Net interest income on deposits declined **1%**, despite the above-market growth in the deposits book, mostly reflecting a compression in margins due to the low-interest-rate environment.

Non-interest income declined **3%** to **R10 897m** (2020: R11 278m) largely reflecting the impact of the customer-centric pricing reductions in the first quarter and the continued migration of customers to digital channels although partially offset by a **20%** increase in digital usage levels and a **14%** growth in Card turnover, with volumes now **70%** and **8%** higher than 2019 levels respectively.

Credit impairments reduced by **41%** to **R4 348m** (2020: R7 337m) reflecting an improvement in the underlying book quality, the non-recurrence of the balance sheet resilience built in 2020 and model enhancements to better reflect the credit quality of the portfolio, with the credit loss ratio improving to **5.02%** (2020: 8.42%). The improvement of the NPL ratio to **14.61%** is reflective of the measured approach to lending as well as concerted efforts to manage the NPL book. The total coverage decreased to **17.20%** reflecting the improvement in the NPL ratio, however this remains well above pre-COVID-19 levels.

Operating expenses grew **3%** to **R13 172m** (2020: R12 737m) as the benefits from digital investments and optimisation of the branch and ATM network were offset by higher activity driven costs following the relaxation of the lockdown regulations that were in place for the majority of 2020.

Looking ahead, Everyday Banking will focus on:

- Accelerating acquisitions in the entry-level banking segment whilst maintaining the positive momentum on Core Middle Market and Retail;
- Enabling seamless customer experience across all channels and products;
- Streamlining and simplifying the product continuum through integrated propositions to solve for current and future customers in a rapidly evolving market;
- Enhancing the existing, and building new, primary relationships with customers;
- Accelerating digital payment innovations to afford customers more transacting options; and
- Sustaining the disciplined approach to underwriting, whilst optimising the digital collections capabilities.

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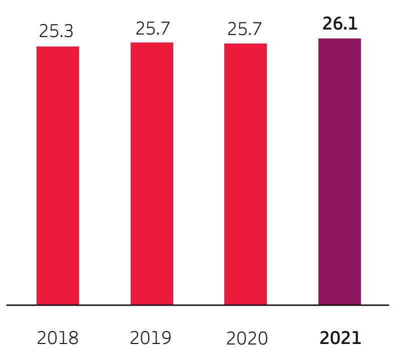
for the reporting period ended 31 December

Business unit performance (continued)

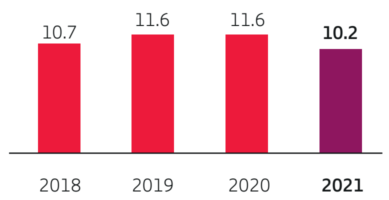
Everyday Banking (continued)

Financial performance (continued)

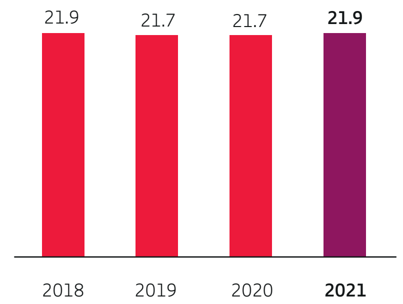
Card market share stock (%)[1]



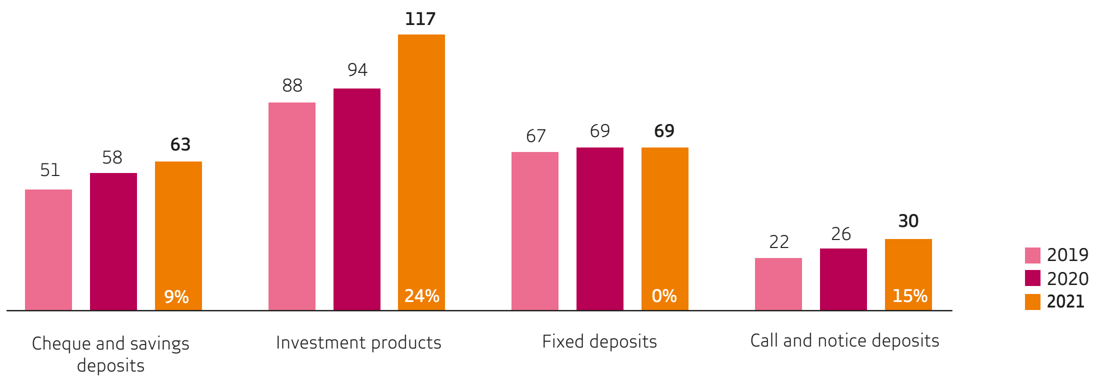
Personal loans market share (%)[1]



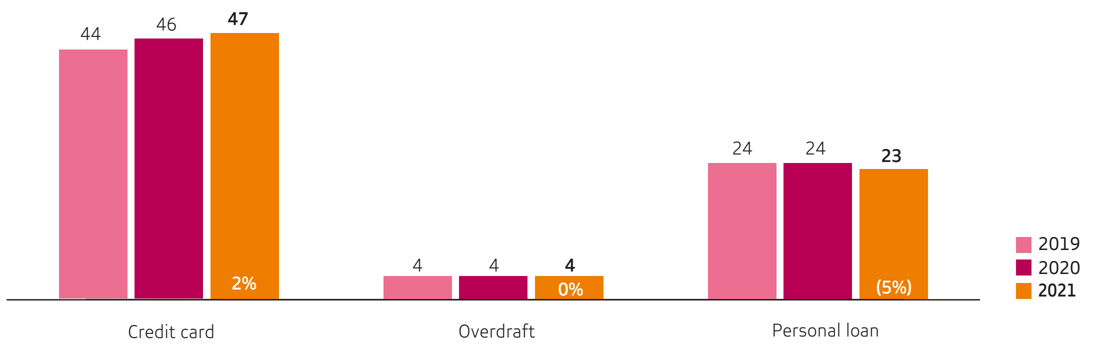
Deposits market share (%)[1]



Deposits (Rbn and % change)



Gross loans and advances (Rbn and change %)



[1] SARB BA900.

RBB

for the reporting period ended 31 December

Business unit performance (continued)

Relationship Banking

Business performance

The business continued to consistently execute against its strategic initiatives as it navigated a rapidly changing operating environment.

Traction in growing the Commercial Segment has accelerated, anchored by the historically strong Agri sector which has been resilient through the COVID-19 pandemic to date, the leveraging of the Third Party Fund Management deposit platform and the merchant acquiring business.

Within the SME segment, the Business Evolve proposition continues to be enhanced with a focus on providing a digitised, bespoke and easy to use solution for customers. The response from customers, to date, has been encouraging with Business Evolve accounting for 83% of the new accounts opened in 2021. Further products enhancements delivered during the year include:

- The integration of a decision making tool to assist customers with identifying the correct product choices based on their specific requirements;
- An automated Overdraft facility; and
- Integration of merchant acquiring services into the customer on-boarding journey supported by the successful piloting of Mobile Pay, an innovative solution that turns any smartphone into a Point-of-Sale device.

The implementation of the CustomerOne customer relationship management system continues to progress well with the automation of onboarding and back-office processes supported by the integration of the credit journeys. This, together with a single view of the customer, enabled the leveraging of the voice and digital channels for non-empathetic services whilst allowing bankers to focus on providing value added services to customers.

Following the integration of the Wealth business a revised Private Wealth service model was implemented in the later part of the year which is expected to improve customer experience across the spectrum whilst improving efficiency within the service model. The integration of the advisory and fiduciary business has enhanced the overall customer proposition and is being continuously refined to unlock the bancassurance opportunity.

Financial performance

Gross loans and advances to customers grew by **3%** to **R131bn** (2020: R127bn) reflecting sustained momentum in the term lending portfolio, most notably from the Agri portfolio, as well as some expansion in working capital facilities as customers regained confidence and cautiously started to invest.

Deposits increased by **13%** to **R188bn** (2020: R167bn) reflecting continued growth in both transactional and saving and investments products which increased by **12%** and **13%** respectively. Transactional growth was supported by the build-up of liquidity as customers remained cautious in their investments whilst savings and investments growth was focused on targeted savings and investments products and was supported by customer migrations from the Absa Money Market Fund which was closed in July.

Headline Earnings increased **49%** to **R3 459m** (2020: R2 317m), reflecting a **57%** decrease in impairments and **5%** growth in pre-provision profits.

Net Interest Income increased by **4%** to **R8 318m** (2020: R8 032m) driven mainly by the increase in the deposit book volumes and partially offset by compression in the deposit and Term loan product margins.

- Net interest income on deposits increased by **3%** underpinned by a **15%** growth in average balances which was offset by the reduction in the interest rates and adverse product mix within the portfolio;
- Net interest income on advances increased by **3%** as average balances grew **3%** and rates remained stable.

Non-Interest Income increased by **3%** to **R5 811m** (2020: R5 616m) notwithstanding the customer centric fee reductions made in the second half of 2020. Card acquiring volumes improved by **14%** driven by customer acquisition and improved transactional activity as the economy started to normalise. Non-Interest income in the Financial Advisory and Fiduciary business was mixed as growth in the Advisory and Stockbroking businesses was partially offset by the Fiduciary business, where the intermittent closures of the municipal and master of the high court offices negatively impacted volumes.

Impairments decreased by **57%** to **R867m** (2020: R2 032m) given the non-recurrence of the balance sheet resiliency built in 2020 and improved book construct although this was partially offset by sector specific overlays taken in 2021, resulting in the credit loss ratio decreasing to **0.67%** (2020: 1.61%). Total book coverage was maintained at **4.00%** (2020: 4.01%).

Operating expenditure increased by **3%** as operating activities started to normalise in 2021 and the business continued to invest in automation and digitisation as well as optimising the operating model although this was partially offset by prudent discretionary cost management and benefits from the embedment of strategic initiatives.

Looking ahead, Relationship Banking will continue to focus on:

- Leveraging the Relationship Banking ecosystem for the benefit of customers;
- Embedding the Private Wealth service model;
- Scaling the Bancassurance business by aligning advice distribution channels; and
- Continuous improvements to the entrepreneur proposition.

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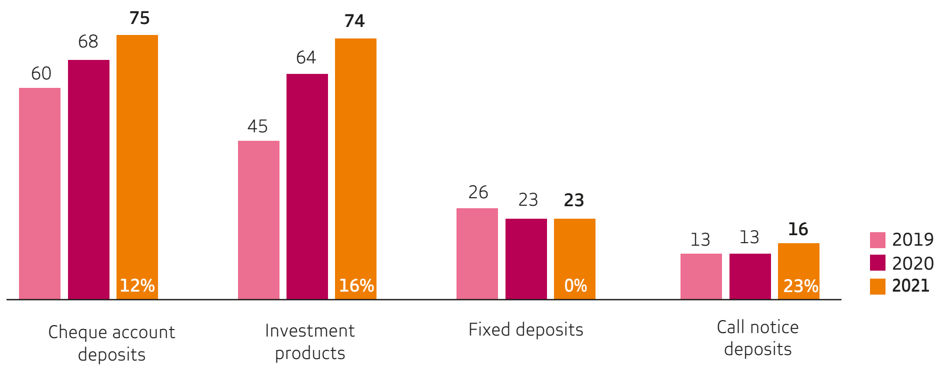
for the reporting period ended 31 December

Business unit performance (continued)

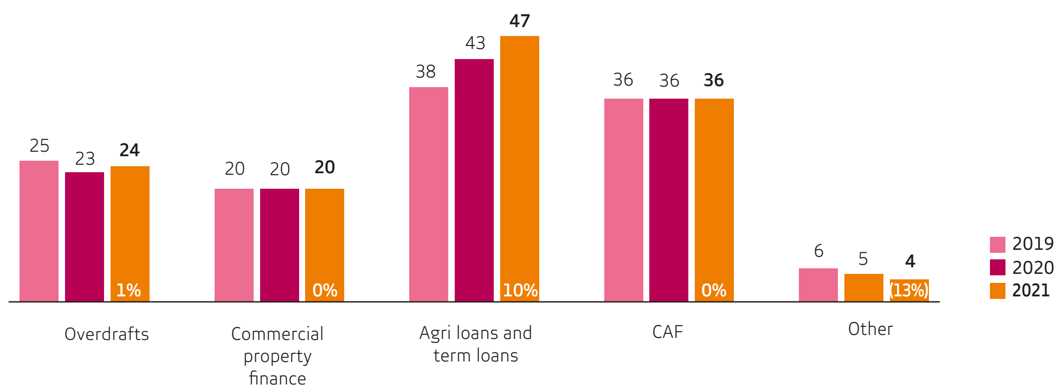
Relationship Banking (continued)

Financial performance (continued)

Deposits (Rbn and % change)



Gross loans and advances (Rbn and % change)



Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

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for the reporting period ended 31 December

	Life Insurance			Short-term Insurance			Insurance SA		
	2021 Rm	2020 Rm	Change %	2021 Rm	2020 Rm	Change %	2021 Rm	2020 Rm	Change %
Statement of comprehensive income (Rm)									
Net insurance premium income	**3 971**	3 695	7	**3 120**	3 003	4	**7 091**	6 698	6
Net insurance claims and benefits paid	**(2 659)**	(1 787)	49	**(2 046)**	(1 852)	10	**(4 705)**	(3 639)	29
Investment income									
Policyholder investment contracts	**1 681**	1 329	26	**—**	—	—	**1 681**	1 329	26
Policyholder insurance contracts	**280**	47	>100	**33**	42	(21)	**313**	89	>100
Changes in investment and insurance contract liabilities									
Policyholder investment contracts	**(1 641)**	(1 264)	30	**—**	—	—	**(1 641)**	(1 264)	30
Policyholder insurance contracts	**(411)**	158	<(100)	**—**	—	—	**(411)**	158	<(100)
Other income	**15**	(4)	>100	**35**	27	30	**50**	23	>100
Gross operating income	**1 236**	2 174	(43)	**1 142**	1 220	(6)	**2 378**	3 394	(30)
Net commission paid by insurance companies	**(742)**	(757)	(2)	**(482)**	(452)	7	**(1 224)**	(1 209)	1
Operating expenses	**(548)**	(450)	22	**(385)**	(328)	17	**(933)**	(778)	20
Other expenses	**(141)**	(130)	8	**(6)**	(2)	>100	**(147)**	(132)	11
Net operating income	**(195)**	837	<(100)	**269**	438	(39)	**74**	1 275	(94)
Investment income on shareholders' funds	**53**	83	(36)	**76**	104	(27)	**129**	187	(31)
Taxation expense	**(32)**	(295)	(89)	**(103)**	(171)	(40)	**(135)**	(466)	(71)
Profit for the period	**(174)**	625	<(100)	**242**	371	(35)	**68**	996	(93)
Headline earnings	**(174)**	622	<(100)	**242**	371	(35)	**68**	993	(93)
Note (Rm)									
Investment income									
Policyholder investment contracts	**1 681**	1 329	26	**—**	—	—	**1 681**	1 329	26
Net interest income	**524**	1 025	(49)	**—**	—	—	**524**	1 025	(49)
Dividend income	**194**	224	(13)	**—**	—	—	**194**	224	(13)
Fair-value gains/(losses)	**963**	80	>100	**—**	—	—	**963**	80	>100
Policyholder insurance contracts	**280**	47	>100	**33**	42	(21)	**313**	89	>100
Net interest income	**54**	54	—	**33**	42	(21)	**87**	96	(9)
Dividend income	**9**	17	(47)	**—**	—	—	**9**	17	(47)
Fair-value gains/(losses)	**217**	(24)	>100	**—**	—	—	**217**	(24)	>100
Shareholder funds	**53**	83	(36)	**76**	104	(27)	**129**	187	(31)
Net interest income	**53**	73	(27)	**87**	105	(17)	**140**	178	(21)
Dividend income	**—**	—	—	**2**	2	—	**2**	2	—
Fair-value gains/(losses)	**—**	10	(100)	**(13)**	(3)	>100	**(13)**	7	<(100)
Total	**2 014**	1 459	38	**109**	146	(25)	**2 123**	1 605	32
Net interest income	**631**	1 152	(45)	**120**	147	(18)	**751**	1 299	(42)
Dividend income	**203**	241	(16)	**2**	2	—	**205**	243	(16)
Fair-value gains/(losses)	**1 180**	66	>100	**(13)**	(3)	>100	**1 167**	63	>100

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for the reporting period ended 31 December

	Insurance SA 2021 Rm	2020 Rm	Change %
Statement of financial position			
Assets			
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	21 308	24 823	(14)
Cash balances and loans and advances to banks	1 184	1 202	(1)
Investment securities	20 124	23 621	(15)
Policyholder insurance contracts	3 224	2 851	13
Cash balances and loans and advances to banks	264	489	(46)
Investment securities	2 798	2 159	30
Reinsurance assets	162	203	(20)
Shareholder funds	2 714	2 609	4
Cash balances and loans and advances to banks	602	873	(31)
Investment securities	2 112	1 736	22
Other assets	936	779	20
Property and equipment	—	2	(100)
Total assets	28 182	31 064	(9)
Liabilities			
Liabilities under investment contracts	21 242	24 740	(14)
Policyholder liabilities under insurance contracts	3 382	2 533	34
Other liabilities	1 408	1 098	28
Other liabilities	1 321	985	34
Other liabilities relating to investment contracts	87	113	(23)
Deferred tax liabilities	226	204	11
Total liabilities	26 258	28 575	(8)
Equity			
Capital and reserves	1 924	2 489	(23)
Total equity	1 924	2 489	(23)
Total liabilities and equity	28 182	31 064	(9)

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for the reporting period ended 31 December

Business unit performance (continued)

Insurance South Africa

Business performance

Insurance SA's performance was characterised by the impact of the COVID-19 pandemic with increased mortality claims and short term COVID-19 provisions in the Life Insurance business and a normalisation of claims experience in the Short-term Insurance business. The impact of the second and third waves was more severe than expected in the Life Insurance business, mostly due to higher average sum assured claims and infections than experienced in the first wave. Delivering the value of the integrated bancassurance model remains core to the strategy and notwithstanding the impact of COVID-19, the business has continued to make progress in its execution:

- Credit Life strike rates have improved to **71%** (2020: 60%);
- Integration of the Instant Life digital on-boarding and claims process into the bank branches assisted with growth of **21%** in this product;
- Improved Vehicle and Asset Finance Value Added Product volumes of **16%** through improved VAF production and optimisation of the sales processes; and
- Proactive identification of bank customers who qualify for COVID-19-related premium relief and claims.

The financial performance was driven by:

- New business volumes increasing by **26%** largely reflective of the bancassurance opportunity;
- Policy losses within the Life Insurance business have remained stable at **2.6%** (2020: 2.7%), as policyholders benefited from the premium holiday relief; and
- Overall claims increasing by **29%** on 2020 levels largely due to the higher COVID-19-related mortality and retrenchment claims and a normalisation of motor vehicle claims partially offset by the relatively benign weather conditions which resulted in no catastrophe losses.

Insurance SA has continued to offer standalone Life and Short-term Insurance customers a premium reprieve by allowing customers to miss an additional two premium payments without lapsing their insurance cover and thereby providing affordability relief.

The COVID-19 reserve in the Life Insurance business was strengthened by R287m in December 2021 to **R423m** to allow for the fourth and potential fifth wave of COVID-19 (refer to the policyholder liability note and the COVID-19 section 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.

South Africa – Life insurance

Salient features – Life Insurance	2021	2020	Change %
Shareholders' net assets (Rm)	846	1 212	(30)
Cost of solvency capital (Rm)	(177)	(162)	9
Value of business in-force (Rm)	4 232	4 069	4
Embedded value (Rm)	4 901	5 119	(4)
Embedded value earnings (Rm)	74	180	(59)
Return on embedded value (%)	1.4	3.1	(55)
EVNB (Rm)	543	374	45
Value of new business as a percentage of the present value of future premiums (%) (gross)	7.2	6.6	

Headline earnings reduced by **>100%** to a loss of **R174m** (2020: R622m profit) reflecting a significant increase in mortality and retrenchment claims experience, as well as increasing specific Life insurance reserves related to COVID-19 to **R423m**. This has been partially offset by **7%** growth in net premiums to **R3 971m** (2020: R3 695m) driven by growth in the funeral and Instant Life business as a result of the closer integration with bank operations.

Claims growth of **49%** to **R2 659m** (2020: R1 787m) was primarily due to an increase in mortality claims of **61%** to **R2 226m** compared to 2020. The impact on mortality of the second and third waves of infections was more severe than initially expected, at the end of 2020, as a result of the impact of higher average claims and a much higher infection rate. COVID-19 specific provisions were reassessed as at 31 December 2021 and increased by **R287m** to **R423m** to allow for the expected impact of the fourth and potential fifth waves (Refer to COVID-19 section on page 20 for more detail).

Year on year the Embedded Value has reduced by **4%**, this is primarily due to the increases in claims paid and the COVID-19 specific provision. The value of in-force business increased by **4%** as the growth in the in-force book more than offset the adverse impact of strengthening assumptions. Embedded Value of New Business (EVNB) increased **45%** due to an increase in volumes.

RBB

for the reporting period ended 31 December

Business unit performance (continued)

Insurance South Africa (continued)

South Africa Short-term insurance

Salient features – Short-term Insurance	2021	2020	Change %
Headline earnings (Rm)	**242**	371	(35)
Net premium income (Rm)	**3 120**	3 003	4
Underwriting margin (%)	**7.5**	13.7	
Loss ratio (%)	**66**	62	

Headline earnings decreased **35%** to **R242m** (2020: R371m) driven by an increase in claims experience, management expenses and lower investment income. Despite this decrease the business continued to deliver a strong underwriting margin of **7.5%** over the period. Net insurance premium income increased **4%** to **R3 120m** (2020: R3 003) driven by growth in the digital insurance platform, personal lines intermediated and the direct business.

Claims incurred have increased by **10%** year-on-year mainly driven by the impact of the hard lockdown in second and third quarters of 2020 which saw a significant reduction in motor accidents over this period. With the gradual return to normal activity in the 2021 year, the business has seen an increase in the frequency and severity of motor vehicle accidents although partially offset by continued 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 reduced average interest rates in 2021 when compared to 2020.

Looking ahead the Insurance SA will continue to focus on the following key strategic themes:

- Enhancing digital insurance capabilities and offerings as well as customer self-service functionality;
- Improving product propositions and creating seamless integration in customer banking journeys; and
- Further enhancements in the usage of data in retention and collections.

RBB ARO

for the reporting period ended 31 December

RBB ARO headline earnings increased to **R462m** (2020: R227m loss), driven by pre-provision profit growth of **8%** (CCY: 21%) and a **49%** (CCY: 41%) reduction in impairments.

Asset production momentum improved in 2021, with loans and advances growing **15%** (CCY: 8%), supported by strong production levels in personal lending

Margins contracted slightly in line with interest rate shifts across majority of markets

Deposits due to customers grew by 9% on a constant currency basis supported by both transactional and investment products

Non-interest income as a percentage of total income marginally declined to 27.5% (2020: 27.9%) mainly as a result of changes in the regulatory environment

Credit loss ratio declined to 2.03% (2020: 3.88%) as economic activity recovered and operations and collection activities normalised

Cost to income of 70% (2020: 73%) remains elevated despite improving cost management

Digitally active customers grew to 58% (2020: 52%) in line with the business strategy to become a digitally led bank

Return on Regulatory Capital (RoRC) of 5.0% (2020: -2.0%) remains below the Group's cost of equity

Salient features	2021	2020	CCY%	Change %
Income (Rm)	**11 893**	12 343	7	(4)
Pre-provision profit (Rm)	**3 607**	3 349	(2)	8
Headline earnings (Rm)	**462**	(227)	(21)	>100
Credit loss ratio (%)	**2.03**	3.88		
Cost-to-income ratio (%)	**69.7**	72.9		
RoRWA (%)	**0.58**	(0.24)		
RoA (%)	**0.43**	(0.22)		
RoRC (%)	**5.00**	(2.0)		

Business performance

RBB ARO continued to execute on its growth strategy with a focus on embedding a digital first, customer centric business that delivers customer value propositions that serve customers across their life stages in a seamless channel environment. Strategic execution accelerated in 2021, as economies normalised following the initial impact of the COVID-19 pandemic, however this was balanced with the need to prioritise the safety and well-being of employees and customers and ensuring that financial services remained uninterrupted. The business drove a cautious risk appetite that ensured a balance in supporting client business continuity whilst consolidating the Bank's capital position for long term growth and continues to make strategic headway as evidenced by the performance metrics below:

- Digitally active customers increased to **58%** (2020: 52%) of the transactional customer base, primarily driven by the launch of the revised mobile banking applications;
- Continued to gain traction in the fast growing mobile economy with the Timiza proposition (Kenya) and the mobile lending partnership with Jumo in Zambia (Kongola), Ghana (Ahomka) and Tanzania (Tigo). The lending portfolio strengthened with **4.3m** loans disbursed (2020: 2.8m), with a disbursement value of over **R4.0bn** (2020: R2.1bn);
- Launched a mobile wallet offering in three markets in 2021;
- Continued the rollout of contactless cards and terminals across all markets, with **13.8%** of all transactions now conducted on the 'tap and pay' facility;
- The first to market launch of QR code ATM withdrawals from the Absa Digital App was closely followed by the rollout of a merchant digital self-service portal. QR Code Payments for both Customers and Merchants in Kenya and the implementation of Dynamic Currency Conversion on Absa ATMs in multiple markets was successfully piloted;
- Personal loan production increased **29%**, driven by focus on growth in relatively low risk sectors;
- Credit and Debit card turnover increased by **9%** and **8%** respectively; and
- Active card acquiring merchants increased by **11%**, with e-Commerce Merchants growing by **25%**.

RBB ARO

for the reporting period ended 31 December

Financial performance

FX impact on financial performance

The Rand strengthened on average compared to the basket of ARO currencies in 2021, while it depreciated on a spot basis as at 31 December 2021. This had a negative impact on earnings translation and revenue, while having a positive impact on closing balance sheet positions. Commentary below has been provided using constant currency growth rates which better reflect underlying performance.

ARO Banking

Loans and advances to customers grew **8%**. This was driven by growth in personal lending of **8%** and mortgage lending of **9%** while Commercial grew by **2%**. Deposits due to customers grew **9%**, driven by growth in both transactional and investment deposits.

Headline earnings of **c.R500m** reflects growth in pre-provision profits of **30%** and a **41%** reduction in the impairment charge.

Net interest income growth of **8%** was primarily driven by the balance sheet growth across the markets as margins remained relatively stable.

Non-interest income growth of **14%** reflects growth in Trade and FX revenues in the commercial segment. Transactional fee growth of **4%** reflects the continued strain on economic activity, a structural shift to cheaper digital banking channels, continued customer support and limited fee increases.

Impairments declined **41%,** resulting in an improved credit loss ratio of **2.03%** (2020: 3.88%). The lower charge reflects the improving macro-economic outlook as well as the benefits from the support provided to customers in 2020. The credit risk profile improved across the majority of the portfolios reflective of the proactive credit risk mitigation strategies implemented in 2020, the quality of new loans granted and the improving macro environment. Total coverage ratio increased to **7.98%** (2020: 7.68%) while the NPL ratio increased to **7.9%** (2020: 6.07%) largely due to single name impairments in the commercial segment.

Operating expenses increased by **2%** relative to average inflation of **7%** across the ARO markets, as increased performance costs and investments in technology and digitisation were offset by focused cost management initiatives.

ARO Insurance Business Performance

The insurance business headline earnings declined by **190%** primarily driven by the Life insurance business given the impact of the COVID-19 pandemic on excess mortality.

Profit before tax declined by over 100% due to growth in motor and COVID-19-related claims, which was partially offset by **9%** saving in management expenses.

The impact of the second and third waves on the Life Insurance businesses were more severe than anticipated, however the business continued to grow and this is reflected in the following metrics:

- New Business volumes increased by **18%** year-on-year.
- The main contributor to the Gross Written Premium in Life insurance is Credit Life **31%**, Group risk **22%** and the new Government scheme business in Kenya **24%**.

ARO Life insurance

Headline earnings declined by more than **100%** primarily due to the impact of the COVID-19 pandemic on mortality and retrenchment claims which increased by **95%**, as well as the further strengthening of the COVID-19 provision with **R53m**. Net premium income grew by **7%** driven by growth in the Short-term insurance business.

ARO Short-term insurance

Headline earnings declined by **7%** driven by a **22%** increase in claims, mostly related to motor vehicle accidents as countries eased lockdown restrictions. Net earned premium increased by **1%** driven by an increase in new business and renewals.

Looking ahead RBB ARO will focus on:

- Integrating the Insurance and Banking businesses to provide customers with a holistic and seamless financial service through enhancing of frontline and digital capabilities;
- Enhancing Customer Lifecycle Management to deepen existing and build new customer relationships;
- Delivering a seamless omni-channel experience for customers, whilst optimising the branch operating model;
- Leveraging new propositions within mobile lending and payments to augment the existing suite of customer solutions; and
- Roll out an enhanced digital capability while further deepening our Commercial and SME product offering.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

CIB

for the reporting period ended 31 December

Headline earnings increased by 54% to **R7 760m** (31 December 2020: R5 054m, 64% in constant currency) underpinned by pre-provision profit growth of 10% to **R11 967m** (16% in constant currency) and lower credit provisioning.

Key performance highlights for the period include the following:

Maintained strong pre-provision growth

up 10% (16% in constant currency).

Income growth of 10%

(15% in constant currency) supported by client franchise growth and improved primacy.

Non-interest income

as a proportion of total income improved to **40.2%** (31 December 2020: 36.2%).

Credit loss ratio lower

than the through-the-cycle target range at **0.17%** (31 December 2020: 0.75%).

Return on regulatory capital increased

to **21.6%** from 13.5%.

Loan to deposit ratio of 93.0%

(31 December 2020: 98.2%) as customer deposit growth of 14% was greater than customer loans growth of 7%.

Net interest margin decreased

to 228 bps from 239 bps mainly driven by deposit margin contraction due to the low interest rate environment, as well as deposit growth mostly being concentrated on low margin earning deposits.

Operating expenses growth of 10%

largely attributable to higher performance costs, non-performance cost growth contained at 5%.

Efficiency ratios largely unchanged

from prior year, with CTI at 48.2% (up 0.1%) and JAWS marginally negative at -0.2%.

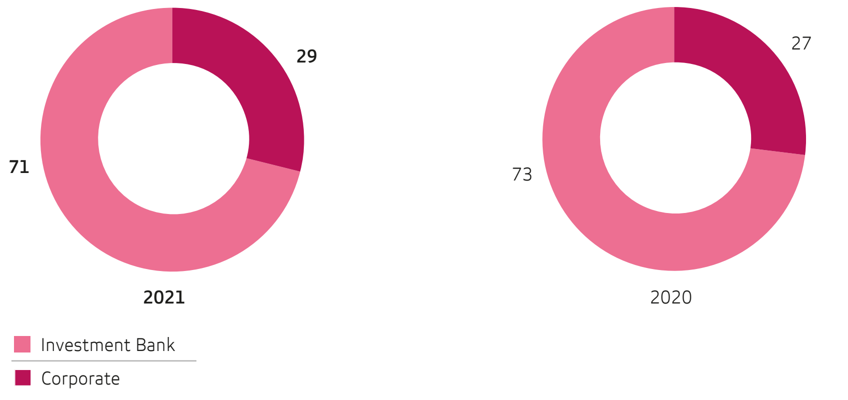
ARO reported earnings adversely impacted

by the Rand strengthening.

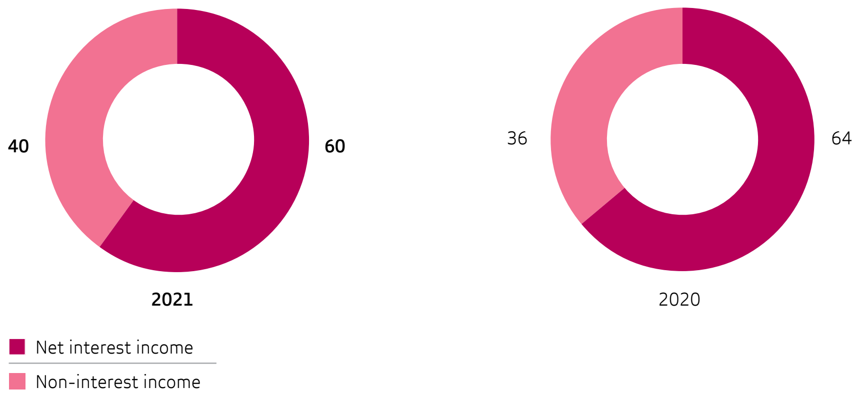
CIB

for the reporting period ended 31 December

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	2021	2020	CCY%	Change %
Income (Rm)	**23 105**	21 026	15	10
Headline earnings (Rm)	**7 760**	5 054	64	54
Pre-provision profit (Rm)	**11 967**	10 912	16	10
Cost-to-income ratio (%)	**48.2**	48.1		
Credit loss ratio (%)	**0.17**	0.75		
RoRWA (%)	**2.41**	1.50		
RoA (%)	**0.81**	0.56		
RoA net of internal balances (%)[1]	**1.11**	0.72		
RoRC (%)	**21.6**	13.5		

[1] Return on assets metric utilising the impact of net internal assets within the total average assets balance.

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Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

CIB

for the reporting period ended 31 December

	Corporate Bank				Investment Bank				Total CIB			
	2021	2020	CCY%	Change %	2021	2020	CCY%	Change %	2021	2020	CCY%	Change %
Statement of comprehensive income (Rm)												
Net interest income	**7 232**	6 822	12	6	**6 576**	6 601	3	(0)	**13 808**	13 423	7	3
Non-interest income	**2 297**	2 270	4	1	**7 000**	5 333	39	31	**9 297**	7 603	28	22
Total income	**9 529**	9 092	10	5	**13 576**	11 934	18	14	**23 105**	21 026	15	10
Impairment losses	**35**	(1 298)	<(100)	<(100)	**(771)**	(1 993)	(59)	(61)	**(736)**	(3 291)	(76)	(78)
Operating expenses	**(5 795)**	(5 366)	11	8	**(5 343)**	(4 748)	15	13	**(11 138)**	(10 114)	13	10
Other expenses	**(108)**	(101)	13	7	**(208)**	(149)	44	40	**(316)**	(250)	32	26
Operating profit before income tax	**3 661**	2 327	72	57	**7 254**	5 044	52	44	**10 915**	7 371	58	48
Tax expenses	**(1 138)**	(718)	72	59	**(1 333)**	(886)	64	50	**(2 471)**	(1 604)	68	54
Profit for the reporting period	**2 523**	1 609	72	57	**5 921**	4 158	49	42	**8 444**	5 767	55	46
Profit attributable to:												
Ordinary equity holders	**2 263**	1 443	73	57	**5 476**	3 702	55	48	**7 739**	5 145	60	50
Non-controlling interest – ordinary shares	**181**	73	>100	>100	**193**	191	12	1	**374**	264	57	42
Non-controlling interest – preference shares	**23**	31	(25)	(26)	**74**	91	(19)	(19)	**97**	122	(21)	(21)
Other equity – Additional Tier 1	**56**	62	(9)	(9)	**178**	174	2	2	**234**	236	(1)	(1)
	2 523	1 609	72	57	**5 921**	4 158	49	42	**8 444**	5 767	55	46
Headline earnings	**2 287**	1 353	88	69	**5 473**	3 701	55	48	**7 760**	5 054	64	54
Operating performance (%)												
Net interest margin on average interest-bearing assets	**2.12**	2.41			**2.50**	2.38			**2.28**	2.39		
Credit loss ratio	**(0.05)**	1.74			**0.21**	0.55			**0.17**	0.75		
Non-interest income as % of income	**24.1**	25.0			**51.6**	44.7			**40.2**	36.2		
Income growth	**5**	11			**14**	17			**10**	14		
Operating expenses growth	**8**	7			**13**	3			**10**	5		
Cost-to-income ratio	**60.8**	59.0			**39.4**	39.8			**48.2**	48.1		
Statement of financial position (Rm)												
Loans and advances[1]	**87 451**	70 714	21	24	**364 553**	352 191	3	4	**452 004**	422 905	6	7
Loans and advances to customers	**67 888**	59 536	11	14	**330 530**	312 224	5	6	**398 418**	371 760	6	7
Loans and advances to banks	**19 563**	11 178	72	75	**34 023**	39 967	(15)	(15)	**53 586**	51 145	4	5
Investment securities	**2 817**	3 672	(23)	(23)	**40 425**	40 602	(0)	(0)	**43 242**	44 274	(2)	(2)
Other assets	**278 224**	247 582	10	12	**217 350**	225 050	(4)	(3)	**495 574**	472 632	4	5
Total assets	**368 492**	321 968	12	14	**622 328**	617 843	0	1	**990 820**	939 811	4	5
Deposits[1]	**357 669**	313 452	12	14	**124 716**	108 446	15	15	**482 385**	421 898	13	14
Deposits due to customers	**345 912**	306 145	11	13	**63 164**	54 084	17	17	**409 076**	360 229	12	14
Deposits due to banks	**11 757**	7 307	61	61	**61 552**	54 362	13	13	**73 309**	61 669	19	19
Debt securities in issue	**—**	—	—	—	**19 289**	18 276	6	6	**19 289**	18 276	6	6
Other liabilities	**9 730**	8 367	14	16	**472 887**	486 764	(4)	(3)	**482 617**	495 131	(3)	(3)
Total liabilities	**367 399**	321 819	12	14	**616 892**	613 486	0	1	**984 291**	935 305	4	5
Financial performance (%)												
Return on average risk-weighted assets	**2.53**	1.50			**2.36**	1.50			**2.41**	1.50		
Return on average assets	**0.66**	0.46			**0.89**	0.60			**0.81**	0.56		
RoRC	**23.1**	13.7			**21.1**	13.5			**21.6**	13.5		

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

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

CIB

for the reporting period ended 31 December

	CIB SA			CIB ARO				Total CIB			
	2021	2020	Change %	2021	2020	CCY%	Change %	2021	2020	CCY%	Change %
Statement of comprehensive income (Rm)											
Net interest income	8 909	8 304	7	4 899	5 119	7	(4)	13 808	13 423	7	3
Non-interest income	5 789	4 259	36	3 508	3 344	17	5	9 297	7 603	28	22
Total income	14 698	12 563	17	8 407	8 463	11	(1)	23 105	21 026	15	10
Impairment losses	(660)	(1 951)	(66)	(76)	(1 340)	(93)	(94)	(736)	(3 291)	(76)	(78)
Operating expenses	(7 327)	(6 330)	16	(3 811)	(3 784)	9	1	(11 138)	(10 114)	13	10
Other expenses	(242)	(121)	100	(74)	(129)	(39)	(43)	(316)	(250)	32	26
Operating profit before income tax	6 469	4 161	55	4 446	3 210	62	39	10 915	7 371	58	48
Tax expenses	(1 045)	(547)	91	(1 426)	(1 057)	53	35	(2 471)	(1 604)	68	54
Profit for the reporting period	5 424	3 614	50	3 020	2 153	66	40	8 444	5 767	55	46
Profit attributable to:											
Ordinary equity holders	5 093	3 256	56	2 646	1 889	68	40	7 739	5 145	60	50
Non-controlling interest – ordinary shares	—	—	—	374	264	57	42	374	264	57	42
Non-controlling interest – preference shares	97	122	(20)	—	—	—	—	97	122	(21)	(21)
Other equity – Additional Tier 1	234	236	(1)	—	—	—	—	234	236	(1)	(1)
	5 424	3 614	50	3 020	2 153	66	40	8 444	5 767	55	46
Headline earnings	5 133	3 170	62	2 627	1 884	67	39	7 760	5 054	64	54
Operating performance (%)											
Net interest margin on average interest-bearing assets	1.83	1.91		4.14	4.06			2.28	2.39		
Credit loss ratio	0.18	0.54		0.12	1.85			0.17	0.75		
Non-interest income as % of income	39.4	33.9		41.7	39.5			40.2	36.2		
Income growth	17	13		(1)	15			10	14		
Operating expenses growth	16	(0)		1	16			10	5		
Cost-to-income ratio	49.9	50.4		45.3	44.7			48.2	48.1		
Statement of financial position (Rm)											
Loans and advances[1]	380 461	362 423	5	71 543	60 482	10	18	452 004	422 905	6	7
Loans and advances to customers	338 132	318 832	6	60 286	52 928	6	14	398 418	371 760	6	7
Loans and advances to banks	42 329	43 591	(3)	11 257	7 554	44	49	53 586	51 145	4	5
Investment securities	41 927	43 162	(3)	1 315	1 112	19	18	43 242	44 274	(2)	(2)
Other assets	410 458	407 326	1	85 116	65 306	21	30	495 574	472 632	4	5
Total assets	832 846	812 911	2	157 974	126 900	16	24	990 820	939 811	4	5
Deposits[1]	392 983	349 441	12	89 402	72 457	13	23	482 385	421 898	13	14
Deposits due to customers	320 687	289 307	11	88 389	70 922	15	25	409 076	360 229	12	14
Deposits due to banks	72 296	60 134	20	1 013	1 535	(37)	(34)	73 309	61 669	19	19
Debt securities in issue	19 289	18 276	6	—	—	—	—	19 289	18 276	6	6
Other liabilities	414 030	439 685	(6)	68 587	55 446	16	24	482 617	495 131	(3)	(3)
Total liabilities	826 302	807 402	2	157 989	127 903	15	24	984 291	935 305	4	5
Financial performance (%)											
RoRWA	2.13	1.29		3.24	2.06			2.41	1.50		
RoA	0.62	0.41		1.93	1.33			0.81	0.56		
RoRC	19.0	11.6		29.7	18.8			21.6	13.5		

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

CIB

for the reporting period ended 31 December

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 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

Headline earnings increased by 54% to **R7 760m** (31 December 2020: R5 054m) and was stronger than pre-COVID-19 levels (31 December 2019: R5 974m[1]). Earnings growth was strong across business units (Corporate Bank up 69% and the Investment Bank up 48%) and regions (SA up 62% and ARO up 39%). Earnings performance was supported by income growth of 10% as well as improved credit performance with impairment charges 78% lower than the prior year. Return on Regulatory Capital improved to **21.6%** (31 December 2020: 13.5%) benefiting from higher earnings and efficient capital management.

Total income increased by 10% to **R23 105m** (31 December 2020: R21 026m, up 15% in constant currency), reflecting client franchise growth and an increase in primary banked clients. Non-interest income grew by 22% to **R9 297m** (31 December 2020: R7 603m, up 28% in constant currency) following a favourable trading performance, increased transactions volumes and improved fee performance in the Investment Banking Division.

Net interest income increased by 3% to **R13 808m** (31 December 2020: R13 423m, up 7% in constant currency) supported by average customer deposit growth of 22%, partially offset by margin contraction (mainly in SA deposits), as well as subdued advances growth.

SA income increased by 17% and ARO decreased by 1% (up 11% in constant currency), with the Corporate Bank up 5% (up 10% in constant currency) and the Investment Bank up 14% (up 18% in constant currency).

- Corporate Bank income increased by 5% to **R9 529m** (31 December 2020: R9 092m, up 10% in constant currency) with SA up 9% to **R5 420m** (31 December 2020: R4 960m) and ARO declining by 1% to **R4 110m** (31 December 2020: R4 132m, up 10% in constant currency). The overall performance was a function of continued momentum in trade, particularly the Financial Institution (FI) book, liquidity strength and higher transactional volumes from easing of lockdown restrictions in various markets, partially offset by subdued demand for short-term funding. Furthermore, ARO constant currency performances benefited from improved product offerings and platforms as well as increased focus on relationships with key clients in various sectors.
- Investment Bank income increased by 14% to **R13 576m** (18% in constant currency), with SA up 22% and ARO down 1% (up 11% in constant currency), supported by a solid performance across the business, with markets up 14% (up 20% in constant currency) underpinned by the performance of the underlying client franchise as well as favourable facilitation of client risk. The growth in the Investment Bank was further bolstered by a continued growth trajectory in the Commercial Property Finance business up 13% (15% in constant currency) and Investment Banking Division up 8% (11% in constant currency), benefiting from margin expansion and improved fees.

Credit impairments decreased by 78% to **R736m** (31 December 2020: R3 291m, down 76% in constant currency), attributable to an improved credit environment resulting in lower single-name charges and partial releases of macroeconomic overlays raised in the prior year. In addition, muted loan book growth and improved portfolio construct contributed to a net impairment release on the performing book. This resulted in a credit loss ratio of 17 bps (31 December 2020: 75 bps), lower than the through-the-cycle target range (20 to 30 bps).

Operating expenses increased by 10% to **R11 138m** (31 December 2020: R10 114m, 13% in constant currency), largely attributable to greater performance costs, while non-performance cost growth was contained at 5% (8% in constant currency).

Customer deposits growth of 14% to **R409.1bn** (31 December 2020: R360.2bn, 12% in constant currency) was greater than customer advances growth of 7% to **R398.4bn** (31 December 2020: R371.8bn, 6% in constant currency), contributing to a healthy liquidity position, with a Loan Deposit Ratio of 93.0%. An improvement was noted in customer advances growth in the second half of the year, while growth was subdued in the first half with a decline of 2% (up 2% in constant currency).

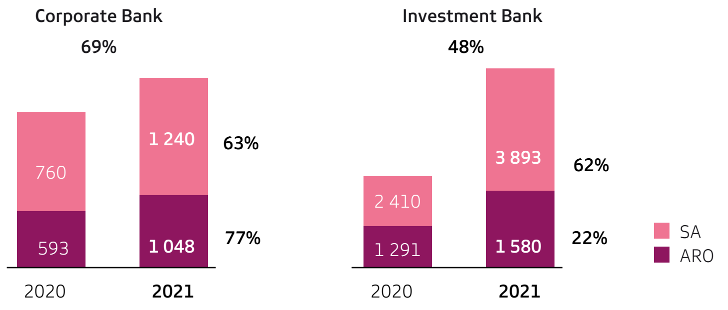
[1] These numbers have been restated, refer to the report overview.

CIB

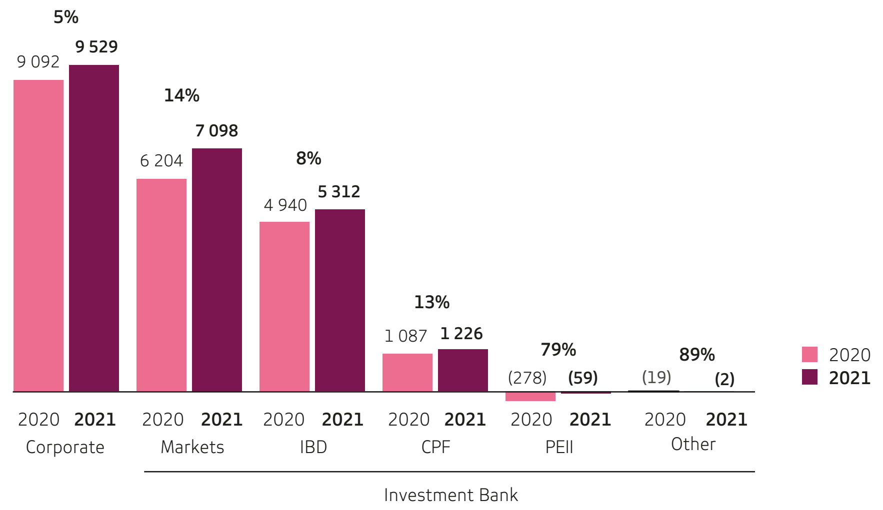
for the reporting period ended 31 December

Financial performance (continued)

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



CIB

for the reporting period ended 31 December

Business performance

The Corporate and Investment Bank delivered positive results driven by a focused execution of the strategy, adhering to the response protocols set up at the onset of the pandemic to maintain operational stability, manage firm resources optimally and stay close to clients.

All business units delivered solid growth, most notably Global Markets, and this has enabled the total CIB performance.

- CIB has made progress since launching Absa Access, which is a Pan-African, single sign-on platform that gives clients standardised, secure, and near real-time access to their business portfolios and banking services. The business migrated 99% of clients across ARO markets onto Absa Access, with a small portion of clients due to be migrated by early 2022. The remainder of 2022 will focus on migrating clients in SA, increasing the level of client activity on the platform as well as improving the overall user experience.
- Absa was the first South African bank to announce sustainable finance targets with the aim to finance or arrange over R100 billion for ESG-related projects by 2025.
- CIB was also the lead arranger, senior lender, and hedge provider for one of South Africa's largest concentrated solar power projects, with an estimated cost of almost R12 billion.
- CIB announced Africa's first certified green loan from the International Finance Corporation, with a value of $150 million.
- Absa and African Rainbow Energy & Power (AREP) agreed to establish a substantial renewable energy platform. The new entity, called African Rainbow Energy, will have about R6.5 billion in gross assets initially and will invest in selected renewable energy technologies including solar, wind, concentrated solar power, biomass and other solutions.
- The business refined its Africa operating model to enable better coordination between countries and Centre (SA) on the formulation and execution of the strategy.

The following accolades were received during the period:

- Investment Bank of the Year – African Banker Awards 2021.
- First place in Research in Fixed Income Securities – Financial Mail Top Analyst Awards 2021.
- Best M&A Bank in Africa and Best Trade Finance Bank in Botswana – Global Finance Awards 2021.
- Best Investment Bank – Global Economic Awards 2021.
- Best investment bank (Mauritius, South Africa), Best equity house (South Africa) and Best loan house (South Africa) – African Banking Awards 2021.
- Excellence in Leadership in Africa and Best Bank in Mozambique – Euromoney.
- Best Corporate Social Responsibility and Best Corporate Bank in Zambia – International Business Magazine.
- Best Bank for Financing – Euromoney Awards For Excellence 2021
- Outstanding Financial Innovators Bank in Africa and Outstanding Innovations in Cash Management, Absa Access – Global Finance Innovators Awards 2021.
- Best Regional Service in the Personnel category, Overall Best Service in Two African Markets (Botswana, Ghana) and Overall Market Leader in Three African Markets (Botswana, Ghana, Zambia) – The Euromoney Cash Management Non-Financial Institutions Survey 2021.

Corporate Bank

The Corporate Bank franchise income increased by 5% to **R9 529m** (31 December 2020: R9 092m, up 10% in constant currency) with SA up 9% to **R5 420m** (31 December 2020: R4 960m), while ARO income was marginally down 1% to **R4 110m** (31 December 2020: R4 132m, up 10% in constant currency).

Net interest income growth of 6% to **R7 232m** (31 December 2020: R6 822m, up 12% in constant currency) was underpinned by strong average customer deposit growth, despite deposit margins remaining under pressure in South Africa. Average customer deposits increased by 20% to **R329.0bn** (31 December 2020: R273.7bn, up 24% in constant currency), while subdued demand for short-term funding resulted in average customer loan balances decreasing by 9% (4% in constant currency).

Non-interest income increased by 1% to **R2 297m** (31 December 2020: R2 270m, up 4% in constant currency) supported by higher transactional volumes, partially offset by decreased outward guarantee volumes.

CIB

for the reporting period ended 31 December

Business performance (continued)

Corporate Bank income was driven by the following:

- Trade Finance increased by 24%, with strong growth in both SA (up 23%) and ARO (up 25% in constant currency). The continued momentum was as a result of the business driving the strategy to become the trade partner of choice on the continent. In SA, the performance was driven by increased balances, partially offset by decreased outward guarantee volumes. ARO Trade Finance growth of 25% was due to a combination of improved volumes and margins.
- The Cash Management business increased by 11% benefiting from higher transactional volumes as well as strong deposit balances growth, albeit at a lower net margin.
  - Deposits increased by 11%, due to average balance sheet growth of 21%, which was offset by lower margins in a number of jurisdictions. SA Deposit income was up 11% with continued momentum in average customer deposits, increasing by 28% to **R255bn** (31 December 2020: R199bn). 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. In ARO, deposits income increased by 14% driven by margin expansion attributable to changes in country contributions, coupled with average customer deposits growth of 12% in constant currency.
  - Transactions increased by 10%, with SA up 7% and ARO up 18% in constant currency, benefiting from increased client primacy and the easing of lockdown restrictions resulting in higher transaction volumes.
- Working capital decreased by 1% as a result of lower customer advances across the continent. Domestic Short Term Finance in SA was up 1%, despite the decrease of 6% in average balances, the marginal growth benefited from improved margins. ARO Working Capital was down 14% in constant currency from reduced utilisation resulting in a lower average balance sheet (down 10% in constant currency).

Corporate Bank salient features	2021	2020	CCY%	Change %
Gross income (Rm)	9 529	9 092	10	5
Credit impairments (Rm)	35	(1 298)	<(100)	<(100)
Net income (Rm)	9 564	7 794	29	23
Average loans and advances to customers (Rbn)	57.3	62.9	(4)	(9)
Average deposits due to customers (Rbn)	329.0	273.7	24	20

Investment Bank

Investment Bank income increased by 14% to **R13 576m** (31 December 2020: R11 934m, 18% in constant currency), with continued momentum across all business units. SA up 22% to **R9 278m** (31 December 2020: R7 603m), while ARO was down 1% to **R4 298m** (31 December 2020: R4 331m, up 11% in constant currency). The performance benefited from strong trading as well as improved margins across the Investment Banking Division and Commercial Property Finance.

Business units performed as follows:

Global Markets

Global Markets income increased by 14% to **R7 098m** (31 December 2020: R6 204m, 20% in constant currency), with Markets SA up 24% to **R4 412m** (31 December 2020: R3 569m) and Markets ARO up 2% to **R2 686m** (31 December 2020: R2 635m, 14% in constant currency).

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

- **Fixed Income and Credit** increased by 20% to **R2 534m** (31 December 2020: R2 116m). This was supported by strong franchise growth across both the local and offshore institutional client base. The desk benefited from a lower interest rate environment and short end interest rate curve moves, together with increased volatility due to changing global inflationary expectations.
- **Foreign Exchange and Commodities** declined by 6% to **R921m** (31 December 2020: R975m), as continued client franchise revenue growth of 13% was masked by the inability to monetise risk management opportunities in structured FX given the lower than expected ZAR FX volatility over the period.
- **Equities and Prime Services** increased by >100% to **R822m** (31 December 2020: R351m) due to increased flow from both local and offshore clients supported by continued investment in research and trading platform capabilities. Prime Services growth was driven by income diversification in Prime Broking as well as improved balance sheet optimisation.

Markets ARO delivered a strong performance in constant currency, with diversity across geographies, client segments and products, which supported the strategy to grow the client franchise. The client franchise growth was as a result of collaboration with the Coverage and Transactional Banking teams, leading to higher cross-sell opportunities, higher client FX turnover and indicative market share gains. A continued focus in landing significant flows from new to bank, new to product and reactivations from the Global Corporates and mining sectors allowed the business to harness dollars to service local importing clients. In addition, the business saw higher income in the bond book supported by growth in turnover of both the primary and secondary market government bond distribution. The Swap book also registered significant contribution amidst favourable rate volatility.

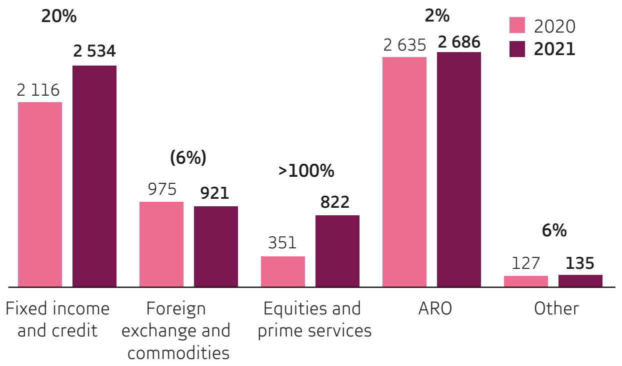
CIB

for the reporting period ended 31 December

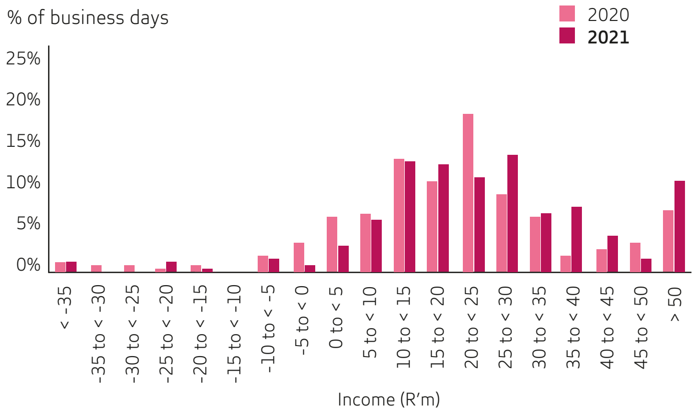
Business performance (continued)

Investment Bank (continued)

Global markets gross income split
(Rm and change %)



Daily markets income distribution (Rm)



Investment Banking Division

Income increased by 8% to **R5 312m** (31 December 2020: R4 940m, up 11% in constant currency), mainly driven by improved fee performance and margin expansion.

The performance was a function of margin expansion within a competitive market in the Financing business, coupled with an increase in the Preference share book (up 18%) driven by a number of client franchise leading transactions. The Advisory business had a more subdued year with longer than expected execution of certain projects being further exacerbated by equity capital opportunities remaining under pressure due to lower domestic and regional market activity.

Average customer loans decreased by 6% to **R188.3bn** (31 December 2020: R200.7bn) driven by fewer opportunities in flow debt products across SA and ARO, however closing customer loan balances improved from first half levels.

			Change	
Salient features	**2021**	2020	CCY%	%
Gross income (Rm)	**5 312**	4 940	11	8
Credit impairment (Rm)	**(748)**	(1 828)	(57)	(59)
Net income (Rm)	**4 564**	3 112	50	47
Average loans and advances to customers (Rbn)	**188.3**	200.7	(4)	(6)

CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Commercial Property Finance (CPF)

The CPF Pan-Africa business increased income by 13% to **R1 226m** (31 December 2020: R1 087m, up 15% in constant currency), despite the difficult economic conditions presented by COVID-19. The business continues to gain market share off a low base in South Africa, while the ARO business continues to be a key focus area. This is aligned to the strategy to become a leading provider of property finance in Africa.

Net interest income increased by 14% supported by margin expansion in part due to portfolio and product composition with the average portfolio largely unchanged from prior year. CPF continues to originate high quality business that ensures healthy portfolio diversification, as evidenced by minimal specific impairments taken in 2021.

			Change	
Salient features	**2021**	2020	CCY%	%
Gross income (Rm)	**1 226**	1 087	15	13
Credit impairment (Rm)	**(65)**	(130)	(51)	(50)
Net income (Rm)	**1 161**	957	24	21
Average net portfolio assets (Rbn)	**61.4**	60.9	2	1

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported negative income of **R59m** (31 December 2020: R278m negative income) mainly due to net negative revaluations of R90m, partially offset by accrued dividend and interest.

Salient features	**2021**	2020	Change %
Revaluations (Rm)	**(90)**	(328)	73
Realisations, dividends, interest and fees (Rm)	**28**	57	(50)
Funding (Rm)	**3**	(7)	>100
Net income (Rm)	**(59)**	(278)	79
Total portfolio size (Rbn)	**1.7**	1.7	—

Looking ahead

The CIB strategy has shown itself to be resilient and has delivered under a challenging environment. There is positive momentum stemming from a growing client franchise and committed people to drive the next phase of growth.

The key areas of focus will be the following:

- Driving client migrations onto digital channels Pan-Africa to better serve clients and increase primacy;
- Maintaining the stability of platforms, building out a consistently great user experience, and improving the experience on migrations and onboarding;
- Building connectivity for global clients through the refined Pan-Africa operating model and by leveraging our International Office;
- Build upon existing ESG capabilities and become an African leader in this space;
- Growing the Custody and Trustee offering across the continent;
- Build a diverse and inclusive CIB that is representative of the markets which we serve and seek to serve; and
- Continuing to build and nurture a culture that drives excellence, learning and collaboration.

Head Office, Treasury and other operations

for the reporting period ended 31 December

Financial performance

Head Office, Treasury and other operations headline earnings improved materially from a loss of R1 328m in 2020 to a profit of **R622m** in 2021. The driver of the year-on-year movement was a net interest income improvement from (R681m) in 2020 to **R2 633m** in 2021 mainly in Group Treasury. The prior year position was adversely impacted by significant policy rate cuts particularly in South Africa (prime rate decreased by 300 bps) despite the protection from a structural hedge. The current year performance has improved in a stable interest rate environment, lower funding costs from improved balance sheet construct and higher yields earned on the liquid asset portfolio.

Investment Management

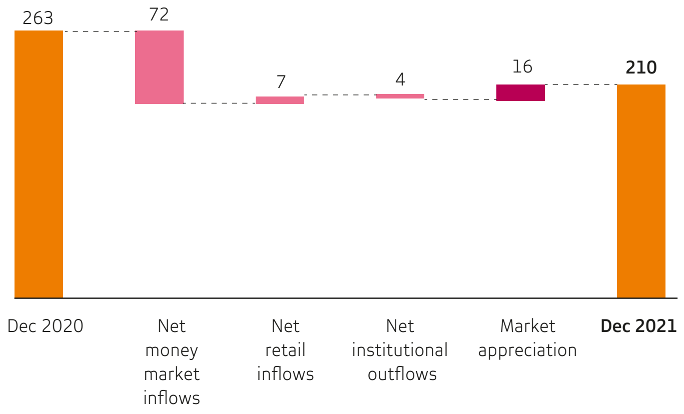
Investment Management business offers investment management, multi-management, unit trusts and linked investments products and solutions to individual and institutional clients.

Investment Management headline earnings declined by 60% to **R122m** (31 December 2020: R308m). This decline in headline earnings was driven by revenue decline of 14% to **R868m** (31 December 2020: R1 004m) mainly as a result of the closure of the money market fund while operating expenses increased by 21% to **R697m** (31 December 2020: R578m).

	2021 Rbn	2020 Rbn	Change %
Assets under management and administration	210	263	(20)
Money market	13	85	(85)
Non-money market	197	178	11

Movement in asset under management and administration (Rbn)

Assets under management declined by 20% to **R210bn** (31 December 2020: R263bn). Year-to-date net outflows (money market, retail and institutional) were R69bn mainly as a result of the closure of the money market fund.



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended 31 December

	2021	2020	Change %
Statement of comprehensive income (Rm)			
Income	85 906	81 593	5
Operating expenses	48 610	48 111	1
Pre-provision profit	37 296	33 482	11
Credit Impairments	8 499	20 569	(59)
Profit attributable to ordinary equity holders	17 763	5 880	>100
Headline earnings	17 825	6 038	>100
Statement of financial position			
NAV	129 863	115 671	12
Total assets (Rm)	1 640 833	1 531 120	7
Financial performance (%)			
Return on equity (RoE)	14.6	5.2	
Return on average assets (RoA)	1.13	0.40	
Return on risk-weighted assets (RoRWA)	1.96	0.66	
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	4.17	
Non-interest income as percentage of total income	37.9	40.1	
Cost-to-income ratio	56.6	59.0	
Jaws	4	3	
Effective tax rate	27.3	30.4	
Share statistics (million)			
Number of ordinary shares in issue	847.8	847.8	
Number of ordinary shares in issue (excluding treasury shares)	830.3	828.8	
Weighted average number of ordinary shares in issue	830.2	826.1	
Diluted weighted average number of ordinary shares in issue	831.6	826.6	
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	2 147.1	730.9	>100
Diluted headline earnings per ordinary share (DHEPS)	2 143.5	730.5	>100
Basic earnings per ordinary share (EPS)	2 139.6	711.8	>100
Diluted basic earnings per ordinary share (DEPS)	2 136.0	711.3	>100
Dividend per ordinary share relating to income for the reporting period	785	—	100.0
Dividend payout ratio	37	—	100.0
NAV per ordinary share	15 641	13 957	12
Tangible NAV per ordinary share	14 207	12 623	13
Capital adequacy (%)			
Absa Group Limited	17.0	15.0	
Absa Bank Limited	17.9	15.6	
Common Equity Tier 1 (%)			
Absa Group Limited	12.8	11.2	
Absa Bank Limited	12.4	10.6	

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm	Change %
Net interest income	2	53 322	48 857	9
Interest and similar income		89 495	93 051	(4)
Effective interest income		87 844	91 264	(4)
Other interest income		1 651	1 787	(8)
Interest expense and similar charges		(36 173)	(44 194)	(18)
Non-interest income	3	32 584	32 736	(0)
Net fee and commission income		22 074	21 597	2
Fee and commission income	3.1	25 549	25 120	2
Fee and commission expense	3.1	(3 475)	(3 523)	(1)
Net insurance premium income	3.2	8 778	8 286	6
Net claims and benefits incurred on insurance contracts	3.3	(5 514)	(4 205)	31
Changes in investment and insurance contract liabilities	3.4	(2 799)	(2 262)	24
Gains and losses from banking and trading activities	3.5	6 606	6 379	4
Gains and losses from investment activities	3.6	2 704	2 199	23
Other operating income	3.7	735	742	(1)
Total income		85 906	81 593	5
Impairment losses	4	(8 499)	(20 569)	(59)
Operating income before operating expenses		77 407	61 024	27
Operating expenses	5	(48 610)	(48 111)	1
Other expenses		(2 205)	(2 508)	(12)
Other impairments		(420)	(464)	(9)
Indirect taxation	6	(1 785)	(2 044)	(13)
Share of post-tax results of associates and joint ventures		132	(36)	<(100)
Operating profit before income tax		26 724	10 369	>100
Taxation expense	7	(7 299)	(3 156)	>100
Profit for the reporting period		19 425	7 213	>100
Profit attributable to:				
Ordinary equity holders		17 763	5 880	>100
Non-controlling interest – ordinary shares		835	437	91
Non-controlling interest – preference shares		242	307	(21)
Other equity – Additional Tier 1 capital[1]		585	589	(1)
		19 425	7 213	>100
Earnings per share:				
Basic earnings per share (cents)	1	2 139.6	711.8	201
Diluted earnings per share (cents)	1	2 136.0	711.3	200

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

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	2021 Rm	2020 Rm	Change %
Profit for the reporting period	19 425	7 213	>100
Other comprehensive income			
Items that will not be reclassified to profit or loss	83	(578)	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	(133)	(5)	<(100)
Fair value movements	(172)	(7)	>100
Deferred tax	39	2	>100
Movement on liabilities designated at FVTPL due to changes in own credit risk	(26)	(82)	(68)
Fair value movements	(36)	(116)	(69)
Deferred tax	10	34	(71)
Movement in retirement benefit fund assets and liabilities	242	(491)	<(100)
Increase/(decrease) in retirement benefit surplus	108	(100)	<(100)
Decrease/(increase) in retirement benefit deficit	169	(433)	<(100)
Deferred tax	(35)	42	<(100)
Items that are or may be subsequently reclassified to profit or loss	(1 298)	2 646	<(100)
Movement in foreign currency translation reserve	2 414	(808)	<(100)
Differences in translation of foreign operations	2 510	(690)	<(100)
Release to profit or loss	(96)	(118)	(19)
Movement in cash flow hedging reserve	(4 051)	3 997	<(100)
Fair value (losses)/gains	(1 469)	9 034	<(100)
Amounts transferred within other comprehensive income	6	5	20
Amount removed from other comprehensive income and recognised in profit or loss	(4 163)	(3 488)	19
Deferred tax	1 575	(1 554)	<(100)
Movement in fair value of debt instruments measured at FVOCI	339	(543)	<(100)
Fair value gains/(losses)	691	(773)	<(100)
Release to profit or loss	(120)	(32)	>100
Deferred tax	(232)	262	<(100)
Total comprehensive income for the reporting period	18 210	9 281	96
Total comprehensive income attributable to:			
Ordinary equity holders	16 376	7 877	>100
Non-controlling interest – ordinary shares	1 007	508	98
Non-controlling interest – preference shares	242	307	(21)
Other equity – Additional Tier 1 capital[1]	585	589	(1)
	18 210	9 281	96

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

Consolidated IFRS statement of financial position

as at 31 December

	Note	2021 Rm	2020 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		66 041	60 682	9
Investment securities		188 898	153 504	23
Trading portfolio assets		203 079	213 521	(5)
Hedging portfolio assets		5 159	11 000	(53)
Other assets		24 156	20 417	18
Current tax assets		665	865	(23)
Non-current assets held for sale		4 259	144	>100
Loans and advances[1]		1 092 257	1 014 507	8
Reinsurance assets		732	680	8
Investments linked to investment contracts		19 803	21 273	(7)
Investments in associates and joint ventures		1 593	1 601	(0)
Investment properties		421	496	(15)
Property and equipment		15 970	17 094	(7)
Goodwill and intangible assets		11 903	11 050	8
Deferred tax assets		5 897	4 286	38
Total assets		1 640 833	1 531 120	7
Liabilities				
Trading portfolio liabilities		72 819	108 976	(33)
Hedging portfolio liabilities		3 659	4 868	(25)
Other liabilities		48 409	33 905	43
Provisions		5 396	3 959	36
Current tax liabilities		1 091	290	>100
Non-current liabilities held for sale		3 465	—	100
Deposits[1]		1 173 766	1 048 000	12
Debt securities in issue	10	131 076	145 740	(10)
Liabilities under investment contracts		21 126	27 533	(12)
Policyholder liabilities under insurance contracts		5 731	4 198	37
Borrowed funds	11	26 600	20 761	28
Deferred tax liabilities		386	587	(34)
Total liabilities		1 493 524	1 398 817	7
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	1 660	1 657	0
Share premium	11	10 644	10 561	1
Retained earnings		110 859	95 345	16
Other reserves		6 700	8 108	(17)
		129 863	115 671	12
Non-controlling interest – ordinary shares		5 798	4 984	16
Non-controlling interest – preference shares		4 644	4 644	—
Other equity – Additional Tier 1 capital[2]		7 004	7 004	—
Total equity		147 309	132 303	11
Total liabilities and equity		1 640 833	1 531 120	7

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

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Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

	2021																
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other 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	Other equity – Additional Tier 1 capital[2] Rm	Total equity Rm
Balance at the end of the previous reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
Total comprehensive income	—	—	—	17 858	(1 482)	—	380	(4 051)	2 189	—	—	—	16 376	1 007	242	585	18 210
Profit for the period	—	—	—	17 763	—	—	—	—	—	—	—	—	17 763	835	242	585	19 425
Other comprehensive income	—	—	—	95	(1 482)	—	380	(4 051)	2 189	—	—	—	(1 387)	172	—	—	(1 215)
Dividends paid during the reporting period	—	—	—	(2 573)	—	—	—	—	—	—	—	—	(2 573)	(193)	(242)	—	(3 008)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(585)	(585)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	7	—	—	—	—	—	—	—	—	(273)	—	—	—	(273)
Elimination of the movement in Treasury shares held by Group entities	1 496	3	83	—	—	—	—	—	—	—	—	—	86	—	—	—	86
Movement in share-based payment reserve	—	—	280	—	296	—	—	—	—	—	296	—	576	—	—	—	576
Transfer from share-based payment reserve	—	—	280	—	(280)	—	—	—	—	—	(280)	—	—	—	—	—	—
Value of employee services	—	—	—	—	506	—	—	—	—	—	506	—	506	—	—	—	506
Deferred tax	—	—	—	—	70	—	—	—	—	—	70	—	70	—	—	—	70
Movement in general credit risk reserve	—	—	—	356	(356)	(356)	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—	—	—	—	17	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—	—	—	—	—	—	132	—	—	—	—	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—	—	—	—	—	—	(15)	—	—	—	—	—
Balance at the end of the reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)	1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309

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

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

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Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

2020	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other 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	Other equity – Additional Tier 1 capital[3] Rm	Total equity Rm
Balance at the end of the previous reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
Total comprehensive income	—	—	—	5 293	2 584	—	(597)	3 997	(816)	—	—	—	7 877	508	307	589	9 281
Profit for the period	—	—	—	5 880	—	—	—	—	—	—	—	—	5 880	437	307	589	7 213
Other comprehensive income	—	—	—	(587)	2 584	—	(597)	3 997	(816)	—	—	—	1 997	71	—	—	2 068
Dividends paid during the reporting period	—	—	—	(5 115)	—	—	—	—	—	—	—	—	(5 115)	(452)	(307)	—	(5 874)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(589)	(589)
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1 209	1 209
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(965)	92	—	—	—	—	—	—	—	—	(873)	—	—	—	(873)
Elimination of the movement in Treasury shares held by Group entities	161	0	133	—	—	—	—	—	—	—	—	—	133	—	—	—	133
Movement in share-based payment reserve	—	—	965	—	(543)	—	—	—	—	—	(543)	—	422	—	—	—	422
Transfer from share-based payment reserve	—	—	965	—	(965)	—	—	—	—	—	(965)	—	—	—	—	—	—
Value of employee services	—	—	—	—	409	—	—	—	—	—	409	—	409	—	—	—	409
Deferred tax	—	—	—	—	13	—	—	—	—	—	13	—	13	—	—	—	13
Movement in general credit risk reserve	—	—	—	(269)	269	269	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(27)	27	—	—	—	—	27	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	36	(36)	—	—	—	—	—	—	(36)	—	—	—	—	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—	—	—	—	—	—	—	—	(14)	—	—	(14)
Acquisition of non-controlling interest[2]	—	—	—	(51)	—	—	—	—	—	—	—	—	(51)	(24)	—	—	(75)
Balance at the end of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303

[1] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania Limited, which was housed in Head office, Treasury and other operations in South Africa.
[2] On 15 December 2020, the Group acquired the minority interest in Instant Life Proprietary Limited, increasing its shareholding to 100%.
[3] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

	Note	2021 Rm	2020 Rm	Change %
Net cash generated from operating activities		6 475	6 967	(1)
Net cash utilised in investing activities		(3 519)	(718)	>100
Net cash utilised in financing activities		(515)	(8 259)	(94)
Net increase/(decrease) in cash and cash equivalents		2 441	(2 010)	>(100)
Cash and cash equivalents at the beginning of the reporting period	1	16 796	18 288	(8)
Effect of foreign exchange rate movements on cash and cash equivalents		1 081	518	>100
Cash and cash equivalents at the end of the reporting period	2	**20 318**	16 796	21

Notes to the condensed consolidated statement of cash flows

	2021 Rm	2020 Rm	Change %
1. Cash and cash equivalents at the beginning of the reporting period			
Cash, cash balances with central banks[1]	14 403	14 033	3
Loans and advances to banks[2]	2 393	4 255	(44)
	16 796	18 288	(8)
2. Cash and cash equivalents at the end of the reporting period			
Cash, cash balances and central banks[1]	14 577	14 403	1
Loans and advances to banks[2]	5 741	2 393	>100
	20 318	16 796	21

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

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Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings	2021 Gross Rm	2021 Net Rm	2020 Gross Rm	2020 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		17 763		5 880	202
Total headline earnings adjustment		62		158	(61)
IFRS 3 – Goodwill impairment	29	29	2	2	1350
IFRS 3 – Gain on bargain purchase	—	—	(86)	(86)	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	(20)	(16)	(1)	1	(1 700)
IFRS 5 – Re-measurement of non-current assets held for sale	1	1	33	29	(97)
IAS 16 – Profit on disposal of property and equipment	(90)	(71)	(65)	(49)	45
IAS 16 and 36 – Insurance recovery of property and equipment	(121)	(87)	—	—	100
IAS 21 – Recycled foreign currency translation reserve	(96)	(74)	(118)	(92)	(20)
IAS 28 – Impairment of investments in associates and joint ventures	(11)	(11)	11	11	(200)
IAS 28 – Loss on disposal of associates and joint ventures	(1)	(1)	—	—	100
IAS 36 – Impairment of property and equipment	217	157	223	162	(3)
IAS 36 – Impairment of intangible assets	144	110	195	176	(38)
IAS 38 – Profit on disposal of intangible assets	1	1	—	—	100
IAS 40 – Change in fair value of investment properties	31	24	5	4	500
		17 825		6 038	195

	2021 Rm	2020 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	17 763	5 880	202
Weighted average number of ordinary shares in issue (million)	830.2	826.1	4.1
Issued shares at the beginning of the reporting period (million)	847.8	847.8	—
Treasury shares held by Group entities (million)	(17.6)	(21.7)	4.1
Basic earnings per ordinary share (cents)	2 139.6	711.8	201
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	17 763	5 880	202
Diluted weighted average number of ordinary shares in issue (million)	831.6	826.6	5.0
Weighted average number of ordinary shares in issue (million)	830.2	826.1	4.1
Adjustments for share options issued at no value (million)	1.4	0.5	0.9
Diluted basic earnings per ordinary share (cents)	2 136.0	711.3	200
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	17 825	6 038	195
Weighted average number of ordinary shares in issue (million)	830.2	826.1	4.1
Headline earnings per ordinary share (cents)	2 147.1	730.9	194
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	17 825	6 038	195
Diluted weighted average number of ordinary shares in issue (million)	831.6	826.6	5.0
Diluted headline earnings per ordinary share (cents)	2 143.5	730.5	193

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	2021 Rm	2020 Rm	Change %
Net (losses)/gains on investments	55	(77)	>100
Debt instruments designated at fair value through profit or loss	(2)	179	<(100)
Equity instruments at fair value through profit or loss	(63)	(288)	(78)
Unwind from reserves for debt instruments at FVOCI	120	32	>100
Net trading result	6 561	6 593	(0)
Net trading income excluding the impact of hedge accounting	7 066	6 016	17
Ineffective portion of hedges	(505)	577	<(100)
Cash flow hedges	(539)	566	<(100)
Fair value hedges	34	11	>100
Other losses	(10)	(137)	(93)
	6 606	6 379	4
Segment split[1]			
RBB	1 175	1 240	(5)
CIB	6 035	4 613	31
Head office, Treasury and other operations[2]	(620)	363	<(100)
Barclays separation effects	16	163	(90)
	6 606	6 379	4

[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 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2021 Rm	2020 Rm	Change %
Property-related income	94	107	(12)
Income from investment properties	(28)	—	100
Change in fair value	(31)	(5)	>100
Rentals	3	5	(40)
Property-related income arising from contracts with customers	122	107	14
Profit on disposal of property and equipment	90	65	38
Profit on sale of developed properties	7	7	—
Profit on sale of repossessed properties	4	4	—
Rental income	21	31	(32)
Insurance proceeds received related to property and equipment[1]	96	—	—
Other operating income	545	635	(14)
Foreign exchange differences, including recycle from other comprehensive	169	143	18
Income from maintenance contracts	37	36	3
Loss on disposal of intangible assets	(1)	—	100
Sundry income[2]	340	456	(25)
	735	742	(1)
Segment split[3]			
Property-related income	190	107	78
RBB	203	62	>100
CIB	25	8	>100
Head Office, Treasury and other operations	(21)	37	<(100)
Barclays separation effects	(17)	—	100
Other operating income	545	635	(14)
RBB	385	401	(4)
CIB	23	103	(78)
Head office, Treasury and other operations	128	149	(14)
Barclays separation effects	9	(18)	<(100)
	735	742	(1)

[1] Insurance proceeds received related to property and equipment amounted to R121m of which R96m is reflected in other operating income and R25m was recovered against the impairment.
[2] Sundry income includes profit on disposal of non-core assets and non-interest income.
[3] The numbers have been restated, refer to the report overview.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Breakdown of operating expenses	2021 Rm	2020 Rm	Change %
Administration fees	79	529	(85)
Amortisation of intangible assets	2 417	2 017	20
Auditors' remuneration	450	414	9
Cash transportation	1 135	1 181	(4)
Depreciation	3 608	3 942	(8)
Equipment costs	333	353	(6)
Information technology	4 980	4 247	17
Marketing costs	1 287	1 624	(21)
Other operating costs[1]	2 299	1 951	18
Printing and stationery	288	342	(16)
Professional fees	2 362	2 717	(13)
Property costs	1 882	1 970	(4)
Staff costs	26 133	25 407	3
Bonuses	2 695	1 308	>100
Deferred cash and share-based payments	616	468	32
Other staff costs[2]	878	1 316	(33)
Salaries and current service costs on post-retirement benefit funds	21 564	21 910	(2)
Training costs	380	405	(6)
Straight-line lease expenses on short-term leases and low value assets	204	183	11
Telephone and postage	1 153	1 121	3
TSA direct costs	—	113	(100)
	48 610	48 111	1
Barclays separation effects	1 198	2 535	(53)
TSA direct costs	—	113	(100)
Professional fees	5	400	(99)
Staff costs	(14)	267	<(100)
Other[3]	1 207	1 755	(31)

Total operating costs include costs incurred in relation to the separation from Barclays PLC of **R1 198m** (2020: R2 535m), which have decreased by 53% (CCY 50%) year-on-year. The decrease reflects the conclusion of separation with the remaining costs mainly relating to the amortisation of intangible assets created under separation.

6. Indirect taxation

	2021 Rm	2020 Rm	Change %
Training levy	209	177	18
Value-added tax net of input credits	1 576	1 867	(16)
	1 785	2 044	(13)

[1] Includes fraud losses, travel and entertainment costs.
[2] Includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.
[3] Includes marketing costs, travel and entertainment costs, information technology costs, property costs, depreciation, amortisation and auditor's remuneration costs.

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Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

7. Taxation expense

	2021 Rm	2020 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	26 724	10 369	>100
Share of post-tax results of associates and joint ventures	(132)	36	<(100)
	26 592	10 405	>100
Tax calculated at a tax rate of 28%	7 446	2 913	>100
Effect of different tax rates in other countries	291	(23)	<(100)
Expenses not deductible for tax purposes[1]	735	484	52
Recognition of previously unrecognised deferred tax assets	—	9	(100)
Assessed losses[2]	124	—	100
Dividend income	(856)	(519)	65
Non-taxable interest[3]	(526)	(344)	53
Other income not subject to tax	(15)	(33)	(55)
Other	48	557	(91)
Effect of tax rate changes[4]	33	—	100
Items of a capital nature	19	112	(83)
	7 299	3 156	>100

11. Equity

	2021 Rm	2020 Rm	Change %
Authorised			
891 774 054 (2020: 891 774 054) ordinary shares of R2.00 each	1 784	1 784	—
Issued			
847 750 679 (2020: 847 750 679) ordinary shares of R2.00 each	1 696	1 696	—
17 465 332 (2020: 18 961 880) treasury shares held by Group entities	(36)	(39)	(8)
	1 660	1 657	0
Total issued capital			
Share capital	1 660	1 657	0
Share premium	10 644	10 561	1
	12 304	12 218	1

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	2021 Number of shares (million)	2020 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	847.8	847.8	—
Treasury shares held by the Group	(17.5)	(19.0)	(8)
	830.3	828.8	0

[1] This includes additional tax levies and general non-deductible expenses due to the application of in-country tax legislation.
[2] Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.
[3] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.
[4] This relates to tax rate changes in Zambia and Mauritius.

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Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	Total Group normalised performance			Barclays separation effects			IFRS Group		
	2021	2020	Change %	**2021**	2020	Change %	**2021**	2020	Change %
Statement of comprehensive income (Rm)									
Net interest income	**53 297**	48 790	9	**25**	67	(63)	**53 322**	48 857	9
Non-interest income	**32 576**	32 592	(0)	**8**	144	(94)	**32 584**	32 736	(0)
Total income	**85 873**	81 382	6	**33**	211	(84)	**85 906**	81 593	5
Impairment losses	**(8 499)**	(20 569)	(59)	**—**	—	—	**(8 499)**	(20 569)	(59)
Operating expenses	**(47 412)**	(45 576)	4	**(1 198)**	(2 535)	(53)	**(48 610)**	(48 111)	1
Other expenses	**(2 115)**	(2 274)	(7)	**42**	(270)	<(100)	**(2 073)**	(2 544)	(19)
Operating profit/(loss) before income tax	**27 847**	12 963	>100	**(1 123)**	(2 594)	(57)	**26 724**	10 369	>100
Tax expenses	**(7 604)**	(3 606)	>100	**305**	450	(32)	**(7 299)**	(3 156)	>100
Profit/(loss) for the reporting period	**20 243**	9 357	>100	**(818)**	(2 144)	(62)	**19 425**	7 213	>100
Profit attributable to:									
Ordinary equity holders	**18 565**	7 912	>100	**(802)**	(2 032)	(61)	**17 763**	5 880	>100
Non-controlling interest – ordinary shares	**851**	549	55	**(16)**	(112)	(86)	**835**	437	91
Non-controlling interest – preference shares	**242**	307	(21)	**—**	—	—	**242**	307	(21)
Other equity – Additional Tier 1 capital	**585**	589	(1)	**—**	—	—	**585**	589	(1)
	20 243	9 357	>100	**(818)**	(2 144)	(62)	**19 425**	7 213	>100
Headline earnings	**18 591**	7 965	>100	**(766)**	(1 927)	(60)	**17 825**	6 038	>100
Operating performance (%)									
Net interest margin on average interest-bearing assets	**4.46**	4.17		**n/a**	n/a		**4.46**	4.17	
Credit loss ratio	**0.77**	1.92		**n/a**	n/a		**0.77**	1.92	
Non-interest income as % of income	**37.9**	40.0		**n/a**	n/a		**37.9**	40.1	
Income growth	**6**	2		**n/a**	n/a		**5**	2	
Operating expenses growth	**4**	(2)		**n/a**	n/a		**1**	(1)	
Cost-to-income ratio	**55.2**	56.0		**n/a**	n/a		**56.6**	59.0	
Statement of financial position (Rm)									
Loans and advances[1]	**1 092 257**	1 014 507	7	**—**	—	—	**1 092 257**	1 014 507	8
Loans and advances to customers	**1 017 386**	944 581	8	**—**	—	—	**1 017 386**	944 581	8
Loans and advances to banks	**74 871**	69 926	7	**—**	—	—	**74 871**	69 926	7
Investment securities	**188 898**	153 504	23	**—**	—	—	**188 898**	153 504	23
Other assets	**356 139**	357 953	(1)	**3 539**	5 156	(31)	**359 678**	363 109	(1)
Total assets	**1 637 294**	1 525 964	7	**3 539**	5 156	(31)	**1 640 833**	1 531 120	7
Deposits[1]	**1 173 766**	1 048 000	9	**—**	—	—	**1 173 766**	1 048 000	12
Deposits due to customers	**1 075 736**	958 430	12	**—**	—	—	**1 075 736**	958 430	12
Deposits due to banks	**98 030**	89 570	9	**—**	—	—	**98 030**	89 570	9
Debt securities in issue	**131 076**	145 740	(10)	**—**	—	—	**131 076**	145 740	(10)
Other liabilities	**188 946**	204 678	(8)	**(264)**	399[2]	<(100)	**188 682**	205 077	(8)
Total liabilities	**1 493 788**	1 398 418	7	**(264)**	399	<(100)	**1 493 524**	1 398 817	7
Financial performance (%)									
RoRWA	**2.05**	0.86		**n/a**	n/a		**1.96**	0.66	
RoA	**1.18**	0.52		**n/a**	n/a		**1.13**	0.40	

[1] These numbers have been restated, please refer to the report overview.
[2] The 2020 Other Liabilities in the Barclays Separation Segment represents a 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 balance sheet page.

Barclays separation effects

Update on programme

The Separation project was completed in December 2020. The Group has presented normalised results to reflect underlying business performance. The financial effect of Separation is highlighted below.

	Barclays separation effects		
	2021	2020	Change %
Statement of comprehensive income (Rm)			
Net interest income	25	67	(63)
Non-interest income	8	144	(94)
Total income	33	211	(84)
Operating expenses	(1 198)	(2 535)	(53)
Other operating expenses	42	(270)	<(100)
Operating profit before income tax	(1 123)	(2 594)	(57)
Tax expenses	305	450	(32)
Loss for the reporting period	(818)	(2 144)	(62)
Profit attributable to:			
Ordinary equity holders	(802)	(2 032)	(61)
Non-controlling interest – ordinary shares	(16)	(112)	(86)
	(818)	(2 144)	(62)
Headline earnings	(766)	(1 927)	(60)
Statement of financial position (Rm)			
Intangible assets	2 895	3 910	(26)
Property, plant and equipment	461	618	(25)
Other assets	183	628	(71)
Total assets	3 539	5 156	(31)
Other liabilities	(264)	399[1]	<(100)
Total equity	3 803	4 757	(20)
Total equity and liabilities	3 539	5 156	(31)

[1] The 2020 Other Liabilities in the Barclays Separation Segment represents a 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 30).

Barclays separation effects

Statement of comprehensive income

Net interest income: **R25m** (2020: R67m) was earned on the remaining capital invested after successfully completing the separation programme.

Non-interest income of **R8m** (2020: R144m) predominately relates to foreign currency revaluation gains on GBP and USD deposits. The deposits were disposed of post completion of the separation programme.

Operating expenses of **R1 198m** (2020: R2 535m) include **R972m** (2020: R731m) that relates to the amortisation of intangible assets that were created under Separation. Prior year operating expenses includes expensed project execution and programme support costs that have subsequently ceased since the completion of the separation programme.

Other operating expenses reflect a credit of **R42m** (2020: R270m debit), which is mainly attributable to a R79m indirect tax benefit, partially offset by R37m of other impairments.

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 **R3.8bn** (2020: R4.7bn) relates to the R12.1bn contribution received from Barclays PLC and income earned on the contribution less separation expenditure incurred to date.

Separation will still incur the amortisation and depreciation expenditure on the assets capitalised in the upcoming financial years.

Risk management

Risk management overview

Capital management and RWA

Risk management overview

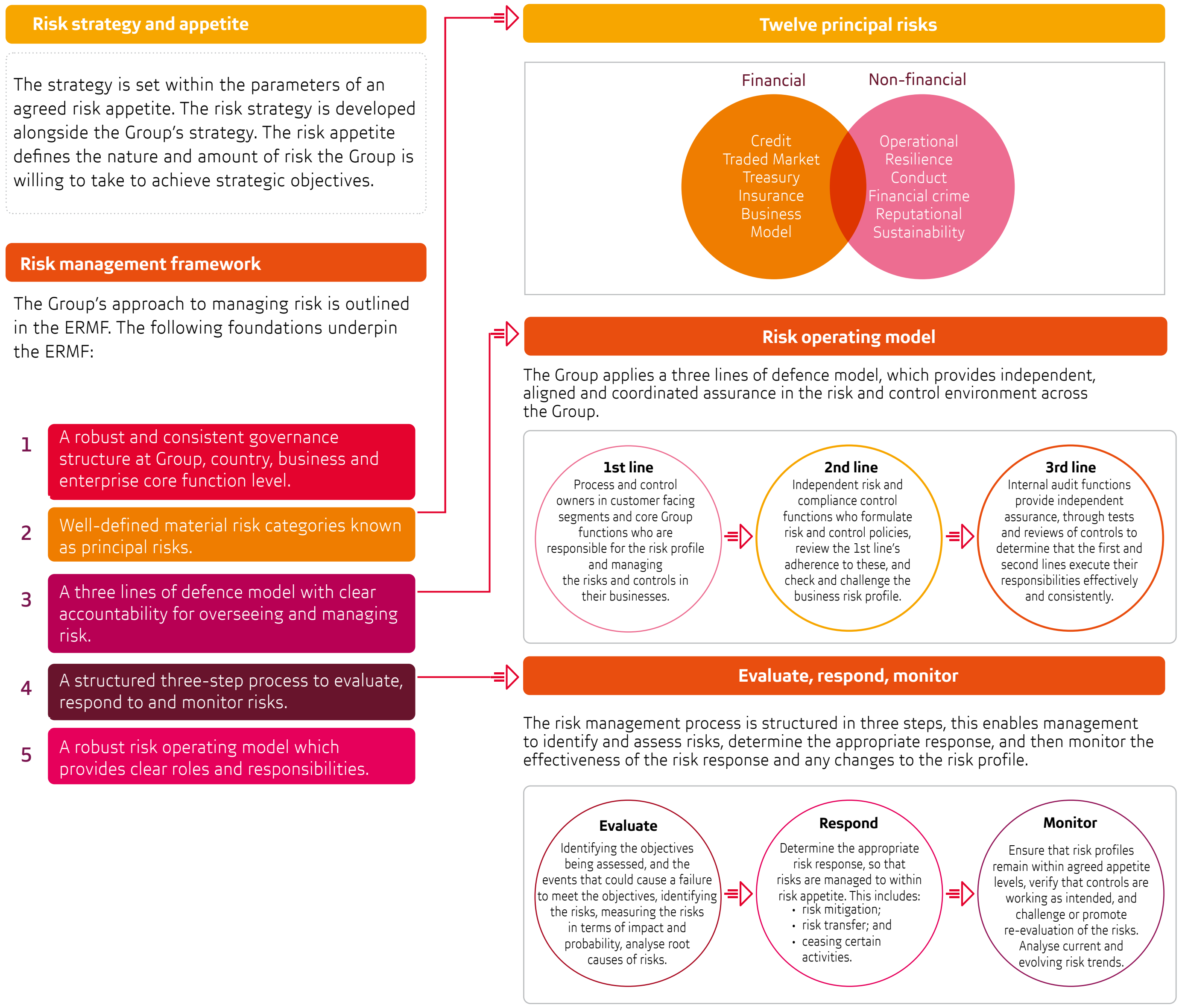
for the reporting period ended 31 December 2021

The Enterprise Risk Management Framework

The Group actively identifies and assesses risks arising from internal and external environments, while also proactively identifying emerging risks. To ensure effective implementation, this consolidated response is monitored as follows:

- An integrated governance structure at Group, country, and business and core function levels, promoting a sound risk culture.
- Well-defined 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 entrenched risk culture underpinning 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 Enterprise Risk Management Framework (ERMF):



Risk management overview

for the reporting period ended 31 December 2021

Risks arising from the operating environment

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

The Group's operations continue to be impacted by the ongoing COVID-19 pandemic and more detailed information can be found on page 30.

Risk theme	Current and emerging risks
Global and local economic recovery uncertainty	• Recovery of economic activity remains under pressure from further variants and waves of infections while being impacted by disparate government responses, COVID-19 vaccine rollouts and uptake. • Increasing global inflation driving fiscal policy tightening will affect growth and economic recovery, potentially introducing supply-side inflation into economies under pressure. • High sovereign debt levels, combined with reduced debt and interest servicing capacity, increase the possibility of sovereign defaults and an emerging markets debt crisis. **Management's response** • Maintain a dynamic approach to risk appetite setting in response to the outlook for 2022 and beyond. • Use scenarios to evaluate the potential outcomes of a variety of external and internal factors. Management develops mitigating actions and assesses their effectiveness to guide decision making on an ongoing basis. • Monitor downside risk presented by the uncertainty in the outlook where the economic recovery is likely to be unstable and manage risk reduction strategies.
Strategic, execution and business risks arising from external and internal drivers	• Global uncertainty arising from developed markets protectionism, international relations and other market drivers, which result in increased pressure on emerging markets. • Actions taken to limit the impact of COVID-19 resulted in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. • Power supply disruptions in certain markets continue to negatively impact stakeholders. • Disruption through changing customer preferences and competitor offerings. • Potential adverse impact of large strategic change projects on business risk, change risk and people risk. **Management's response** • Monitor and manage risk strategy and risk appetite based on the ongoing evaluation of global and regional developments to identify and mitigate risks as they arise. This includes re-evaluating credit policies and operational and resilience processes, while enabling business to pursue selective strategic opportunities. • Ongoing alignment of risk objectives with the Group's strategy to support its customers and communities efficiently, responsibly and sustainably. • Actively engage governments, communities and customers to support initiatives to address economic hardship. • 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.

Risk management overview

for the reporting period ended 31 December 2021

Risks arising from the operating environment (continued)

Risk theme	Current and emerging 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. • Increasing expectations from stakeholders to integrate sustainability risk management practices with business activities. **Management's response** • Implement the United Nations Environmental Programme Finance Initiative Principles for Responsible Banking and 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 encouraging customers to adopt business strategies and practices aligned with the Group's sustainability policy. • Develop financing standards for other climate sensitive industries in line with the existing coal financing standard. • Continuously 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 the review and alignment of Absa portfolios for climate change risk and opportunities. • 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 the financial inclusivity of customers, including the ongoing support of small and medium-sized enterprises.
Heightened resilience, fraud, financial crime, people and cyber risks expected for the foreseeable future	• Heightened risk of social unrest due to weak economic environments and poor service delivery. • 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. **Management's response** • Maintain focus on physical and digital 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 continuously evolve controls to secure customer information, including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration. • Continue to embed and refine the processes and procedures in place to respond to incidents to alleviate the potential impact on customers. • Embed a strong and resilient risk culture across the Group through ongoing awareness and training. • 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 support employees in the evolution of working environments.
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 impact the current business model, including: ◦ Finalisation of Basel III ◦ Benchmark reform ◦ Sustainability regulations ◦ Resolution Framework ◦ Depositor Insurance Scheme ◦ Conduct, culture and governance supervision • Potential long-term impact of regulatory changes on business strategy and Group performance. **Management's response** • 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. • Strengthen 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 the current business model and practices, and proactively make necessary changes.

Risk management overview

for the reporting period ended 31 December 2021

Common equity tier 1 (CET 1) ratio[1]
12.8%
2020: 11.2%

Economic capital (EC) coverage[1]
1.5
2020: 1.5

Leverage ratio[1]
7.9%
2020: 7.2%

Liquidity coverage ratio (LCR)[2]
116.8%
2020: 120.6%

Net stable funding ratio (NSFR)
116.1%
2020: 115.8%

Credit loss ratio (CLR)
0.77%
2020: 1.92%

Stage 3 ratio on gross loans and advances
5.4%
2020: 6.3%

Stage 1 and stage 2 coverage ratio
1.5%
2020: 1.7%

Stage 3 coverage ratio
44.6%
2020: 42.5%

Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates (Rm)
R1 216m
2020: R1 202m

Operational risk losses[3]
R893m
2020: R292m

Review of current reporting period

- Capital ratios were stronger year-on-year, driven by improved earnings and enhancements on risk weighted assets (RWA). CET 1 has moved above the top end of the Board target range, well above minimum regulatory requirements.
- The liquidity position was healthy and liquidity metrics are within risk appetite.
- Interest rate risk sensitivity in the banking book is actively managed with increased hedging activities. Given the anticipated normalisation in policy rates, the Group's NII remains positively impacted by rising interest rates.
- Loan book growth continued to benefit from the growth momentum in RBB secured lending products and stronger corporate activity during the second half of the year.
- The CLR tracked at the lower end of the Group's through-the-cycle range. A reduction in impairment losses was evident across all market segments.
- Operational risk losses increased, impacted by the riots in South Africa and increased fraud risk losses.
- The Group continued to invest in infrastructure, process re-engineering, employee development and technology to deliver improved operational resilience.
- Sustainability training was conducted across the Group to increase the level of awareness and support management of sustainability risk, and incorporated climate stress testing in our risk management processes.

Priorities

The Group's operating environment is expected to continue to be challenging. Risk, liquidity and capital management will remain a priority, including:

- Creating sustainable value for shareholders while maintaining sufficient capital supply for growth. Capital ratios are to be maintained at the top end of the Board risk appetite and above minimum levels of regulatory capital.
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macroeconomic, political and regulatory environments to identify and manage risks at an early stage. The potential impact of these and other events are modelled in a comprehensive stress testing framework.
- Improve controls, efficiency and operational resilience, through enhanced platforms and digital capabilities, across critical processes including collections, cybersecurity and fraud, data management, disaster recovery and financial crime.
- Engage and collaborate with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy.
- Develop climate action guidelines or standards to guide the Group's approach to climate change-related risks and opportunities to align with commitments made by the Group.
- Conduct business and product impact assessments to evaluate the 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 numbers include unappropriated profits.
[2] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 80% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations. The LCR ratio continues to be measured and reported on the standard regulatory basis of a 100%, the regulatory minimum was however temporarily reduced to 80%.
[3] Includes post period recoveries relating to a payment and fraud related risk event.

Risk management overview

for the reporting period ended 31 December 2021

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.

Key risk metrics	2021	2020
CLR (%)	**0.77**	1.92
Stage 3 ratio on gross loans and advances (%)	**5.4**	6.3
Stage 3 coverage ratio (%)	**44.6**	42.5
Stage 1 and stage 2 coverage ratio (%)	**1.5**	1.7
Total coverage ratio (%)	**4.1**	4.5
Performing book weighted average probability of default (PD) (%)[1]	**2.3**	2.4
Weighted average loss given default (LGD) (%)[1]	**29.9**	30.7
Credit risk economic capital (EC) (Rbn)[2]	**64.4**	54.6
Total credit risk RWA (Rbn)	**719.5**	714.3
Primary credit risk RWA (Rbn)[3]	**679.8**	668.1
Counterparty credit risk (CCR) RWA (Rbn)[4]	**26.5**	34.9
Equity risk RWA (Rbn)	**13.2**	11.3

Review of current reporting period

- Gross loans and advances increased to R1 134bn (December 2020: R1 058bn). This was largely driven by continued growth in RBB secured lending products and increased corporate activity during the second half of the year.
- The CLR at **0.77%** (December 2020: 1.92%) was tracking at the lower end of the Group's through-the-cycle range of 0.75% to 1.00%. A reduction in impairment charges was evident across all market segments, primarily driven by a strong collections performance, the improvement in forward-looking information and the benefit realised from model enhancements in RBB during the first half of 2021 (refer to pages 125 to 129 for a detailed impact analysis of model changes on impairment losses).
- The Group's stage 3 ratio decreased to **5.4%** (December 2020: 6.3%). While the expiry of payment relief resulted in higher non-performing loans (NPLs), this was partially offset by the following key drivers:
  - The business embarked on a project to redefine the definition of default. The implementation of the revised definition of default resulted in a reduction in NPLs, specifically in the secured portfolios (refer to pages 125 to 129 for a detailed impact analysis of the revised South African retail definition of default).
  - Sale of unsecured legal balances in Personal Loans and Card.
  - Higher write-offs in RBB South Africa in the unsecured portfolios and the workout of NPLs as backlogs in legal processes started to clear.
  - Growth in loans and advances to banks and customers.
- Stage 3 coverage increased to **44.6%** (December 2020: 42.5%) as the definition of default revision resulted in loans with lower coverage transferring to the performing book. This was further supplemented by stage 3 impairments raised on single name counterparties in distress.
- Stage 1 and stage 2 coverage decreased to **1.5%** (December 2020: 1.7%) due to model enhancements and partial release of the macro-overlay, given an improved macroeconomic outlook relative to initial expectation. Coverages continue to be closely monitored to ensure the Group remains adequately protected against future losses.
- Credit risk economic capital increased to **R64.4bn** (December 2020: R54.6bn) due to exposure growth, new model calibrations and an increase in sovereign bond holdings resulting in higher concentration risk.
- Primary credit risk RWA[2] increased to **R679.8bn** (December 2020: R668.1bn) due to growth and exchange rate movements. However, RWA intensity decreased due to a favourable change in balance sheet mix, model updates and RWA optimisation initiatives.
- Counterparty credit risk RWA consumption decreased to **R26.5bn** (December 2020: R34.9bn) due to a reduction in risk positions and mark-to-market movements.
- Equity risk RWA increased to **R13.2bn** (December 2020: R11.3bn) due to an equity investment in a renewable energy platform.

Priorities

- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macroeconomic, political and regulatory environments to identify and manage risks at an early stage.
  The potential impact of these and other events are modelled in a comprehensive stress testing framework.
- Proactively manage legacy distressed names to maximise recovery rates.
- Enhance collections capabilities to effectively manage credit risk through the cycle.
- Focus on talent development and succession planning, ensuring a fully capacitated and well-skilled credit team.
- Keep abreast of regulatory changes, specifically the rollout of a new large exposure framework and Basel III enhancements to capital rules for credit risk.

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

Risk management overview

for the reporting period ended 31 December 2021

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.

Key risk metrics	2021	2020
Average traded market risk – 99% value at risk (VaR) (Rm)	51.9	62.9
Traded market risk EC (Rbn)	6.5	3.9
Traded market risk RWA (Rbn)	39.2	40.1

Review of current reporting period

- Reduction in the average VaR was principally due to reduced overnight risk being held across the markets trading portfolio. The business remained cautious considering concerns about the economic uncertainty arising from historically high asset prices and low interest rates, alongside increasing inflation and COVID-19-related pandemic concerns.
- EC increased primarily due to the model enhancements introduced at the beginning of the 2021 period, specifically relating to the implementation of an internal model default risk charge to replace the regulatory specific risk add-on used in 2020. The changes made to the default risk component, captures issuer concentration risk, with enhanced sensitivity to tail risk events, thereby providing a more accurate reflection of the potential adverse impact on the Group's earnings, due to changes in market risk factors, during a stressed event.
- The marginal reduction in RWA was due to a decrease in the internal model VaR and stressed value at risk (sVaR) metrics as a result of reduced overnight risk. This was offset by an increase in the ARO portfolio risk to facilitate client demand which saw some recovery after the extensive COVID-19 restrictions in place in 2020.

Priorities

- Monitor and manage daily risk-taking and loss thresholds in volatile markets, which continue to face a number of events that could cause a significant economic impact in a short period.
- Manage capital demand within the Group's risk appetite in markets with reduced liquidity through close engagement with business, limit monitoring and return on capital analyses.
- 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 (also known as the Fundamental Review of the Trading Book (FRTB)), issued in January 2019.
- Maintaining the momentum of the FRTB project to prepare the Group for meeting the regulatory implementation deadline of 1 January 2024 in South Africa.

Treasury risks

Liquidity risk

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

Key risk metrics	2021	2020
Sources of liquidity (Rbn)	301.2	260.1
NSFR (%)	116.1	115.8
LCR (%)[1]	116.8	120.6
Loan-to-deposit ratio (%)[2]	84.2	86.2
Loans and advances to customers and banks (Rbn)	1 060.6	1 034.6
South Africa	925.1	891.4
ARO	135.5	143.2
Deposits from customers and banks (including debt securities) (Rbn)	1 258.9	1 199.9
South Africa	1 076.7	1 020.5
ARO	182.2	179.4

[1] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 80% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations. The LCR ratio continues to be measured and reported on the standard regulatory basis of a 100%, the regulatory minimum was however temporarily reduced to 80%.

[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.

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Risk management overview

for the reporting period ended 31 December 2021

Treasury risks (continued)

Liquidity risk (continued)

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position was healthy, with liquidity metrics in line with risk appetite and above the minimum regulatory requirements.
  - Strong core deposit growth benefitted from the closure of the Absa Money Market Fund in July 2021, with a significant portion of customers electing to migrate to Absa investment products, strengthening the Group's liquidity and funding profile.
  - The Group maintained a high-quality liquid asset (HQLA) buffer in excess of the minimum regulatory requirements, noting that the SARB's committed liquidity facility, which qualified as HQLA, was fully phased out on 1 December 2021.
  - The foreign currency liquidity position of the Group remained robust, with adequate diversified United States dollar (USD) funding available to support the USD asset base and planned asset growth.
  - All banking subsidiaries are self-sufficient in terms of local currency liquidity, with limited reliance on Absa Bank for USD working capital support required from the Group.
- **Long-term balance sheet structure:**
  - The Group continued to strengthen and diversify its funding sources to maintain a sustainable funding structure.
  - Debt capital market issuances for 2021 comprised US$500m Additional Tier 1 (AT1) and R3bn senior debt, with overall reliance on wholesale funding remaining subdued given the strong growth in core deposits.
  - The cost of wholesale funding stabilised in 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 increased to **R301.2bn** (December 2020: R260.1bn), amounting to 28.0% (December 2020: 27.3%) of deposits due to customers demonstrating the strength of the Group's diverse liquidity resources. The diverse liquidity resources increased year-on-year as the Group invested in alternative forms of unencumbered liquid assets that are not eligible as regulatory HQLA.
  - The Bank continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at R206.9bn (December 2020: R213.6bn).
  - Loan growth was mainly funded by faster growth in customer deposits, ensuring a sustainable and diverse funding base.
  - The Group consistently maintained an LCR buffer above 100% during 2021, despite the relief measures provided by the SARB through the reduction of the minimum LCR from 100% to 80% effective 1 April 2020. The LCR minimum requirement will revert to 100% on 1 April 2022.
  - The Group used its internal liquidity stress metric framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within appropriate internal and regulatory guidelines.
  - Sources of funding were managed to maintain a wide diversity of depositors, products, tenors and currencies.

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.
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Collaborate with the regulatory authorities and other stakeholders on the SARB's approach to resolution planning, depositor insurance schemes and the monetary policy implementation framework in South Africa.

Risk management overview

for the reporting period ended 31 December 2021

Treasury risks (continued)

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 conditions.

Key risk metrics	2021	2020
Total EC (Rbn)	104.6	94.5
Total RWA (Rbn)	931.5	915.1
CET 1 capital adequacy ratio (%)[1]	12.8	11.2
EC coverage	1.5	1.5
Leverage ratio (%)[1]	7.9	7.2
Cost of equity (CoE) (%)[2]	14.5	14.0

Review of current reporting period

- As at 31 December 2021, the Group's capital position was well above minimum regulatory requirements and above the top end of the current Board target range of 11.0% to 12.5%.
- Capital ratios improved year-on-year due to strong earnings generation, coupled with capital issuances and RWA enhancements achieved through model changes that were approved by the regulator. Capital buffers remained strong, consistently above minimum regulatory requirements.
- The SARB reduced the minimum capital requirement by removing the Pillar 2A requirement of 100 bps of capital at a total capital level to accommodate the impact of current market conditions on bank capital ratios. The Pillar 2A requirement has been reinstated from 1 January 2022.
- The Group called Tier 2 bonds during the period amounting to R2.4bn.
- In May 2021, the Group issued Additional Tier 1 instruments to the value of US$500m in offshore capital markets, providing itself 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 period.
- The Additional Tier 1 issuance and retained earnings supported the leverage ratio.
- The cost of equity increase was driven by the change in the long-term risk-free rate.

Priorities

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board-approved target range and above minimum levels of regulatory capital.
- The reinstatement of the Pillar 2A temporary capital relief will have no impact on the Group as the Board capital targets have continued to incorporate the full requirement.
- 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.
- After the publication of the Financial Sector Laws Amendment Bill (FSLAB), prioritise the issuance of first loss after capital (Flac) instruments.
- Appropriately deploy and repatriate capital to and from subsidiaries.

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

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Risk management overview

for the reporting period ended 31 December 2021

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.

Key risk metrics	2021	2020
Banking book net interest income (NII) sensitivity for a 2% increase shock in interest rates (Rm)	1 216	1 202
South Africa	414	533
ARO	802	669
Banking book NII sensitivity for a 2% downward shock in interest rates (Rm)	(1 668)	(1 684)
South Africa	(700)	(857)
ARO	(968)	(827)
Non-traded market risk EC (Rbn)	7.8	9.1

Review of current reporting period

- Overall, Group interest rate risk sensitivity remained broadly flat for the year. The Group continued to benefit from strong deposit growth. Risk positions continued to be actively managed with increased derivative hedging in South Africa, and together with regulatory methodology changes, NII risk sensitivity to rate cuts reduced in South Africa in 2021.
- The strategic structural hedging programme in South Africa has continued to support margin stability.
- South African risk reduction was broadly offset by an increase in ARO NII risk sensitivity, mainly due to continued deposit growth and methodology enhancements.
- The Group strategy remained focused on actively hedging its structural, fixed and margin risks to NII volatility and provided margin protection to business units 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 to Johannesburg Interbank Average Rate (JIBAR) basis risk in South Africa and short-term reset risks.
- The recent increases in interest rates are however expected to continue to be the trend going forward. Overall, the Group NII will continue to increase as policy rates rise.
- Group EC demand reduced over the period due to a reduction in HQLA investments and an increase in hedging activity.

Priorities

- Continue 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 Basel Committee on Banking Supervision (BCBS) standard on interest rate risk in the banking book (IRRBB) due to be implemented in South Africa by June 2022, as well as ongoing modelling and process enhancements.
- Prepare for JIBAR benchmark reforms.

Risk management overview

for the reporting period ended 31 December 2021

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.

Key risk metrics[1]	2021	2020
Profit before tax (Rm)	23	1 614
Capital adequacy cover (regulatory basis) (times)	1.26[2]	1.39
Insurance risk EC (Rbn)	5.9	6.4

Review of current reporting period

- The impact of the COVID-19 pandemic adversely affected earnings in 2021, particularly as it pertained to the life insurance mortality claims experience. Non-life insurance earnings remain resilient.
- 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 across the insurance group due to the COVID-19 pandemic included:
  - Refined provisions established specifically in response to the expected impact of the pandemic. For Absa Life (excluding cells) a COVID-19 provision of R408m (2020: R200m) was held to meet the expected short-term outflows related to COVID-19 experience, which contributed to the observed profit decline. The majority of this provision is for increased expected mortality claims with the remainder for increased expected lapses.
  - Reviewed underwriting strategy as it pertains to vaccination status.
  - Considered strategic priorities and discretionary expenditure.
  - Calibrated three potential scenarios as part of out-of-cycle Own Risk and Solvency Assessment (ORSA) analysis.
  - Continued key customer concessions and relief measures.
  - Monitoring and oversight of key risk drivers, early warning indicators and demographic experience.
- Economic capital reduced over 2021 as a result of increased COVID-19 provisions that reduce capitalised profits on the regulatory balance sheet, and refinements in capital targets that inform economic capital.
- Improved the processes supporting the ORSA analysis, 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 Prudential Authority (PA) in November 2020. Outstanding insurance group governance and operational requirements were closed out in early 2021.
- The International Financial Reporting Standards (IFRS) 17 project progressed further.

Priorities

- Focus on the following areas relating to the COVID-19 pandemic:
  - Ensuring that COVID-19 provisions held for claims expected to emerge as a result of future waves of infection remain adequate in light of unfolding experience.
  - The sustained response to the pandemic in all areas of the insurance operations as the operating environment normalises.
  - Continued product enhancements and amendments as policyholder needs evolve, with an emphasis on digital solutions.
  - Monitoring key risk drivers, early warning indicators and demographic experience.
- Proactively identify, quantify and manage emerging risks.
- Ensure the successful migration and integration of key policyholder administration systems.
- Drive continued improvements to the ORSA process in line with recommended market practice.
- Ensure final delivery of the IFRS 17[3] programme and the performance of a parallel run.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group.
[2] Unaudited capital position post foreseeable dividends. The pre-dividend capital adequacy cover is 1.29.
[3] IFRS 17 for insurance contracts replacing IFRS 4, effective from 1 January 2023.

Risk management overview

for the reporting period ended 31 December 2021

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.

Key risk metrics	2021	2020
Business risk EC (Rbn)	6.0	5.9

Review of current reporting period

- Improved business conditions, including the sustained relaxation of lockdown restrictions, supported a recovery in the Group's performance.
- Maintained focus on strategic goals amid an environment that remains competitive with a continuous demand for innovative customer solutions and seamless engagements while navigating the pandemic.
- Refinements to the Group's strategy were implemented to consider the current operating context. Strategic priorities remain a key focus area in the context of the shifting landscape, considering business delivery models, market trends and changing customer preferences.
- Assessed the impact on business with a focus on delivering relevant product offerings, customer service models, digitisation and the transition to hybrid working models on its corporate footprint.

Priorities

- Review and refine the Group's risk management approach for business risk as it encompasses strategic risk and business change risk.
- Focus on the key components of the Group's business risk framework, which encompass strategy design and choices, execution and implementation, disruptive change and emerging risks as well as operational efficiencies.
- Monitor strategy execution through the outcomes of the integrated planning process and the update to the Group's medium-term plans.
- Accelerate investment in advanced data analytics and digital capabilities.
- Assess and respond to strategic progress and the impact of external and internal factors to the business model and customer value propositions using agile approaches.
- Prioritise the development of skills and capabilities required to ensure ongoing competitive positioning, safety and wellness of the Group's employees and customers, as well as new engagement models in the context of the changing environment.
- Enhance the Group's competitiveness across key markets, segments and products.

Model risk

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

Key risk metrics	2021	2020
Model risk EC (Rbn)	3.3	2.7

Review of current reporting period

- Continued to improve the accuracy and robustness of the models that support business decision making, impairment and regulatory credit capital calculations. These improvements resulted in more accurate quantification of default risk, impairments and regulatory credit capital demand.
- Received approval from the PA to implement eight new wholesale regulatory credit capital models and implemented six models.
- Redeveloped and implemented all retail credit impairment models and behavioural scorecards. The redevelopment of retail regulatory credit capital is scheduled for 2022.
- Continued to enhance the model risk control environment by refining the model risk appetite assessment, refreshing the relevant policies and standards, updating the quantitative tests and methodologies and enhancing the model risk management workflow system.
- No adverse model risk events took place during 2021.

Priorities

- Implement the new retail and wholesale credit risk models.
- Continue the redevelopment of models to improve their accuracy and robustness.
- Enhance and automate model performance monitoring, leading to an increase in frequency and consistency of model performance assessments and earlier detection of non-performance.
- Strengthen the Group's capabilities to manage the increasing quantity and complexity of models.
- Embed technological solutions, including the use of machine learning techniques and cloud-based computing, for independent validation and the general management of model risk.
- Reduce critical staff dependencies through pipeline development, succession planning, training and automation.
- Optimise the architecture and capabilities of the model development, validation and implementation technology platforms.

Risk management overview

for the reporting period ended 31 December 2021

Operational risk

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

Key risk metrics	2021	2020
Total operational risk losses as a percentage of gross income (%)	**1.04**	0.36
Total operational risk losses (Rm)[1]	**893**	292
Operational risk EC (Rbn)[2]	**10.7**	11.8
Total operational risk RWA (Rbn)	**149.4**	143.4
Operational risk (Rbn)	**122.7**	117.2
Non-customer assets (Rbn)	**26.7**	26.2

Review of current reporting period

- Net operational risk losses of **R893m** (December 2020: R292m) were impacted by the riots in South Africa and increased fraud risk losses.
- The increase in RWA to **R149.4bn** (December 2020: R143.4bn), was attributable to growth in revenue and depreciation of the Rand against the currencies of the ARO countries.
- The reduction in EC to **R10.7bn** (December 2020: R11.8bn) was attributable to the fixed asset risk property optimisation strategy and corporate real estate buildings for sale.
- Key achievements in the period included:
  - Further development of fraud defences including behavioural analytics to identify internal fraud and enhancements to customer profile scoring and authentication.
  - Progress in addressing and preventing debit order abuse within the National Payment System through improved internal controls and migration of authenticated and non-authenticated early debit order transactions onto DebiCheck.
  - Improvements towards the management of processes, most notably in the embedment of critical process assessments.
  - Digitised the toolset used in the management and measurement of operational risk.
  - Enhanced the operational risk stress testing methodology and developed a new model.
  - Achieved compliance to BCBS239 – Risk Data Aggregation and Risk Reporting (RDARR) requirements.

Priorities

- Further strengthen the Group's fraud defences through continued investment in automation, analytics, and technologies.
- Further improve the process management infrastructure (people, process, technology) across the process value chain.
- Adoption and embedment of the digitised operational risk toolset.
- Implement the new standardised approach (NSA) in line with defined local guidelines.
- Implement artificial intelligence to enhance risk management capabilities.

[1] Includes post period recoveries relating to a payment and fraud related risk event.
[2] Includes fixed asset risk, non-customer assets and pension risk.

Risk management overview

for the reporting period ended 31 December 2021

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

- The Group's overall stability continued to improve year-on-year as evident from the trend line of high severity incidents.
- Enhanced the due diligence performed on third-party suppliers through on-going reviews and controls monitoring.
- Continued to enhance defence layers while monitoring the ever evolving threat landscape to ensure the efficacy of defence mechanisms deployed against emerging threat vectors.
- The Group continued to respond to the idiosyncratic risks arising from the COVID-19 pandemic through the resilience war room (led by the COVID-19 Advisory Board) in conjunction with businesses and functions having deployed specific measures and protocols, in line with evolving regulatory requirements, to successfully deliver essential services. These specific measures included:
  - Social distancing, including monitoring, management, and redistribution of capacity at high density locations, e.g. call centres.
  - Distribution of hand sanitisers, personal protective equipment, and deep cleaning of buildings.
  - Work-from-home solutions including increased virtual private network (VPN) capacity and enabling solutions.
  - Heightened monitoring of the technology estate and performance of the various security solutions.
  - Analytically based opening and closure of branches and ATMs.
  - Bespoke communications to customers, suppliers, regulators, and colleagues.
  - Review of the resilience protocols of critical suppliers.
- The South African operations demonstrated resilience in response to the riots; with customer service continuing in the affected areas through digital channels.

Priorities

- Focus on digital channels and driving a number of programmes to enhance stability and reduce unsupported infrastructure. Change volumes continue to increase, requiring the Group to carefully balance stability and progress with the digital agenda. The stability of customer and colleague-facing channels remains a top priority for technology teams.
- Continued improvement in the speed at which the Group can close an increasing number of security vulnerabilities. External attack surface management continues to be a risk as multiple ransomware attacks across industry players and third parties are seen. A dedicated remediation programme has been established to continue to mitigate the potential impact of such attacks.
- Continue to improve access control mechanisms over the Group's technology landscape.
- Build core talent and leverage external talent pools to fill the critical skills gap within technology and enhance the skills value chain, which is critical to the successful delivery of the Group's strategic ambition.

Risk management overview

for the reporting period ended 31 December 2021

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

- Conducted the inaugural Absa ethics survey within the organisation, which confirmed alignment to the Group's ethical practices. However, the Group continues to address identified areas of improvement. Post the ethics survey, the Group implemented training and awareness on our values and expected behaviours when engaging with fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community.
- Benchmarked the whistleblowing line and processes against global best practice, with the assessment confirming that the Group's line is advanced and mature.
- Maintained banking services during a difficult operating environment, including further waves of COVID-19 and unrest in parts of South Africa. The Group also met the amended Disaster Management Act regulation imposed in January 2021, on all banks to provide hand sanitisers in respect of every automated teller machine (ATM).
- Compliance levels were impacted during the unrest and riots in June 2021, which resulted in some branches and ATMs in KwaZulu-Natal and Gauteng being closed. Customers were kept updated on alternative service sites, which also included a notification on the deployment of the bank on wheels to identified areas and a payment relief program was made available to customers who were affected by the unrest.
- Management of complaints continued to significantly improve across the Group, resulting in a substantial reduction in case lead time and those referred to the various ombudsman bodies.
- Maintained the health and safety of employees, customers and suppliers across the Group's premises.
- Successfully implemented the authenticated collections project (DebiCheck) to further manage down debit order abuse.

Priorities

- Further improve the protection and responsible use of customer and employee data, particularly those held by suppliers and other third parties.
- Responsibly move to a hybrid working environment while continuing to maintain the health and safety of the Group's employees, customers and service providers.
- Maintain treating customers fairly principles in the face of ongoing digitisation of customer processes and propositions.
- Continue focusing on assisting customers in distress during a prolonged difficult economic environment.

Risk management overview

for the reporting period ended 31 December 2021

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

- Actively participated in the COVID-19 Tactical Operation Group (TOG) under the South African Anti-Money Laundering Integrated Task Force (SAMLIT), which is chaired by the Group. The work of the TOG resulted in a number of successful convictions and a significant amount seized and forfeited to the South African Government.
- Played an active role in the United for Wildlife Financial Taskforce and the SAMLIT expert working group on illicit wildlife trafficking (IWT) and led the working group to develop a bespoke IWT risk assessment template for adoption by the global financial industry.
- Successful alliances with the South African Revenue Service resulted in a substantial amount of value-added tax (VAT) and income tax refund-related fraud being identified and secured.
- Maintained a satisfactory rating against the goals and purposes of the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development's recommendations regarding corruption.
- 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, proliferation finance, politically exposed persons and beneficial ownership transparency through collaboration with local and global industry bodies.

Priorities

- Play a prominent role in proactively providing input and advocating changes in legislation that may result from the recently published Financial Action Task Force's Mutual Evaluation Report of South Africa. Moreover, the Group will actively participate in associated industry-wide and regulator-driven initiatives required to demonstrate South Africa's effectiveness in fighting financial crime.
- Work with law enforcement bodies, other government bodies and the rest of the industry in response to the Zondo Commission's report on state capture.
- Complete the Group's application for the ISO 37001 anti-bribery management system certification.
- Continue to collaborate internally with functions such as cybercrime and fraud, as well as externally with local and global industry bodies, to strengthen our surveillance and intelligence capabilities and further our effectiveness in reducing financial crime.
- Continue to enhance our platforms and digital capability to advance our effectiveness in managing financial crime risk.

Risk management overview

for the reporting period ended 31 December 2021

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

- Continued to strengthen and maintain constructive key external relationships, including those with the media, journalists, industry bodies, business associations and societal groups.
- Managed the reputational impact emanating from:
  - Changes in executive management and Board members.
  - Closure of the Absa Money Market Fund.
  - Industry-related and Group specific data leaks.

Priorities

- Embed a revised operating model for reputation risk management following organisational changes in 2021.
- Expand reputational risk intelligence capability to proactively manage potential issues.
- Actively engage on matters of public interest, including ongoing customer distress, cost of banking, private sector corruption, state capture, and the 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

- Introduced the Sustainability Risk Framework and supporting standards (Environmental and Social Management System Standard) to guide Group-wide identification and management of environmental and social risks and the implementation of sustainability risk management.
- Updated the sustainability risk appetite statement to ensure a holistic sustainability approach looking at environmental and social governance. This resulted in a more focused approach to climate change risk and opportunity management.
- The Group's first TCFD report was published in 2021, in line with the Board's climate resolution. The report outlined exposure to climate-sensitive sectors and the approach in an effort to understand climate change risks and opportunities. In 2021, an analysis of the Group's loan book exposure to physical and transition risks, as well as mitigation potential, was conducted with an in-depth analysis on agriculture and real estate sectors that represent a significant portion of the Group's loan book (the outcomes of this analysis will be shared in the 2022 TCFD report).
- Completed the Oil and Gas Finance Standard and updated the Coal Finance Standard in support of commitments made in the Sustainability Policy. Additionally, this also provided guidance across the Group in dealing with climate-sensitive sectors and defined a journey map with timelines for the remaining climate-sensitive sectors as reported in the Group's TCFD report.
- Published the Group's first United Nations Principles for Responsible Banking (PRBs) report in 2021 to show the progress in implementing these principles. Annual reports will follow and will demonstrate how we conduct ourselves on environmental and social risks.
- Conducted sustainability training across the Group to increase the level of awareness and support management of sustainability risk.
- Incorporated climate stress testing in our risk management processes.

Priorities

- Embed sustainability risk management across the Group as a principal risk in the ERMF.
- Automate sustainability risk tools and a sustainability data collation process.
- Continue with the in-depth climate change risks and opportunity analysis for additional climate-sensitive sectors and ARO.
- Develop climate action guidelines or standards to guide the Group's approach to climate change-related risks and opportunities.
- Ongoing development and roll out of the deal screening tool to incorporate environmental and social management in the ERMF.
- Align approach to address biodiversity impacts (risks and opportunities) with the Taskforce on Nature-related Financial Disclosures.
- Continue to annually publish PRBs report, TCFD disclosure and environmental, social and governance (ESG)-related performance in line with our implementation plan to manage sustainability risk.

Capital management and RWA

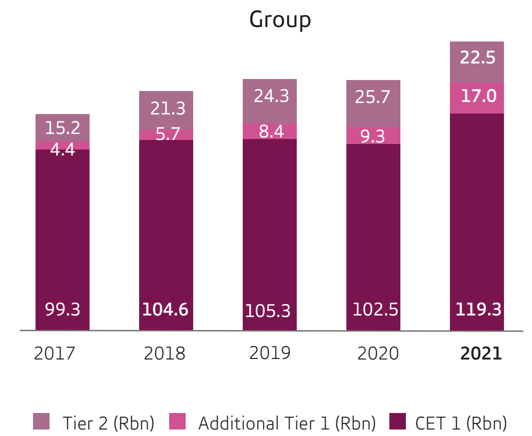
for the reporting period ended 31 December 2021

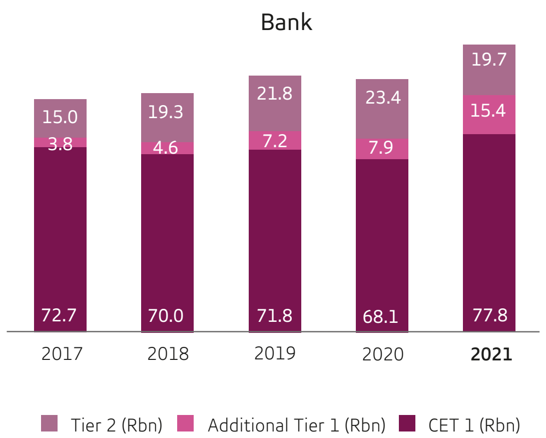
Capital adequacy

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

	Board target ranges[1] %	Minimum regulatory capital requirements[2] %	Group performance 2021	Group performance 2020	Bank performance 2021	Bank performance 2020
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.0 – 12.5		**12.8**	11.2	**12.4**	10.6
Tier 1	>12.0		**14.6**	12.2	**14.8**	11.9
Total capital adequacy requirement (CAR)	>14.5		**17.0**	15.0	**17.9**	15.6
Leverage	5.5 – 7.5		**7.9**	7.2	**6.5**	5.7
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		8.0	**12.2**	11.2	**11.9**	10.6
Tier 1		9.5	**14.1**	12.2	**14.3**	11.9
Total CAR		11.5	**16.5**	15.0	**17.5**	15.6
Leverage		4.0	**7.6**	7.2	**6.3**	5.7

Qualifying capital (including unappropriated profits)





Group[3] 2017	Group[3] 2018	Group[3] 2019	Group[3] 2020	Group[3] 2021		Bank 2017	Bank 2018	Bank 2019	Bank 2020	Bank 2021
13.5	12.8	12.1	11.2	**12.8**	CET 1 ratio (%)	13.4	12.3	11.9	10.6	**12.4**
16.1	16.1	15.8	15.0	**17.0**	Total CAR (%)	16.9	16.5	16.7	15.6	**17.9**

[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 12.0%.
[2] The 2021 minimum total regulatory CAR of 11.5% includes the capital conservation buffer, Pillar 2A at 0% and the D-SIB add-on but excludes the bank-specific individual capital requirement (Pillar 2B add-on).
[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 31 December 2021

Overview of risk weighted assets

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

Group	2021 Risk weighted assets Rm	2020 Risk weighted assets Rm	2021 Minimum capital requirement[1] Rm
Credit risk[2]	719 520	714 301	82 745
Traded market risk	39 183	40 110	4 506
Operational risk	149 379	143 443	17 178
Threshold items	23 442	17 207	2 696
Total	931 524	915 061	107 125

Bank[3]	2021 Risk weighted assets Rm	2020 Risk weighted assets Rm	2021 Minimum capital requirement[1] Rm
Credit risk[2]	495 154	507 425	56 943
Traded market risk	25 838	28 944	2 971
Operational risk	97 718	99 448	11 238
Threshold items	11 270	4 227	1 296
Total	629 980	640 044	72 448

[1] The 2021 minimum total regulatory CAR of 11.5% includes the capital conservation buffer, Pillar 2A at 0% and the D-SIB add-on but excludes the bank-specific individual capital requirement (Pillar 2B add-on).
[2] Credit risk includes equity positions in the banking book, CCR, CVA and securitisation.
[3] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2021

Capital supply

Breakdown of qualifying capital

Group	2021 Rm	2021 %[1]	2020 Rm	2020 %[1]
CET 1	114 080	12.2	102 496	11.2
Additional Tier 1 capital	16 979	1.8	9 307	1.0
Tier 1 capital	131 059	14.1	111 803	12.2
Tier 2 capital	22 475	2.4	25 651	2.8
Total qualifying capital (excluding unappropriated profits)	153 534	16.5	137 454	15.0
Qualifying capital (including unappropriated profits)				
CET 1 including unappropriated profits	119 263	12.8	102 496	11.2
CET 1	114 080	12.2	102 496	11.2
Unappropriated profits	5 183	0.6	—	—
Additional Tier 1 capital	16 979	1.8	9 307	1.0
Tier 1 capital	136 242	14.6	111 803	12.2
Tier 2 capital	22 475	2.4	25 651	2.8
Total qualifying capital (including unappropriated profits)	158 717	17.0	137 454	15.0

Bank[2]	2021 Rm	2021 %[1]	2020 Rm	2020 %[1]
CET 1	74 851	11.9	68 051	10.6
Additional Tier 1 capital	15 428	2.4	7 933	1.3
Tier 1 capital	90 279	14.3	75 984	11.9
Tier 2 capital	19 719	3.1	23 426	3.7
Total qualifying capital (excluding unappropriated profits)	109 998	17.5	99 410	15.6
Qualifying capital (including unappropriated profits)				
CET 1 including unappropriated profits	77 834	12.4	68 051	10.6
CET 1 (excluding unappropriated profits)	74 851	11.9	68 051	10.6
Unappropriated profits[2]	2 983	0.5	—	—
Additional Tier 1 capital	15 428	2.4	7 933	1.3
Tier 1 capital	93 262	14.8	75 984	11.9
Tier 2 capital	19 719	3.1	23 426	3.7
Total qualifying capital (including unappropriated profits)	112 981	17.9	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 31 December 2021

Economic capital

EC provides a common basis upon 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 supports 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 with the ERMF principal risks. EC demand is compared with 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	2021 Rm	2020 Rm
Credit risk[1]	64 391	54 609
Traded market risk	6 510	3 906
Non-traded market risk	7 815	9 065
Insurance risk	5 880	6 448
Business risk	5 999	5 932
Model risk	3 289	2 723
Operational risk[2]	10 701	11 804
Total EC requirement	104 585	94 487
IFRS total EC AFR	158 877	137 347
IFRS total EC surplus	54 291	42 860
IFRS EC coverage ratio	1.5	1.5

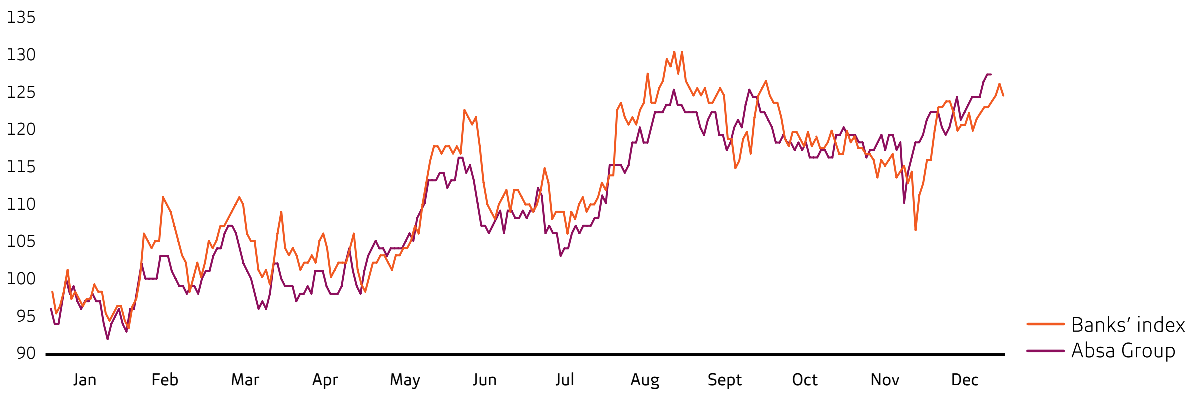
[1] Credit risk includes equity risk, CCR, CVA and securitisation.
[2] Total operational risk includes fixed asset risk, non-customer assets and pension risk.

Appendices

Share performance

for the reporting period ended 31 December 2021

Share performance (cents)



Share performance on the JSE	2021	2020	Change %
Number of shares in issue, which includes 1 791 425 (2020: 4 898 026) treasury shares	**847 750 679**	847 750 679	—
Market prices (cents per share):			
closing	**15 255**	11 986	27
high	**16 000**	15 069	6
low	**11 001**	6 330	78
average	**13 535**	10 091	33
Closing price/Normalised NAV per share (excluding preference shares) (times)	**1.03**	0.91	13
Normalised price-to-earnings ratio (closing price/HEPS) (times)	**14.0**	25.5	(45)
Volumes of shares traded (million)	**683.3**	1 052.1	(33)
Value of shares traded (million)	**93 981.1**	102 542	(8)
Market capitalisation (Rm)	**129 324**	101 617	27
Annual total return (%)	**29.9**	(15.6)	>100

Shareholder information and diary

Major ordinary shareholders (%)

2021	2020	
14.88	(14.88)	Barclays Africa Group Holdings (UK)
6.87	(3.06)	Ninety One (SA)
5.57	(4.83)	Old Mutual (SA, NA)
5.41	(6.24)	Public Investment Corporation (SA)
5.32	(0.27)	M&G (SA, UK)
4.03	(4.02)	Citigroup Global Markets (SA)

2021	2020	
3.75	(4.09)	BlackRock Incorporated (US, UK, JP, AU, CA)
3.35	(3.23)	Investec Securities (SA)
3.07	(3.04)	The Vanguard Group (US, AU)
2.02	(1.66)	Sanlam Investment Management (SA)
45.73	(54.68)	Other

Major shareholding split by geography (%)

2021	2020	
19.96	(20.01)	United Kingdom
56.84	(51.69)	South Africa
14.70	(17.26)	United States and Canada
8.50	(11.04)	Other countries

Shareholder diary

Financial year-end	31 December 2021
Announcement of the 2021 results[1]	14 March 2022
Annual general meeting[1]	03 June 2022

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
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 includes '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.

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Glossary

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

Capital – Common Equity Tier 1
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 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 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 cover
Headline earnings per share divided by dividend per share.

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 to which it 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/Total income
Income consists of net interest income and non-interest income.

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.

Glossary

Net asset value
Total equity attributable to ordinary equity holders, excluding non-cumulative, non-redeemable preference shares issued.

Net asset value per share
Total equity attributable to ordinary equity holders divided by the number of shares in issue.

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.

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.

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Glossary

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.

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.

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
CET 1	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

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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

Y

Y-o-Y	year-on-year

Contact information

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