



Absa Bank Limited

Unaudited condensed consolidated
financial results for the interim reporting
period ended 30 June 2021

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

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

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

Together with the GACC, the Board has reviewed and approved the unaudited condensed consolidated interim financial results including the announcement released on the Stock Exchange News Services (SENS) on 16 August 2021. The GACC and the Board of Directors are satisfied that the details disclosed in the SENS result in the fair presentation of the consolidated financial statements and comply, in all material respects, with the relevant provisions of the Companies Act, JSE listings requirements, IFRS and interpretations of IFRS, and SAICA's Reporting Guides.

Absa Bank Limited **Unaudited condensed consolidated interim** **financial results for the reporting period ended** **30 June 2021.**

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/004794/06
Incorporated in the Republic of South Africa
JSE share code: ABSP
ISIN: ZAE000079810
(Absa, Absa Bank, the Bank or the Company)

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

The full interim report is available on the Company's website, copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours on normal business days, subject to COVID-19 office protocols.

Dividend announcement

for the interim reporting period ended 30 June 2021

Declaration of preference share dividend number 31

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

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

Absa Bank's current prime rate is 7%.

Notice is hereby given that preference dividend number 31, equal to 70% of the average prime rate for 1 March 2021 to 31 August 2021, on the assumption that there will be no further changes in the prime rate between declaration date and 31 August 2021.

The dividend is payable on Monday, 20 September 2021, to shareholders of the Absa Bank preference shares recorded in the Register of Members of the Company at the close of business on Friday, 17 September 2021.

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

Based on the average prime rate, the interim preference dividend payable for the period 1 March 2021 to 31 August 2021 would indicatively be 2 470.13699 cents per Absa Bank preference share.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 2 470.13699 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 1 976.10959 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both dates inclusive. On Monday, 20 September 2021, the dividend will be electronically transferred to the bank accounts of shareholders.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
16 August 2021

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

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2021

Overview of results

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

Commentary relating to the Bank's condensed consolidated interim financial results is included in the Group results, as presented to shareholders on 16 August 2021.

Basis of presentation

IFRS financial results

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

The presentation and disclosures of the unaudited condensed consolidated interim financial results comply with IAS 34 *Interim Financial Reporting* (IAS 34).

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

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

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

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated interim financial results are the same as those in place for the reporting period ended 31 December 2020.

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

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

The amendments are as follows:

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

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

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

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

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

While models were redeveloped for the new definition of default, other model enhancements were made to achieve better consistency between regulatory and IFRS models, refine assumptions and methodologies in accordance with experience and new information available. The optimisations were limited to revising modelling methodologies and techniques and excluded customer behaviour as a result of the COVID-19 pandemic, which have been separately assessed and disclosed on page 17. These changes include:

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

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

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

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2021

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

(continued)

These changes have been accounted for as a change in accounting estimate in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

It is impracticable to disclose the future impacts of the model enhancements.

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

South African retail portfolio Product	Change in application of default Rm	Other model enhancements Rm
Home loans	5	(623)
Vehicle and asset finance	(5)	(211)
Everyday Banking	(65)	(329)
Card	(11)	(779)
Personal loans	(43)	350
Transactions and deposits	(11)	100
Total	(65)	(1 163)

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2021

Events after the reporting period

Civil unrest, including riots and looting, occurred from 9 to 17 July 2021 in KwaZulu-Natal and Gauteng provinces, South Africa. Direct impacts included damage to Absa's physical property and the interruption of sales and service capabilities in affected areas which is being alleviated through Absa's Bank on Wheels capabilities. While the longer-term impacts of this civil unrest are still to be fully determined, the current assessment of the overall risk of financial loss to Absa is limited due to mitigants such as SASRIA insurance. Consistent with the Group's comprehensive and empathetic response to the onset of the pandemic in 2020, RBB SA has implemented various relief mechanisms to support affected customers, and CIB SA will provide bespoke solutions to qualifying clients if required. The impact of the events will be continuously monitored and managed accordingly.

The Board is not aware of any other events (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 30 June 2021 and the date of authorisation of these condensed consolidated interim financial results.

On behalf of the Board

W E Lucas-Bull
Chairman

J P Quinn
Interim Group Chief Executive

P Modise
Interim Financial Director

Johannesburg
16 August 2021

Condensed consolidated IFRS salient features

for the reporting period ended

	30 June	31 December	
	2021	2020	2020
	Rm	Rm	Rm
Statement of comprehensive income (Rm)			
Income	28 797	25 702	53 687
Operating expenses	16 816	15 390	33 202
Profit/(loss) attributable to ordinary equity holders	5 191	(1 676)	1 176
Headline earnings ⁽¹⁾	5 217	(1 611)	1 402
Statement of financial position			
Gross Loans and advances to customers (Rm)	868 534	828 400	845 114
Total assets (Rm)	1 320 971	1 291 776	1 286 275
Deposits due to customers (Rm)	851 968	745 030	794 887
Loans to deposits and debt securities ratio (%)	88.7	86.5	90.0
Average loans to deposits and debt securities ratio (%)	83.4	86.6	85.4
Financial performance (%)			
Return on equity (RoE)	12.5	(4.0)	1.7
Return on average assets (RoA)	0.4	(0.26)	0.1
Return on risk-weighted assets (RoRWA)	1.66	(0.53)	0.23
Stage 3 loans ratio on gross loans and advances	5.45	5.47	6.18
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.62	3.24	3.25
Credit loss ratio on gross loans and advances to customers and banks	0.4	2.49	1.7
Non-interest as a percentage of total income	35.8	37.6	38.2
Cost-to-income ratio	58.4	59.9	61.8
Jaws	(3)	(5)	(7)
Effective tax rate	26.4	31.5	26.6
Share statistics (million)			
Number of ordinary shares in issue	448.3	448.3	448.3
Weighted average number of ordinary shares in issue	448.3	448.3	448.3
Diluted weighted average number of ordinary shares in issue	448.3	448.3	448.3
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	1 158.1	(373.9)	262.3
Diluted basic earnings per ordinary share (DEPS)	1 158.1	(373.9)	262.3
Headline earnings per ordinary share (HEPS)	1 163.7	(359.6)	312.5
Diluted headline earnings per ordinary share (DHEPS)	1 163.7	(359.6)	312.5
Dividend per ordinary share relating to income for the reporting period	—	—	—
Dividend payout ratio	—	—	—
Net asset value (NAV) per ordinary share	19 100	17 952	18 458
Tangible NAV per ordinary share	16 946	15 848	16 311
Capital adequacy (%)			
Absa Bank Limited	17.7	15.8	15.6
Common Equity Tier 1 (%)			
Absa Bank Limited	11.8	10.6	10.6

⁽¹⁾ After allowing for R120m (30 June 2020: R172m; 31 December 2020: R307m) profit attributable to preference equity holders and R290m (30 June 2020: R334m; 31 December 2020: R589m) profit attributable to Additional Tier 1 capital holders.

Condensed consolidated statement of financial position

as at

		30 June	31 December	
	Note	2021 Rm	2020 Rm	2020 Rm
Assets				
Cash, cash balances and balances with central banks		33 779	31 761	33 812
Investment securities		118 640	100 343	99 489
Loans and advances to banks	2	61 452	91 441	66 113
Trading portfolio assets		150 544	158 650	166 148
Hedging portfolio assets		6 849	11 256	10 998
Other assets		24 399	18 804	14 819
Current tax assets		32	1 229	273
Non-current assets held for sale	1	82	44	136
Loans and advances to customers	2	835 338	796 592	811 162
Loans to Group Companies		62 782	54 535	56 145
Investments in associates and joint ventures		1 641	1 640	1 601
Property and equipment		13 009	15 279	13 923
Goodwill and intangible assets		9 657	9 430	9 626
Deferred tax assets		2 767	772	2 030
Total assets		1 320 971	1 291 776	1 286 275
Liabilities				
Deposits from banks		86 991	111 127	96 033
Trading portfolio liabilities		79 260	102 559	105 967
Hedging portfolio liabilities		3 804	3 824	4 868
Other liabilities		43 225	38 174	22 475
Provisions		2 727	1 380	2 855
Current tax liabilities		52	8	3
Deposits due to customers		851 968	745 030	794 887
Debt securities in issue		127 454	175 593	144 159
Loans from Group Companies		892	—	—
Borrowed funds	3	27 293	23 147	20 621
Deferred tax liabilities		16	15	8
Total liabilities		1 223 682	1 200 857	1 191 876
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital		304	304	304
Ordinary share premium		36 879	36 879	36 879
Preference share capital		1	1	1
Preference share premium		4 643	4 643	4 643
Additional Tier 1 capital		7 004	5 795	7 004
Retained earnings		43 575	35 403	38 507
Other reserves		4 880	7 891	7 058
		97 286	90 916	94 396
Non-controlling interest – ordinary shares		3	3	3
Total equity		97 289	90 919	94 399
Total liabilities and equity		1 320 971	1 291 776	1 286 275

Condensed consolidated statement of comprehensive income

for the reporting period ended

		30 June	31 December	
	Note	2021 Rm	2020 Rm	2020 Rm
Net interest income		18 489	16 045	33 184
Interest and similar income		35 737	38 974	73 886
Effective interest income		34 824	38 059	72 113
Other interest income		913	915	1 773
Interest expense and similar charges		(17 248)	(22 929)	(40 702)
Non-interest income	4	10 308	9 657	20 503
Net fee and commission income		8 821	8 593	17 690
Fee and commission income		9 702	9 477	19 486
Fee and commission expense		(881)	(884)	(1 796)
Gains and losses from banking and trading activities		1 357	715	2 284
Gains and losses from investment activities		2	(1)	3
Other operating income		128	350	526
Total income		28 797	25 702	53 687
Impairment losses		(3 756)	(11 162)	(15 829)
Operating income before operating expenses		25 041	14 540	37 858
Operating expenses		(16 815)	(15 390)	(33 202)
Other expenses		(652)	(849)	(1 798)
Other impairments	5	(56)	(154)	(437)
Indirect taxation		(596)	(695)	(1 361)
Share of post-tax results of associates and joint ventures		40	(8)	(36)
Operating profit/(loss) before income tax		7 614	(1 707)	2 822
Taxation expense		(2 013)	537	(750)
Profit/(loss) for the reporting period		5 601	(1 170)	2 072
Profit/(loss) attributable to:				
Ordinary equity holders		5 191	(1 676)	1 176
Preference equity holders		120	172	307
Additional Tier 1 capital		290	334	589
		5 601	(1 170)	2 072
Earnings per share:				
Basic earnings per share (cents)		1 158	(373.9)	262.3
Diluted earnings per share (cents)		1 158	(373.9)	262.3

Condensed consolidated statement of comprehensive income

for the reporting period ended

	30 June	31 December	
	2021	2020	2020
	Rm	Rm	Rm
Profit for the reporting period	5 601	(1 170)	2 072
Other comprehensive income			
Items that will not be reclassified to profit or loss	92	(49)	(162)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	7	(9)	(5)
Fair value (losses)/gains	9	(12)	(7)
Deferred tax	(2)	3	2
Movement on liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk	15	22	(82)
Fair value movements	20	28	(116)
Deferred tax	(5)	(6)	34
Movement in retirement benefit fund assets and liabilities	70	(62)	(75)
Increase/(decrease) in retirement benefit surplus	97	(87)	(104)
Deferred tax	(27)	25	29
Items that are or may be subsequently reclassified to profit or loss	(2 263)	3 377	2 964
Movement in foreign currency translation reserve	—	2	—
Differences in translation of foreign operations	—	2	—
Movement in cash flow hedging reserve	(3 147)	4 706	3 997
Fair value (losses)/gains	(2 246)	7 534	9 039
Amount removed from other comprehensive income and recognised in profit or loss	(2 125)	(998)	(3 488)
Deferred tax	1 224	(1 830)	(1 554)
Movement in fair value of debt instruments measured at FVOCI	884	(1 331)	(1 033)
Fair value gains/(losses)	1 458	(1 835)	(1 400)
Release to profit or loss	(230)	(14)	(32)
Deferred tax	(344)	518	399
Total comprehensive income for the reporting period	3 430	2 158	4 874
Total comprehensive income attributable to:			
Ordinary equity holders	3 020	1 652	3 978
Preference shares	120	172	307
Additional Tier 1 capital	290	334	589
	3 430	2 158	4 874

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares ⁽¹⁾ '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	7 004
Total comprehensive income	—	—	—	—	120	290
Profit for the period	—	—	—	—	120	290
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(120)	—
Distributions paid during the reporting period	—	—	—	—	—	(290)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004

⁽¹⁾ Includes ordinary shares and 'A' ordinary shares.

Condensed consolidated statement of changes in equity

for the reporting period ended

30 June 2021

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399
5 282	(2 262)	885	(3 147)	—	—	—	—	3 430	—	3 430
5 191	—	—	—	—	—	—	—	5 601	—	5 601
91	(2 262)	885	(3 147)	—	—	—	—	(2 171)	—	(2 171)
—	—	—	—	—	—	—	—	(120)	—	(120)
—	—	—	—	—	—	—	—	(290)	—	(290)
(174)	—	—	—	—	—	—	—	(174)	—	(174)
—	44	—	—	—	—	44	—	44	—	44
—	(238)	—	—	—	—	(238)	—	(238)	—	(238)
—	256	—	—	—	—	256	—	256	—	256
—	26	—	—	—	—	26	—	26	—	26
(40)	40	—	—	—	—	—	40	—	—	—
43 575	4 880	(628)	2 168	1	1 422	380	1 537	97 286	3	97 289

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares ⁽¹⁾ '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	5 795
Total comprehensive income	—	—	—	—	172	334
Loss for the period	—	—	—	—	172	334
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(172)	—
Distributions paid during the reporting period	—	—	—	—	—	(334)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	5 795

⁽¹⁾ Includes ordinary shares and 'A' ordinary shares.

Condensed consolidated statement of changes in equity

for the reporting period ended

30 June 2020

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
39 075	4 625	(480)	1 318	1	1 422	831	1 533	91 322	3	91 325
(1 726)	3 378	(1 331)	4 706	3	—	—	—	2 158	—	2 158
(1 676)	—	—	—	—	—	—	—	(1 170)	—	(1 170)
(50)	3 378	(1 331)	4 706	3	—	—	—	3 328	—	3 328
(2 000)	—	—	—	—	—	—	—	(2 172)	—	(2 172)
—	—	—	—	—	—	—	—	(334)	—	(334)
46	—	—	—	—	—	—	—	46	—	46
—	(104)	—	—	—	—	(104)	—	(104)	—	(104)
—	(207)	—	—	—	—	(207)	—	(207)	—	(207)
—	196	—	—	—	—	196	—	196	—	196
—	(93)	—	—	—	—	(93)	—	(93)	—	(93)
8	(8)	—	—	—	—	—	(8)	—	—	—
35 403	7 891	(1 811)	6 024	4	1 422	727	1 525	90 916	3	90 919

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares ⁽¹⁾ '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	5 795
Total comprehensive income	—	—	—	—	307	589
Profit for the period	—	—	—	—	307	589
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(307)	—
Distributions paid during the reporting period	—	—	—	—	—	(589)
Issuance of Additional Tier 1 capital	—	—	—	—	—	1 209
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Other movements ⁽²⁾	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004

⁽¹⁾ Includes ordinary shares and 'A' ordinary shares.

⁽²⁾ This relates to an equity distribution to a subsidiary of Absa Group Limited.

Condensed consolidated statement of changes in equity

for the reporting period ended

31 December 2020

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
39 075	4 625	(480)	1 318	1	1 422	831	1 533	91 322	3	91 325
1 014	2 964	(1 033)	3 997	—	—	—	—	4 874	—	4 874
1 176	—	—	—	—	—	—	—	2 072	—	2 072
(162)	2 964	(1 033)	3 997	—	—	—	—	2 802	—	2 802
(2 000)	—	—	—	—	—	—	—	(2 307)	—	(2 307)
—	—	—	—	—	—	—	—	(589)	—	(589)
—	—	—	—	—	—	—	—	1 209	—	1 209
424	—	—	—	—	—	—	—	424	—	424
—	(495)	—	—	—	—	(495)	—	(495)	—	(495)
—	(863)	—	—	—	—	(863)	—	(863)	—	(863)
—	355	—	—	—	—	355	—	355	—	355
—	13	—	—	—	—	13	—	13	—	13
36	(36)	—	—	—	—	—	(36)	—	—	—
(42)	—	—	—	—	—	—	—	(42)	—	(42)
38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399

Condensed consolidated statement of cash flows

for the reporting period ended

		30 June	31 December	
	Note	2021 Rm	Restated ⁽³⁾ 2020 Rm	2020 Rm
Net cash (utilised in)/generated from operating activities		(5 458)	(1 310)	2 316
Income taxes paid		(1 603)	(69)	(258)
Net cash (utilised in)/generated from other operating activities		(3 855)	(1 241)	2 574
Net cash (utilised in)/generated from investing activities		(1 270)	1 562	(41)
Purchase of property and equipment		(309)	(799)	(1 048)
Purchase of intangible assets		(1 053)	(1 399)	(2 774)
Proceeds from sale of non-current assets held for sale		63	3 601	3 601
Net cash generated from other investing activities		29	159	180
Net cash generated from/(utilised in) financing activities		5 549	(2 770)	(3 337)
Issue of Additional Tier 1 capital		—	—	1 209
Proceeds from borrowed funds		6 866	2 676	2 676
Repayment of borrowed funds		(231)	(2 500)	(3 733)
Dividends paid		(120)	(2 172)	(2 307)
Net cash utilised in other financing activities		(966)	(774)	(1 182)
Net decrease in cash and cash equivalents		(1 179)	(2 518)	(1 063)
Cash and cash equivalents at the beginning of the interim reporting period	1	8 783	9 846	9 846
Cash and cash equivalents at the end of the interim reporting period	2	7 604	7 328	8 783
Notes to the condensed consolidated statement of cash flows				
1. Cash and cash equivalents at the beginning of the interim reporting period				
Cash, cash balances and balances with central banks ⁽¹⁾		8 352	8 898	8 898
Loans and advances to banks ⁽²⁾		431	948	948
		8 783	9 846	9 846
2. Cash and cash equivalents at the end of the interim reporting period				
Cash, cash balances and balances with central banks ⁽¹⁾		7 277	7 206	8 352
Loans and advances to banks ⁽²⁾		327	122	431
		7 604	7 328	8 783

⁽¹⁾ Includes coins and bank notes.

⁽²⁾ Includes call advances, which are used as working capital for the Bank.

⁽³⁾ In December 2020, the Bank voluntarily amended the basis on which the statement of cash flows is presented, from the direct to the indirect method. The change has not had an impact on the condensed consolidated statement of cashflows.

Notes to the condensed consolidated interim financial results

for the reporting period ended

Impact of COVID-19

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

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

Impairment losses pre- and post- management adjustments

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

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

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

	30 June (unaudited) 2021		30 June (unaudited) 2020		31 December 2020	
	Total impairment losses Rm	Macro-overlay contribution Rm	Total impairment losses Rm	Macro-overlay contribution Rm	Total impairment losses Rm	Macro-overlay contribution Rm
RBB South Africa	3 206	125	9 506	3 367	13 876	3 368
Home Loans	(290)	—	1 750	950	2 189	950
Vehicle and Asset Finance	755	—	2 129	926	3 062	926
Everyday Banking	2 008	129	4 280	1 023	6 582	1 021
Card	825	129	2 070	475	3 128	472
Personal Loans	963	—	1 867	466	2 893	466
Transactions and Deposits	220	—	343	82	561	83
Relationship Banking	732	(4)	1 348	468	2 042	471
RBB Other	1	—	(1)	—	1	—
CIB South Africa	554	(41)	1 657	776	1 951	776
Head office, Treasury and other operations	(5)	—	(1)	—	2	—
Total	3 755	84	11 162	4 143	15 829	4 144

A material macro-overlay (R4.1bn) was raised for the deterioration of forward-looking macroeconomic variables in 2020. The macro-overlay was re-assessed in the first half of 2021 through a governed process whereby forward-looking macroeconomic assumptions were updated and applied in various business unit modelling approaches.

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

Impact of COVID-19 (continued)

Payment relief measures

COVID-19 customer payment relief

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

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

30 June 2021							
	Gross loans and advances to customers Rm	Gross carrying amount of payment relief Rm	Percentage of portfolio (%)	In arrears (%)	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB	554 131	137 004	24.72	10.92	105 015	20 195	11 794
Home Loans	264 271	79 415	30.05	8.14	62 479	12 314	4 622
Vehicle and Asset Finance	99 957	21 947	21.96	16.12	15 647	3 622	2 678
Everyday Banking	59 599	13 694	22.98	25.93	8 195	1 852	3 647
Card	33 287	8 153	24.49	21.17	5 612	765	1 776
Personal Loans	22 658	5 497	24.26	32.79	2 574	1 071	1 852
Transactional and Deposits	3 654	44	1.20	51.65	9	16	19
Relationship Banking	130 251	21 948	16.85	6.41	18 694	2 407	847
RBB Other	53	—	—	—	—	—	—
CIB	314 043	42 981	13.69	5.09	30 066	10 798	2 117
Head Office, Treasury and other operations	360	—	—	—	—	—	—
Total	868 534	179 985	20.72	9.52	135 081	30 993	13 911

31 December 2020							
	Gross loans and advances to customers Rm	Gross carrying amount of payment relief Rm	Percentage portfolio of (%)	In arrears (%)	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm
RBB⁽¹⁾	537 661	149 753	27.85	7.99	120 289	22 591	6 873
Home Loans	255 130	84 492	33.12	5.54	71 484	10 305	2 703
Vehicle and Asset Finance	94 876	25 892	27.29	11.99	17 922	5 907	2 063
Everyday Banking	60 572	14 587	24.08	17.72	9 782	3 213	1 592
Card	32 715	7 927	24.23	10.05	5 699	1 564	664
Personal Loans	23 785	6 607	27.78	26.70	4 070	1 629	908
Transactional and Deposits	4 072	53	1.30	45.28	13	20	20
Relationship Banking ⁽¹⁾	127 030	24 782	19.51	6.42	21 101	3 166	515
RBB Other	53	—	—	—	—	—	—
CIB⁽¹⁾	306 933	39 793	12.96	2.60	29 460	9 300	1 033
Head Office, Treasury and other operations	520	—	—	—	—	—	—
Total	845 114	189 546	22.43	6.85	149 749	31 891	7 906

As at 30 June 2021, the vast majority of the Bank's payment relief programme has been concluded and customers were required to recommence payment in terms of their normal payment conditions. The gross carrying amount of active payment relief amounts to R2 324m.

Government guaranteed loan scheme

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

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

Impact of COVID-19 (continued)

Macroeconomic scenarios

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

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

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

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

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

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

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

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

Base scenario as at 30 June 2021

South Africa

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

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

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

Impact of COVID-19 (continued)

Macroeconomic scenarios (continued)

Sensitivity of expected credit losses

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

	Unaudited 30 June 2021	
	Rm	% Change
ECL allowance on stage 1 and stage 2 loans and advances to bank and customers	10 518	—
Baseline	10 266	(2)
Upside	10 120	(4)
Downside	11 235	7
	31 December 2020	
	Rm	% Change
ECL allowance on stage 1 and stage 2 loans and advances to bank and customers	11 281	—
Baseline	11 178	(1)
Upside	9 952	(12)
Downside	12 768	13

In addition, the impact on expected credit losses were analysed should 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2 as at 30 June 2021. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	Unaudited 30 June 2021	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	22 843	1 700
CIB	8 843	1
	31 December 2020 ⁽¹⁾ Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	21 529	1 946
CIB	9 804	25

Single name impairments

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

	Unaudited		
	30 June 2021 Rm	30 June 2020 Rm	31 December 2020 Rm
RBB	464	246	287
CIB	680	662	1 040
Total	1 144	908	1 327

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

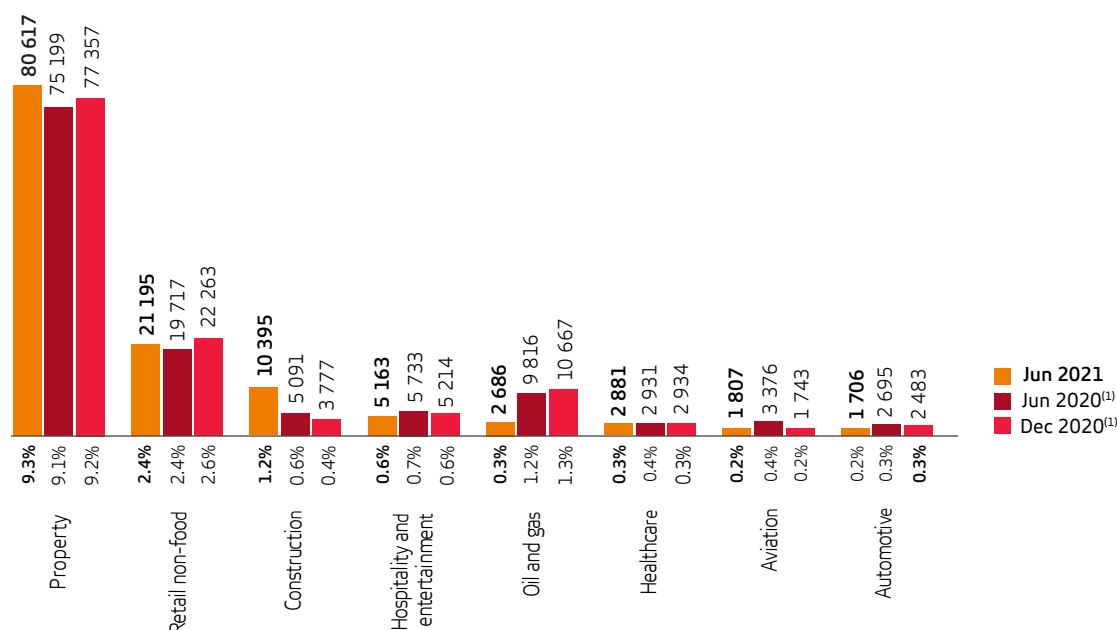
for the reporting period ended

Impact of COVID-19 (continued)

Wholesale lending in key COVID-19 impacted industries

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

Concentration risk exposures (% of total loans)



Other estimates and judgements

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

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

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

Post-retirement benefits

While the Absa Pension Fund meets the definition of a defined benefit pension plan, the Bank's employees are part of the defined contribution portion of the fund, and as a result the Bank's actuarial risk exposure is limited.

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

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

Hedge accounting

Cash flow hedges are used by the Bank to protect against the potential cash flow variability arising from the Bank's exposure to interest rate and foreign currency risk. The Bank's structural interest rate hedge in South Africa represents the most significant cash flow hedge. An assessment of the Bank's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Bank manages its risk. At 30 June 2021, the Bank recognised a net decrease (after tax) of **R3 147m** (30 June 2020: R4 706m net increase, 31 December 2020: R3 997m net increase) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates. The net decrease (30 June 2020 net increase; 31 December 2020 net increase) is after a release of **R2 125m** (30 June 2020: R998m; 31 December 2020: R3 488m) into the statement of comprehensive income. Furthermore, there has been minimal impact of COVID-19 effects on hedge ineffectiveness recognised during the period ended 30 June 2021.

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

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

- Head Office, Treasury and other operations disposed property and equipment with a carrying amount of **R54m**.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period ended 30 June 2020:

- RBB disposed of the Edcon loan book with a carrying amount of R3 685m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R28m to non-current assets held for sale and a R6m impairment was recognised on remaining assets previously classified as held for sale.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period ended 31 December 2020:

- RBB disposed of the Edcon loan book with a carrying amount of R3 685m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R132m to non-current assets held for sale and a R17m impairment was recognised on remaining assets previously classified as held for sale.

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Notes to the condensed consolidated interim financial results

for the reporting period ended

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

	30 June 2021			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB	—	456 862	4 781	1.05
Home Loans	—	219 277	498	0.23
Vehicle and Asset Finance	—	85 223	1 210	1.42
Everyday Banking	—	44 445	2 123	4.78
Card	—	26 272	1 077	4.10
Personal Loans	—	15 366	717	4.67
Transactions and Deposits	—	2 807	329	11.72
Relationship Banking	—	107 917	950	0.88
RBB Other	—	—	—	—
CIB	90 339	176 855	1 271	0.72
Head Office, Treasury and other operations	—	221	(186)	—
Loans and advances to customers	—	221	4	1.81
Reclassification to provisions ⁽¹⁾	—	—	(190)	—
Loans and advances to customers	90 339	633 938	5 866	0.93
Loans and advances to banks	26 033	33 697	31	0.09
Total loans and advances to customers and banks	116 372	667 635	5 897	0.88

	30 June 2020			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB⁽¹⁾	—	419 401	4 215	1.01
Home Loans	—	203 666	640	0.31
Vehicle and Asset Finance	—	70 073	918	1.31
Everyday Banking	—	42 914	1 984	4.62
Card	—	24 248	1 122	4.63
Personal Loans	—	16 239	726	4.47
Transactions and Deposits	—	2 427	136	5.60
Relationship Banking ⁽¹⁾	—	102 748	673	0.66
RBB Other	—	—	—	—
CIB⁽¹⁾	61 392	203 746	1 352	0.66
Head Office, Treasury and other operations	—	249	(201)	—
Loans and advances to customers	—	249	5	2.01
Reclassification to provisions ⁽²⁾	—	—	(206)	—
Loans and advances to customers	61 392	623 396	5 366	0.86
Loans and advances to banks	57 630	32 909	17	0.05
Total loans and advances to customers and banks	119 022	656 305	5 383	0.82

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

⁽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 Bank's statement of financial position.

Notes to the condensed consolidated interim financial results

for the reporting period ended

30 June 2021

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
51 817	4 400	8.49	45 452	21 396	47.07	523 554
25 153	839	3.34	19 841	5 735	28.90	257 199
7 630	948	12.42	7 104	3 817	53.73	93 982
5 002	1 580	31.59	10 152	7 877	77.59	48 019
2 027	912	44.99	4 988	4 012	80.43	27 286
2 678	574	21.43	4 614	3 440	74.56	17 927
297	94	31.65	550	425	77.27	2 806
14 032	1 033	7.36	8 302	3 915	47.16	124 353
—	—	—	53	52	98.11	1
41 632	302	0.73	5 217	1 385	26.55	311 085
139	(98)	—	—	(55)	—	699
139	—	—	—	—	—	356
—	(98)	—	—	(55)	—	343
93 588	4 604	4.92	50 669	22 726	44.85	835 338
1 770	17	0.96	—	—	—	61 452
95 358	4 621	4.85	50 669	22 726	44.85	896 790

30 June 2020

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
54 482	5 746	10.55	45 567	19 578	42.97	489 911
19 086	523	2.74	22 633	6 134	27.10	238 088
10 774	1 164	10.80	6 745	2 999	44.46	82 511
7 922	2 672	33.73	9 849	7 374	74.87	48 655
3 059	1 389	45.41	4 641	3 701	79.75	25 736
3 743	931	24.87	4 587	3 310	72.16	19 602
1 120	352	31.43	621	363	58.45	3 317
16 700	1 387	8.31	6 287	3 019	48.02	120 656
—	—	—	53	52	98.11	1
38 543	444	1.15	4 769	959	20.11	305 695
251	(268)	—	—	(17)	—	986
251	0	—	—	—	—	495
—	(268)	—	—	(17)	—	491
93 276	5 922	6.35	50 336	20 520	40.77	796 592
922	3	0.33	—	—	—	91 441
94 198	5 925	6.29	50 336	20 520	40.77	888 033

Notes to the condensed consolidated interim financial results

for the reporting period ended

2. Loans and advances (continued)

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

	31 December 2020			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	Stage 1 ECL allowance Rm	ECL coverage %
RBB⁽¹⁾	—	430 571	4 246	0.99
Home Loans	—	210 737	665	0.32
Vehicle and Asset Finance	—	76 556	934	1.22
Everyday Banking	—	41 379	1 846	4.46
Card	—	24 260	1 074	4.43
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking ⁽¹⁾	—	101 899	801	0.79
RBB Other	—	—	—	—
CIB⁽¹⁾	63 901	196 070	1 318	0.67
Head Office, Treasury and other operations	—	298	(137)	—
Loans and advances to customers	—	298	5	1.68
Reclassification to provisions ⁽²⁾	—	—	(142)	—
Loans and advances to customers	63 901	626 939	5 427	0.87
Loans and advances to banks	31 830	32 697	18	0.06
Total loans and advances to customers and banks	95 731	659 636	5 445	0.83

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

⁽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 Bank's statement of financial position.

Notes to the condensed consolidated interim financial results

for the reporting period ended

31 December 2020

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
56 868	5 703	10.03	50 222	21 592	42.99	506 120
20 581	552	2.68	23 812	6 234	26.18	247 679
10 605	1 237	11.66	7 716	3 575	46.33	89 131
7 896	2 686	34.02	11 296	8 313	73.59	47 726
3 435	1 552	45.18	5 020	3 979	79.26	26 110
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	337	29.03	686	398	58.02	3 206
17 786	1 228	6.90	7 345	3 418	46.54	121 583
—	—	—	53	52	98.11	1
40 827	377	0.92	6 135	1 169	19.05	304 069
222	(248)	—	—	(68)	—	973
222	—	—	—	—	—	515
—	(248)	—	—	(68)	—	458
97 917	5 832	5.96	56 357	22 693	40.27	811 162
1 608	4	0.25	—	—	—	66 113
99 525	5 836	5.86	56 357	22 693	40.27	877 275

Notes to the condensed consolidated interim financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

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

	30 June 2021			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances to customers	30 577	2 958	(339)	33 196
Stage 1	4 781	1 271	(186)	5 866
Stage 2	4 400	302	(98)	4 604
Stage 3	21 396	1 385	(55)	22 726
Undrawn facilities	—	—	343	343
Stage 1	—	—	190	190
Stage 2	—	—	98	98
Stage 3	—	—	55	55
Total loans and advances to customers and undrawn facilities	30 577	2 958	4	33 539

	30 June 2020			
	RBB ⁽¹⁾ Rm	CIB ⁽¹⁾ Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances to customers	29 539	2 755	(486)	31 808
Stage 1	4 215	1 352	(201)	5 366
Stage 2	5 746	444	(268)	5 922
Stage 3	19 578	959	(17)	20 520
Undrawn facilities	—	—	491	491
Stage 1	—	—	206	206
Stage 2	—	—	268	268
Stage 3	—	—	17	17
Total loans and advances to customers and undrawn facilities	29 539	2 755	5	32 299

	31 December 2020			
	RBB ⁽¹⁾ Rm	CIB ⁽¹⁾ Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances to customers	31 541	2 864	(453)	33 952
Stage 1	4 246	1 318	(137)	5 427
Stage 2	5 703	377	(248)	5 832
Stage 3	21 592	1 169	(68)	22 693
Undrawn facilities	—	—	458	458
Stage 1	—	—	142	142
Stage 2	—	—	248	248
Stage 3	—	—	68	68
Total loans and advances to customers and undrawn facilities	31 541	2 864	5	34 410

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

Loans and advances to customers at amortised cost and undrawn facilities	30 June 2021			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	31 541	2 864	5	34 410
Stage 1	4 246	1 318	5	5 569
Stage 2	5 703	377	—	6 080
Stage 3	21 592	1 169	—	22 761
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 516	(28)	—	1 488
Stage 2 net transfers	(1 579)	73	—	(1 506)
Stage 3 net transfers	63	(45)	—	18
Impairment losses raised and interest in suspense	3 778	255	(1)	4 032
Amounts written off	(4 742)	(161)	—	(4 903)
Balance at the end of the reporting period	30 577	2 958	4	33 539
Stage 1	4 781	1 271	4	6 056
Stage 2	4 400	302	—	4 702
Stage 3	21 396	1 385	—	22 781

Loans and advances to customers at amortised cost and undrawn facilities	30 June 2020			
	RBB ⁽¹⁾ Rm	CIB ⁽¹⁾ Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	21 129	1 442	12	22 583
Stage 1	2 977	503	12	3 492
Stage 2	3 380	316	—	3 696
Stage 3	14 772	623	—	15 395
Transfers between stages	—	—	—	—
Stage 1 net transfers	452	19	—	471
Stage 2 net transfers	(1 340)	(68)	—	(1 408)
Stage 3 net transfers	888	49	—	937
Impairment losses raised and interest in suspense	10 447	1 629	(7)	12 069
Amounts written off	(2 037)	(316)	—	(2 353)
Balance at the end of the reporting period	29 539	2 755	5	32 299
Stage 1	4 215	1 352	5	5 572
Stage 2	5 746	444	—	6 190
Stage 3	19 578	959	—	20 537

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

	31 December 2020			
	RBB ⁽¹⁾	CIB ⁽¹⁾	Head Office, Treasury and other Operations	Total expected credit losses
Loans and advances to customers at amortised cost and undrawn facilities	Rm	Rm	Rm	Rm
Balances at the beginning of the reporting period	21 129	1 442	12	22 583
Stage 1	2 977	503	12	3 492
Stage 2	3 380	316	—	3 696
Stage 3	14 772	623	—	15 395
Transfers between stages	—	—	—	—
Stage 1 net transfers	505	(18)	—	487
Stage 2 net transfers	(1 434)	94	—	(1 341)
Stage 3 net transfers	930	(76)	—	854
Impairment losses raised and interest in suspense	15 437	1 972	(7)	17 402
Amounts written off	(5 025)	(550)	—	(5 575)
Balance at the end of the reporting period	31 541	2 864	5	34 410
Stage 1	4 246	1 318	5	5 569
Stage 2	5 703	377	—	6 080
Stage 3	21 592	1 169	—	22 761

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R6 866m** (30 June 2020: R2 676m; 31 December 2020: R2 676m) of subordinated notes were issued and **R231m** (30 June 2020: R2 500m; 31 December 2020: R3 733m) were redeemed.

The Bank issued USD 500 000 000 Fixed Rate Reset Write-Off Notes on 27 May 2021, which constitute Additional Tier 1 capital. The notes are unsecured and perpetual securities for which there is no fixed redemption date.

The Bank is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency

Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount.

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

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

4. Disaggregation of non-interest income

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

	30 June 2021				
	RBB	CIB	Head Office, Treasury and other operations	Barclays PLC separation effects	Total
	Rm	Rm	Rm	Rm	Rm
Fee and commission income from contracts with customers	8 557	1 200	(55)	—	9 702
Consulting and administration fees	162	9	14	—	185
Transactional fees and commissions	7 001	939	(19)	—	7 921
Cheque accounts	2 300	71	—	—	2 371
Credit cards	878	—	—	—	878
Electronic banking	2 145	531	—	—	2 676
Other ⁽¹⁾	912	337	(19)	—	1 230
Savings accounts	766	—	—	—	766
Merchant income	1 010	—	—	—	1 010
Trust and other fiduciary services fees	31	7	—	—	38
Other fees and commissions	28	121	(50)	—	99
Insurance commissions received	314	—	—	—	314
Investment banking fees	11	124	—	—	135
Other income from contracts with customers	16	—	—	(4)	12
Other non-interest income, net of expenses	(333)	1 221	(309)	15	594
Total non-interest income	8 240	2 421	(364)	11	10 308

	30 June 2020				
	RBB	CIB	Head Office, Treasury and other operations	Barclays PLC separation effects	Total
	Rm	Rm	Rm	Rm	Rm
Fee and commission income from contracts with customers	8 338	1 088	51	—	9 477
Consulting and administration fees	141	8	91	—	240
Transactional fees and commissions	6 969	797	1	—	7 767
Cheque accounts	2 489	63	—	—	2 552
Credit cards	831	—	—	—	831
Electronic banking	1 968	485	—	—	2 453
Other ⁽¹⁾	883	249	1	—	1 133
Savings accounts	798	—	—	—	798
Merchant income	863	—	—	—	863
Trust and other fiduciary services fees	20	3	—	—	23
Other fees and commissions	23	97	(41)	—	79
Insurance commissions received	306	—	—	—	306
Investment banking fees	16	183	—	—	199
Other income from contracts with customers	24	—	—	—	24
Other non-interest income, net of expenses	(137)	146	(79)	226	156
Total non-interest income	8 225	1 234	(28)	226	9 657

⁽¹⁾ Includes fees on mortgage loans and foreign currency transactions.

Notes to the condensed consolidated interim financial results

for the reporting period ended

4. Disaggregation of non-interest income (continued)

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

5. Other impairments

	30 June		31 December	
	2021 Rm	2020 Rm	2020 Rm	2020 Rm
Intangible assets	—	74	—	191
Investments in associates and joint ventures	—	—	—	11
Non-current assets held for sale	—	6	—	17
Property and equipment ⁽²⁾	56	74	—	218
	56	154	—	437

6. Headline earnings

	30 June		30 June		31 December	
	2021 Gross Rm	2021 Net ⁽³⁾ Rm	2020 Gross Rm	2020 Net ⁽³⁾ Rm	2020 Gross Rm	2020 Net ⁽³⁾ Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Bank		5 191		(1 676)		1 176
Total headline earnings adjustments:		26		65		226
IFRS 3 – Gain on bargain purchase	—	—	(86)	(66)	(86)	(86)
IFRS 5 – Profit on disposal on non-current assets held for sale	(9)	(7)	—	—	—	—
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	6	4	17	13
IAS 16 – (Profit)/loss on disposal of property and equipment	(9)	(8)	1	0	(54)	(42)
IAS 28 – Impairment of investments in associates and joint ventures	—	—	—	—	11	11
IAS 36 – Impairment of property and equipment	56	41	74	55	218	158
IAS 36 – Impairment of intangible assets	—	—	74	72	191	172
Headline earnings/diluted headline earnings		5 217		(1 611)		1 402
Headline earnings per share/diluted headline earnings per share (cents)		1 163.7		(359.6)		312.7

⁽¹⁾ Includes fees on mortgage loans and foreign currency translations.

⁽²⁾ The Bank has decided to dispose of certain property and equipment classified as held for sale under IFRS 5 resulting in an impairment of R0m (2020: R6m); (Dec 2020: R19m). In addition, property and equipment amounting to R56m (2020: R68m); (Dec 2020: R199m).

⁽³⁾ The net amount is reflected after taxation and non-controlling interest.

Notes to the condensed consolidated interim financial results

for the reporting period ended

7. Dividends per share

	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
Dividends declared to ordinary equity holders			
Interim dividend (16 August 2021) (2020: 0 cents per share cps)	—	—	—
Final dividend (14 March 2021: 0 cps) (11 March 2020: 446.129 cps)	—	—	—
	—	—	—
Dividends declared to preference equity holders			
Interim dividend (16 August 2021: 2 470.13699 cps) (31 August 2020: 2 741.02740 cps)	122	136	135
Final dividend (-) (14 March 2021: 2 429.86301 cps)	—	—	120
	122	136	255
Distributions declared to additional Tier 1 capital note holder			
Distribution			
11 January 2021 20 214.47 Rands per note (rpn) ; 10 January 2020: 29 049.32 rpn	25	36	36
27 January 2021 20 085.45 rpn	24	—	—
26 February 2021 19 268.38 rpn ; 28 February 2020: 28 502.36 rpn	32	48	47
5 March 2021 18 786.19 rpn ; 5 March 2020: 27 569.26 rpn	26	38	38
12 March 2021 22 301.37 rpn ; 12 March 2020: 31 039.73 rpn	33	47	47
12 April 2021 20 922.52 rpn ; 14 April 2020: 30 061.64 rpn	26	36	37
28 April 2021 20 423.89 rpn	25	—	—
28 May 2021 20 299.23 rpn ; 28 May 2020: 27 143.01 rpn	34	46	46
7 June 2021 20 324.60 rpn ; 05 June 2020: 27 075.73 rpn	28	37	37
14 June 2021 23 971.29 rpn ; 12 June 2020: 30 392.77 rpn	36	46	46
10 July 2020: 24 669.86 rpn	—	—	31
28 August 2020: 21 487.67 rpn	—	—	36
07 September 2020: 21 138.41 rpn	—	—	29
14 September 2020: 24 702.68 rpn	—	—	37
12 October 2020: 22 212.33 rpn	—	—	28
30 November 2020: 20 453.37 rpn	—	—	34
07 December 2020: 19 177.32 rpn	—	—	26
14 December 2020: 22 500.68 rpn	—	—	34
	289	334	589
Dividends paid to ordinary equity holders			
Final dividend (-) (20 April 2020: 446.12851 cps)	—	2 000	2 000
Interim dividend (-) (2020: 0 cps)	—	307	—
	—	2 307	2 000
Dividends paid to preference equity holders			
Final dividend (25 April 2021: 2 429.86301 cps) (20 April 2020: 3 469.31507 cps)	120	172	172
Interim dividend (-) (21 September 2020: 2 741.02740 cps)	—	—	135
	120	172	307

Notes to the condensed consolidated interim financial results

for the reporting period ended

8. Acquisitions and disposals of businesses and other similar transactions

8.1. Acquisitions of businesses during the current reporting period

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

8.2 Disposals of assets during the current reporting period

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

8.3 Acquisitions of businesses during the previous reporting periods

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

8.4 Disposals of businesses during the previous reporting periods

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

9. Related parties

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

9.1. Prior period related party events and transactions

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

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

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

The Bank made an equity distribution to a fellow subsidiary.

10. Contingencies, Commitments and Similar items

	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
Guarantees	37 475	42 901	34 327
Irrevocable debt facilities/other lending facilities	143 763	146 507	144 975
Letters of credit	6 530	4 505	5 777
Other	—	7	—
	187 768	193 920	185 079
Authorised capital expenditure			
Contracted but not provided for	507	773	427

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

Irrevocable facilities are commitments to extend credit where the Bank does not have the right to terminate the facilities by written notice. Irrevocable debt facilities has been updated, in the current year, to

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

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

10. Contingencies, Commitments and Similar items (continued)

Legal proceedings

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

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

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

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

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

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

Regulatory developments

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

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

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

The relief measures provided by the PA in 2020 of a temporary relaxation of both capital supply and short-term liquidity requirements, enabling banks to continue the provision of credit into the economy during this period of financial stress. This support has continued in H1 2021 and is expected to continue in H2 2021.

Income taxes

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

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

11. Segment reporting

	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
11.1 Total headline earnings by segment			
RBB	4 286	(86)	3 183
CIB	2 026	406	2 539
Head Office, Treasury and other operations ⁽²⁾	(736)	(1 470)	(3 068)
Barclays PLC separation effects ⁽³⁾	(359)	(461)	(1 252)
Total headline earnings	5 217	(1 611)	1 402
11.2 Total income by segment			
RBB	21 418	20 982	42 557
CIB	6 846	5 211	11 773
Head Office, Treasury and other operations ⁽²⁾	510	(770)	(866)
Barclays PLC separation effects ⁽³⁾	23	279	223
Total income	28 797	25 702	53 687
11.3 Total internal income by segment			
RBB	(141)	(1 897)	(1 398)
CIB	1 960	(6 662)	(6 354)
Head Office, Treasury and other operations ⁽²⁾	1 427	4 429	6 154
Barclays PLC separation effects ⁽³⁾	12	53	67
Total internal income	3 258	(4 077)	(1 531)
11.4 Total assets by segment			
RBB ⁽¹⁾	946 723	867 090	916 328
CIB ⁽¹⁾	835 386	783 272	806 908
Head Office, Treasury and other operations ⁽²⁾	(465 056)	(363 483)	(441 750)
Barclays PLC separation effects ⁽³⁾	3 918	4 897	4 789
Total assets	1 320 971	1 291 776	1 286 275
11.5 Total liabilities by segment			
RBB	939 857	864 022	910 202
CIB	832 543	782 050	803 653
Head Office, Treasury and other operations ⁽²⁾	(548 294)	(443 807)	(521 333)
Barclays PLC separation effects ⁽³⁾	(424)	(1 408)	(646)
Total liabilities	1 223 682	1 200 857	1 191 876

⁽¹⁾ These numbers have been restated, please refer to note 14.2 for further details.

⁽²⁾ Head Office, Treasury and other operations represent reconciling stripe and is not a reporting segment.

⁽³⁾ 'Barclays separation effect' is the reconciling stripe between IFRS and normalized results and does not represent a reportable segment.

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

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

	30 June			
	2021		2020	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with the South African Reserve Bank	26 502	26 502	24 554	24 554
Coins and bank notes	7 277	7 277	7 206	7 206
Cash, cash balances and balances with central banks	33 779	33 779	31 760	31 760
Investment securities	31 462	33 121	29 815	31 084
Loans and advances to banks	35 419	35 419	33 811	33 811
Other assets	21 882	21 882	15 942	15 942
RBB ⁽¹⁾	523 554	518 311	489 911	484 966
Home Loans	257 200	255 067	238 089	236 115
Vehicle and Asset Finance	93 981	92 515	82 511	81 224
Everyday Banking	48 019	47 363	48 654	47 937
Card	27 285	27 285	25 735	25 735
Personal loans	17 928	17 272	19 602	18 885
Transactions and Deposits	2 806	2 806	3 317	3 317
Relationship Banking ⁽¹⁾	124 353	123 365	120 656	119 689
RBB Other	1	1	1	1
CIB ⁽¹⁾	220 746	224 591	244 301	243 679
Head Office, Treasury and other operations	699	699	988	988
Loans and advances to customers – net of impairment losses	744 999	743 601	735 200	729 633
Loans to Group companies	62 782	62 782	54 696	54 696
Total assets (not held at fair value)	930 323	930 584	901 224	896 926
Financial liabilities				
Deposits from banks	56 073	56 340	96 443	96 580
Other liabilities	40 289	40 289	35 662	35 662
Call deposits	79 340	79 340	82 537	82 537
Cheque account deposits	238 965	238 965	175 953	175 953
Credit card deposits	1 954	1 954	1 973	1 973
Fixed deposits	152 402	156 736	154 348	157 904
Foreign currency deposits	30 644	30 644	38 240	38 240
Notice deposits	74 738	74 738	72 019	72 019
Other deposits	876	876	600	600
Savings and transmission deposits	201 544	201 544	173 343	173 343
Deposits due to customers	780 463	784 797	699 013	702 569
Debt securities in issue	104 849	105 427	140 617	140 367
Borrowed funds	27 293	27 432	23 147	23 132
Loans from Group companies	892	892	—	—
Total liabilities (not held at fair value)	1 009 859	1 015 177	994 882	998 310

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.2.

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

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

	31 December 2020	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with the South African Reserve Bank	25 460	25 460
Coins and bank notes	8 352	8 352
Cash, cash balances and balances with central banks	33 812	33 812
Investment securities	30 005	32 479
Loans and advances to banks	34 284	34 284
Other assets	12 230	12 230
RBB ⁽¹⁾	506 120	501 069
Home Loans	247 679	245 702
Vehicle and Asset Finance	89 129	87 739
Everyday Banking	47 727	47 011
Card	26 110	26 110
Personal loans	18 410	17 693
Transactions and Deposits	3 207	3 207
Relationship Banking ⁽¹⁾	121 585	120 617
CIB ⁽¹⁾	240 168	244 536
Head Office, Treasury and other operations	973	973
Loans and advances to customers – net of impairment losses	747 261	746 578
Loans to Group companies	56 145	56 145
Total assets (not held at fair value)	913 737	915 528
Financial liabilities		
Deposits from banks	58 120	58 414
Other liabilities	19 735	19 735
Call deposits	75 785	75 785
Cheque account deposits	218 140	218 140
Credit card deposits	2 033	2 033
Fixed deposits	157 604	161 534
Foreign currency deposits	30 022	30 022
Notice deposits	74 139	74 139
Other deposits	936	936
Savings and transmission deposits	183 852	183 852
Deposits due to customers	742 511	746 441
Debt securities in issue	119 758	120 455
Borrowed funds	20 621	20 762
Total liabilities (not held at fair value)	960 745	965 807

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview Note 14.2

Notes to the condensed consolidated interim financial results

for the reporting period ended

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

13. Assets and liabilities held at fair value

(continued)

13.2 Fair value measurements (continued)

Deposits, debt securities in issue and borrowed funds

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

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

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

For assets and liabilities where the Bank is not a market maker, mid prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will

generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the firm is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.4 Fair value hierarchy

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

Recurring fair value measurements	30 June							
	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	37 643	42 249	7 285	87 177	39 480	22 983	8 065	70 528
Loans and advances to banks	—	26 033	—	26 033	—	57 630	—	57 630
Trading and hedging portfolio assets	68 292	86 595	1 719	156 606	47 593	120 064	1 046	168 703
Debt instruments	62 629	1 432	219	64 280	45 833	1 039	52	46 924
Derivative assets	—	73 401	329	73 730	—	107 460	366	107 826
Commodity derivatives	—	743	31	774	—	1 548	—	1 548
Credit derivatives	—	1	139	140	—	—	218	218
Equity derivatives	—	6 750	143	6 893	—	2 922	49	2 971
Foreign exchange derivatives	—	16 575	2	16 577	—	18 549	38	18 587
Interest rate derivatives	—	49 332	14	49 346	—	84 441	61	84 502
Equity instruments	4 882	—	—	4 882	511	—	—	511
Money market assets	781	11 762	1 171	13 714	1 249	11 565	628	13 442
Loans and advances to customers	—	76 158	14 180	90 338	—	51 372	10 020	61 392
Total financial assets	105 935	231 035	23 184	360 154	87 073	252 049	19 131	358 253
Financial liabilities								
Deposits from banks	—	30 918	—	30 918	—	14 684	—	14 684
Trading and hedging portfolio liabilities	24 789	58 129	147	83 065	7 914	95 788	2 681	106 383
Derivative liabilities	—	58 129	147	58 276	—	95 788	2 681	98 469
Commodity derivatives	—	760	1	761	—	1 344	—	1 344
Credit derivatives	—	—	107	107	—	—	292	292
Equity derivatives	—	3 790	29	3 819	—	2 413	2 057	4 470
Foreign exchange derivatives	—	13 798	—	13 798	—	16 752	11	16 763
Interest rate derivatives	—	39 781	10	39 791	—	75 279	321	75 600
Short positions	24 789	—	—	24 789	7 914	—	—	7 914
Deposits due to customers	124	68 962	2 418	71 504	120	42 383	3 514	46 017
Debt securities in issue	1 043	21 561	—	22 604	782	34 194	—	34 976
Total financial liabilities	25 956	179 570	2 565	208 091	8 816	187 049	6 195	202 060
Non-financial assets								
Commodities	787	—	—	787	1 202	—	—	1 202
Non-recurring fair value measurements								
Non-current assets held for sale ⁽¹⁾	—	—	82	82	—	—	—	—

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.4 Fair value hierarchy (continued)

	31 December 2020			Total Rm
	Level 1 Rm	Level 2 Rm	Level 3 Rm	
Recurring fair value measurements				
Financial assets				
Investment securities	40 423	19 449	9 612	69 484
Loans and advances to banks	—	31 829	—	31 829
Trading and hedging portfolio assets	56 721	116 841	2 502	176 064
Debt instruments	55 269	1 738	95	57 102
Derivative assets	—	107 436	1 701	109 137
Commodity derivatives	—	622	5	627
Credit derivatives	—	—	159	159
Equity derivatives	—	3 507	1 487	4 994
Foreign exchange derivatives	—	22 534	—	22 534
Interest rate derivatives	—	80 773	50	80 823
Equity instruments	890	—	—	890
Money market assets	562	7 667	706	8 935
Loans and advances to customers	—	50 304	13 597	63 901
Total financial assets	97 144	218 423	25 711	341 278
Financial liabilities				
Deposits from banks	—	37 913	—	37 913
Trading and hedging portfolio liabilities	19 206	91 457	172	110 835
Derivative liabilities	—	91 457	172	91 629
Commodity derivatives	—	765	—	765
Credit derivatives	—	—	141	141
Equity derivatives	—	3 135	17	3 152
Foreign exchange derivatives	—	19 920	1	19 921
Interest rate derivatives	—	67 637	13	67 650
Short positions	19 206	—	—	19 206
Deposits due to customers	128	48 686	3 562	52 376
Debt securities in issue	486	23 915	—	24 401
Total financial liabilities	19 820	201 971	3 734	225 525
Non-financial assets				
Commodities	1 082	—	—	1 082
Non-recurring fair value measurements				
Non-current assets held for sale ⁽¹⁾	—	—	136	136

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.5 Measurement of assets and liabilities categorised at Level 2

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.6 Reconciliation of Level 3 assets and liabilities

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

	30 June 2021			
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	9 612	25 711
Net interest income	—	184	30	214
Gains and losses from banking and trading activities	125	(774)	128	(521)
Purchases	531	3 404	571	4 506
Sales	(69)	(3 128)	(1 002)	(4 199)
Movement in other comprehensive income	—	—	(238)	(238)
Transfer to Level 3	260	1 099	—	1 359
Transfer out of Level 3	(1 630)	(202)	(1 816)	(3 648)
Closing balance at the end of the reporting period	1 719	14 180	7 285	23 184

	30 June 2020			
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	12 233	29 393
Net interest income	—	137	57	194
Gains and losses from banking and trading activities	(3 209)	283	(345)	(3 271)
Purchases	33	122	21	176
Sales	(5)	(143)	(2 536)	(2 684)
Movement in other comprehensive income	—	—	(170)	(170)
Transfer to Level 3	16	67	499	582
Transfer out of Level 3	(2 045)	(1 350)	(1 694)	(5 089)
Closing balance at the end of the reporting period	1 046	10 020	8 065	19 131

	31 December 2020			
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	12 233	29 393
Net interest income	—	246	83	329
Gains and losses from banking and trading activities	(1 928)	523	(348)	(1 753)
Purchases	38	544	68	650
Sales	(176)	(931)	(2 843)	(3 950)
Movement in other comprehensive income	—	—	(165)	(165)
Transfer to Level 3	142	2 807	1 979	4 928
Transfer out of Level 3	(1 830)	(496)	(1 395)	(3 721)
Closing balance at the end of the reporting period	2 502	13 597	9 612	25 711

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	30 June 2021		
	Trading and hedging portfolio liabilities	Deposits due to customers	Total liabilities at fair value
	Rm	Rm	Rm
Opening balance at the beginning of the reporting period	173	3 562	3 735
Gains and losses from banking and trading activities	(37)	(2 257)	(2 294)
Issues	9	2 317	2 326
Settlements	—	(1 277)	(1 277)
Transfer to Level 3	8	73	81
Transfer out of Level 3	(6)	—	(6)
Closing balance at the end of the reporting period	147	2 418	2 565

	30 June 2020		
	Trading and hedging portfolio liabilities	Deposits due to customers	Total liabilities at fair value
	Rm	Rm	Rm
Opening balance at the beginning of the reporting period	1 131	3 842	4 973
Gains and losses from banking and trading activities	1 577	(43)	1 534
Issues	—	618	618
Settlements	(13)	(576)	(589)
Transfer out of Level 3	(14)	(327)	(341)
Closing balance at the end of the reporting period	2 681	3 514	6 195

	31 December 2020		
	Trading and hedging portfolio liabilities	Deposits due to customers	Total liabilities at fair value
	Rm	Rm	Rm
Opening balance at the beginning of the reporting period	1 131	3 842	4 973
Gains and losses from banking and trading activities	(706)	306	(400)
Issues	37	704	741
Settlements	(263)	(534)	(797)
Transfer out of Level 3	(27)	(756)	(783)
Closing balance at the end of the reporting period	172	3 562	3 734

13.7 Significant transfers between levels

During the 2021 and 2020 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year.

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.8 Unrealised gains and losses on Level 3 assets and liabilities

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

	30 June 2021						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	97	(451)	103	(251)	(81)	1 480	1 399

	30 June 2020						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	305	1 498	41	1 844	(1 816)	(163)	(1 979)

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

13.9 Sensitivity analysis of valuations using unobservable inputs

As part of the Bank's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, in order to determine the impact of reasonably possible alternative assumptions on the valuation of level 3 financial assets and liabilities. The assets and liabilities that most impact this sensitivity analysis are

those with more illiquid and/or structured portfolios. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations.

The following table reflects the reasonable possible variances applied to significant parameters utilised in our valuations.

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.9 Sensitivity analysis of valuations using unobservable inputs (continued)

		30 June 2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
Significant unobservable parameters		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding	183/(202)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(124)/127
Loans and advances to customers	Credit spreads	(862)/937	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(19)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	23/(23)	—/—
		30 June 2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
Significant unobservable parameters		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding	324/(368)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(151)/156
Loans and advances to customers	Credit spreads	(689)/760	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	31/(31)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(18)/18	—/—
		31 December 2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
Significant unobservable parameters		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding	344/(394)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(146)/151
Loans and advances to customers	Credit spreads	(782)/848	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(18)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

13.10 Measurement of assets and liabilities at Level 3

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

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs		
			30 June 2021	30 June 2020	31 December 2020
Loans and advances to banks and customers	Discounted cash flow and/or dividend yield models	Credit spreads	1.27% to 3.7%	0.66% to 2.92%	0.07% to 3.21%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor multiples	Discount rate of 8%	Discount rate of 7.75% to 8%	Discount rate of 7.75% to 8%
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	0.17% to 12.9%	0.25% to 13.02%	0.2% to 13%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, Recovery rates and/or, Quanto ratio	0.013% - 26.5%, 15% - 82.3%, 50% - 100%	0.02%-26%, 15%-93%, 60%-90%	0.03% - 26.5%, 15% - 93%, 60% - 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	16.12% to 44.4%	18.5% to 78.6%	16.9% to 58.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	0.55% to 23%	0.57% to 25%	0.56% to 26.5%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	0.25% to 4.925%	0.25% to 6.5%	0.25% to 4.15%
Deposits due to customers	Discounted cash flow models	The Bank's funding spreads (greater than 5 years)	1.15% to 1.6%	1.2% to 1.9%	1.075% to 1.550%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.15% to 1.6%	1.2% to 1.9%	1.075% to 1.550%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of Annual selling price escalations Income capitalisation rates Risk adjusted discount rates	1 to 6 years 6% to 8% 8% 10% to 15%	1 to 5 years 6% 7.75% to 8% 10% to 15%	1 to 6 years 6% to 8% 7.75% to 8% 10% to 15%

For assets or liabilities held at amortised cost and disclosed in levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after 5 years. However, if the items mature in less than 5 years, these inputs are considered to be observable, depending on other facts and circumstances.

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

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

Notes to the condensed consolidated interim financial results

for the reporting period ended

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

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

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

	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
Opening balance at the beginning of the reporting period	(446)	(407)	(407)
New transactions	(192)	(101)	(105)
Amounts recognised in profit or loss during the reporting period	61	21	66
Closing balance at the end of the reporting period	(577)	(487)	(446)

13.12 Third-party credit enhancements

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

14. Reporting changes overview

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

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

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

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

15. IBOR Reform interim reporting disclosures

IBOR reform program

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

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

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

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

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

The CHF, GBP, EUR- and JPY LIBOR rates and the one-week and two-month USD LIBOR rates will be discontinued at 31 December 2021. The remaining USD LIBOR rates is expected to be discontinued post 30 June 2023. The South African Reserve Bank (SARB) is working with the domestic financial market industry through the Market Practitioners Bank (MPG) regarding the transition away from JIBAR. We do not anticipate any changes to JIBAR imminently.

The Group's exposure to IBORs subject to change at 31 December 2021 is not significant compared to those expected to be changed post June 2022.

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

The following risks have been identified as arising from interest rate benchmark reform:

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

Pricing and Valuation considerations: International Securities and Derivatives Association ("ISDA") published the IBOR Fallbacks Supplement and ISDA 2020 IBOR Fallbacks Protocol on October 23, 2020. New fallbacks for derivatives linked to key IBORs came into effect on January 25, 2021, ensuring a viable safety net is in place in the event an IBOR becomes permanently unavailable while entities continue to have exposure to that rate. The supplement incorporates the fallbacks into all new non-cleared derivatives contracts from January 25, 2021 that reference the 2006 ISDA Definitions. Derivative participants can incorporate the fallback into legacy non-cleared derivatives contracts via use of an ISDA protocol or through bilateral negotiation. For cleared derivatives, central counterparties (CCPs) have incorporated the ISDA IBOR fallbacks in their rule books for both new and legacy contracts.

Notes to the condensed consolidated interim financial results

for the reporting period ended

15. IBOR Reform interim reporting disclosures (continued)

IBOR reform program (continued)

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

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

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

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

Developments made towards implementing alternative benchmark interest rates

For derivatives subject to interest rate reform, the Bank and a significant portion of its counterparties have adhered to the ISDA IBOR Fallbacks Protocol (the "Protocol") as well as the IBOR Fallbacks Supplement (the "Supplement") published by the ISDA in October

2020. The protocol became effective on 25 January 2021, and provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

In addition, the Bank is in the process of amending other exposures subject to GBP, EUR, and JPY; and is expected to be completed by 31 December 2021. The contractual changes are expected to be based on the recommended drafting provided by the Loan Market's Association. All new non-derivative exposures will incorporate fallback provisions.

The Bank will continue to apply the Phase 1 amendments to IFRS 9/ IAS 39 until the uncertainty on the timing and amount of cash flows arising from interest rate benchmark reform ends. It is expected that this uncertainty will continue until the Bank's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

16. Additional risk management disclosure

The advent of COVID-19 has had a significant impact on the risks that the Bank is exposed to as a result of the financial assets it holds and financial liabilities it issues. The COVID-19 risk management disclosures are aimed at demonstrating the impact that the virus has had on the Bank's credit, liquidity, and market risks, as well as the way in which it manages its capital.

16.1 Credit risk

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

In addition to the information provided in Note 1, the following table provides detail regarding the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable, in terms of the Bank's default grading DG⁽¹⁾ system.

⁽¹⁾ Refer to Absa Group annual financial statements for 31 December 2020 for DG bucket definitions.

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Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

	30 June 2021			
	Gross Maximum Exposure Rm	DG1-9 Rm	Stage 1 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Balances with the SARB	26 502	26 502	—	—
Cash, cash balances and balances with central banks	26 502	26 502	—	—
Government bonds	66 975	65 789	1 186	—
Other	18 086	16 488	425	—
Treasury bills	15 907	15 907	—	—
Investment securities	100 968	98 184	1 611	—
Loans and advances to banks	35 467	28 859	4 838	—
Accounts receivable	7 290	4 396	2 893	—
Settlement accounts	14 592	12 614	1 978	—
Other assets	21 882	17 010	4 871	—
RBB	554 131	46 711	383 063	27 088
Home Loans	264 271	25 151	181 966	12 160
Vehicle and Asset Finance	99 957	2 238	74 485	8 500
Everyday Banking	59 599	2 639	35 378	6 428
Card	33 287	2 056	21 741	2 475
Personal Loans	22 658	304	11 477	3 585
Transactions and Deposits	3 654	279	2 160	368
Relationship Banking	130 251	16 683	91 234	—
RBB Other	53	—	—	—
CIB	223 704	110 033	66 797	25
Head Office, Treasury and other operations	360	221	—	—
Loans and advances to customers	778 195	156 965	449 860	27 113
Loans and advances to group companies	62 983	62 983	—	—
Off-statement of financial position exposure				
Guarantees	37 475	25 918	6 261	36
Letters of credit	6 530	1 497	1 965	3
Irrevocable debt facilities ⁽²⁾	198 642	64 102	130 058	732
Total off-statement of financial position exposure	242 647	91 517	138 284	771

⁽¹⁾ Refer to Absa Bank Limited's financial statements for the reporting period ending 31 December 2020 for DG bucket definitions.

⁽²⁾ Includes revocable debt facilities with a risk of draw down.

Notes to the condensed consolidated interim financial results

for the reporting period ended

30 June 2021

	Stage 2 ⁽¹⁾			Stage 3 ⁽¹⁾
	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	Default Rm
	—	—	—	—
	—	—	—	—
	—	—	—	—
	—	105	—	1 068
	—	—	—	—
	—	105	—	1 068
	—	1 583	187	—
	—	1	—	—
	—	—	—	—
	—	1	—	—
	6 057	27 106	18 654	45 452
	5 124	9 528	10 501	19 841
	340	2 001	5 289	7 104
	283	1 855	2 864	10 152
	74	699	1 254	4 988
	193	988	1 497	4 614
	16	168	113	550
	310	13 722	—	8 302
	—	—	—	53
	12 490	27 173	1 969	5 217
	—	139	—	—
	18 547	54 418	20 623	50 669
	—	—	—	—
	1 338	2 836	572	514
	132	2 751	177	5
	569	2 593	192	396
	2 039	8 180	941	915

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk disclosures (continued)

	Gross Maximum Exposure Rm	30 June 2020		
		DG1-9 Rm	Stage 1 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Balances with the SARB	24 554	24 554	—	—
Cash, cash balances and balances with central banks	24 554	24 554	—	—
Government bonds	64 433	64 433	—	—
Other	20 984	19 071	297	—
Treasury bills	11 253	11 133	—	—
Investment securities	96 670	94 637	297	—
Loans and advances to banks	33 831	28 778	4 130	—
Accounts receivable	6 590	3 039	3 549	—
Settlement accounts	9 352	9 159	193	—
Other assets	15 942	12 198	3 742	—
RBB ⁽²⁾	519 454	29 918	372 015	17 568
Home Loans	245 385	7 833	189 693	6 139
Vehicle and Asset Finance	87 593	1 124	62 572	6 377
Everyday Banking	60 686	3 355	34 507	5 052
Card	31 949	2 605	19 550	2 094
Personal Loans	24 569	558	13 166	2 514
Transactions and Deposits	4 168	192	1 791	444
Relationship Banking ⁽²⁾	125 737	17 606	85 243	—
RBB Other	53	—	—	—
CIB ⁽²⁾	247 055	125 048	78 590	7
Head Office, Treasury and other operations	500	238	11	—
Loans and advances to customers	767 009	155 204	450 616	17 575
Loans and advances to group companies	54 696	54 696	—	—
Off-statement of financial position exposure				
Guarantees	42 901	28 938	7 492	9
Letters of credit	4 505	394	2 258	8
Irrevocable debt facilities ⁽³⁾	178 041	36 517	135 887	444
Total off-statement of financial position exposure	225 447	65 849	145 637	461

⁽¹⁾ Refer to Absa Bank annual financial statements for 31 December 2020 for DG bucket definitions.

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

⁽³⁾ Includes revocable debt facilities with a risk of draw down.

Notes to the condensed consolidated interim financial results

for the reporting period ended

30 June 2020			
DG1-9 Rm	Stage 2 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm	Stage 3 ⁽¹⁾ Default Rm
—	—	—	—
—	—	—	—
—	—	—	—
348	1 268	—	—
—	120	—	—
348	1 388	—	—
33	868	22	—
—	2	—	—
—	—	—	—
—	2	—	—
5 057	35 845	13 479	45 572
3 073	10 633	5 380	22 634
1 218	4 846	4 709	6 747
105	4 428	3 390	9 849
39	1 688	1 332	4 641
22	1 874	1 848	4 587
44	866	210	621
661	15 938	—	6 289
—	—	—	53
11 668	23 581	3 393	4 768
—	251	—	—
16 725	59 677	16 872	50 340
—	—	—	—
66	5 275	559	562
103	1 739	3	—
792	3 698	147	556
961	10 712	709	1 118

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk disclosures (continued)

	Gross Maximum Exposure Rm	31 December 2020		
		DG1-9 Rm	Stage 1 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Balances with the SARB	25 460	25 460	—	—
Cash, cash balances and balances with central banks	25 460	25 460	—	—
Government bonds	65 142	65 142	—	—
Other	21 038	17 747	1 144	—
Treasury bills	6 801	6 801	—	—
Investment securities	92 981	89 690	1 144	—
Loans and advances to banks	34 305	29 096	3 600	—
Accounts receivable	6 740	6 574	165	—
Settlement accounts	5 490	4 709	781	—
Other assets	12 230	11 283	946	—
RBB ⁽²⁾	537 661	32 009	375 384	23 210
Home Loans	255 130	10 111	191 811	8 815
Vehicle and Asset Finance	94 877	1 293	65 769	9 494
Everyday Banking	60 571	3 486	32 990	4 901
Card	32 714	3 004	19 201	2 053
Personal Loans	23 785	228	12 246	2 421
Transactions and Deposits	4 072	254	1 543	427
Relationship Banking ⁽²⁾	127 030	17 119	84 814	—
RBB Other	53	—	—	—
CIB ⁽²⁾	243 032	120 222	75 811	2
Head Office, Treasury and other operations	520	277	21	—
Loans and advances to customers	781 213	152 508	451 216	23 212
Loans and advances to group companies	56 346	56 346	—	—
Off-statement of financial position exposure				
Guarantees	34 327	18 984	12 000	63
Letters of credit	5 777	1 543	1 963	3
Irrevocable debt facilities ⁽³⁾	194 300	87 930	101 201	536
Total off-statement of financial position exposure	234 404	108 457	115 164	602

⁽¹⁾ Refer to Absa Bank annual financial statements for 31 December 2020 for DG bucket definitions.

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

⁽³⁾ Includes revocable debt facilities with a risk of draw down.

Notes to the condensed consolidated interim financial results

for the reporting period ended

31 December 2020			
DG1-9 Rm	Stage 2 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm	Stage 3 ⁽¹⁾ Default Rm
—	—	—	—
—	—	—	—
—	—	—	—
792	1 355	—	—
—	—	—	—
792	1 355	—	—
778	768	63	—
—	1	—	—
—	—	—	—
—	1	—	—
4 647	37 306	14 882	50 223
3 101	10 299	7 180	23 813
1 230	5 084	4 291	7 716
110	4 377	3 411	11 296
52	1 762	1 622	5 020
19	1 690	1 591	5 590
39	925	198	686
206	17 546	—	7 345
—	—	—	53
11 749	27 610	1 503	6 135
—	222	—	—
16 396	65 138	16 385	56 358
—	—	—	—
355	1 897	280	748
253	1 880	87	48
881	3 018	143	591
1 489	6 795	510	1 387

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

The following table provides detail regarding the credit quality of financial instruments which are classified as fair value through profit and loss in terms of the Bank's default grading DG⁽¹⁾ system. In order to illustrate how credit quality has changed in the current period, comparative information as at 31 December 2020 has been provided.

Maximum exposure to credit risk	30 June 2021			
	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Investment securities	15 995	15 757	238	—
Government bonds	16	16	—	—
Other	238	—	238	—
Treasury bills	15 741	15 741	—	—
Loans and advances to banks	26 033	18 875	7 158	—
Trading and hedging portfolio assets	151 724	108 706	42 570	448
Debt instruments	64 280	50 508	13 772	—
Derivative assets	73 730	45 296	27 986	448
Money market assets	13 714	12 902	812	—
Loans and advances to customers	90 339	35 647	54 692	—
Total	284 091	178 985	104 658	448

Maximum exposure to credit risk	30 June 2020			
	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Investment securities	2 227	2 016	211	—
Government bonds	2 016	2 016	—	—
Other	211	—	211	—
Loans and advances to banks	57 631	13 265	44 366	—
Trading and hedging portfolio assets	168 192	131 990	35 979	223
Debt instruments	46 924	45 338	1 586	—
Derivative assets	107 826	80 862	26 741	223
Money market assets	13 442	5 790	7 652	—
Loans and advances to customers	61 393	35 668	25 725	—
Total	289 443	182 939	106 281	223

Maximum exposure to credit risk	31 December 2020			
	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Investment securities	5 407	5 283	124	—
Government bonds	15	15	—	—
Other	2 648	2 524	124	—
Treasury bills	2 744	2 744	—	—
Loans and advances to banks	31 830	24 396	7 434	—
Trading and hedging portfolio assets	175 175	136 698	38 250	227
Debt instruments	57 103	47 873	9 230	—
Derivative assets	109 137	80 395	28 515	227
Money market assets	8 935	8 430	505	—
Loans and advances to customers	63 901	29 841	34 060	—
Total	276 313	196 218	79 868	227

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Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

The following table sets out the analysis of credit risk mitigation and collateral held by the Bank against its credit impaired, and other, financial assets, at 30 June 2021.

Analysis of credit risk mitigation and collateral	Collateral – credit impaired financial assets				
	Gross maximum exposure ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	61 500	—	—	—	—
Debt instruments	64 280	—	—	—	—
Derivative assets	73 730	—	—	—	—
Money market assets	13 714	—	—	—	—
Trading and hedging portfolio assets	151 724	—	—	—	—
RBB	659 717	55	27 459	69	64
Home Loans	317 560	—	17 762	—	—
Vehicle and Asset Finance	102 317	—	5 098	—	—
Everyday Banking	87 070	—	2	—	—
Card	55 969	—	—	—	—
Personal Loans	22 659	—	—	—	—
Transactions and Deposits	8 442	—	2	—	—
Relationship Banking	152 718	55	4 597	69	64
RBB Other	52	—	—	—	—
CIB	406 879	356	544	—	57
Head Office, Treasury and other operations	579	—	—	—	—
Loans and advances to customers	1 067 175	411	28 003	69	121
Off-statement of financial position exposure					
Guarantees	37 475	—	—	—	—
Letters of credit	6 530	—	—	—	—
Total off-statement of financial position exposure	44 005	—	—	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

⁽¹⁾ Included in the gross maximum exposure is the exposure for the off-statement of financial position exposure for irrevocable debt facilities and revocable debt facilities with a risk of draw down.

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for the reporting period ended

30 June 2021

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Collateral – not credit impaired financial assets					Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm		
—	—	677	—	—	4 957	55 866	61 500	
—	—	—	—	—	—	64 280	64 280	
—	—	—	—	2 292	52 032	19 406	73 730	
—	—	—	—	—	—	13 714	13 714	
—	—	—	—	2 292	52 032	97 400	151 724	
18 197	45 844	2 398	458 643	1 072	168	151 592	613 873	
2 123	19 885	—	274 123	—	—	23 552	297 675	
2 006	7 104	—	49 168	—	—	46 045	95 213	
10 421	10 423	—	—	—	—	76 647	76 647	
5 227	5 227	—	—	—	—	50 742	50 742	
4 620	4 620	—	—	—	—	18 039	18 039	
574	576	—	—	—	—	7 866	7 866	
3 595	8 380	2 398	135 352	1 072	168	5 348	144 338	
52	52	—	—	—	—	—	—	
4 259	5 216	571	49 702	—	31 287	320 103	401 663	
—	—	—	—	—	—	579	579	
22 456	51 060	2 969	508 345	1 072	31 455	472 274	1 016 115	
514	514	11	4 949	602	21	31 378	36 961	
—	—	—	—	—	—	6 530	6 530	
514	514	11	4 949	602	21	37 908	43 491	

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk disclosures (continued)

30 June 2020

Analysis of credit risk mitigation and collateral	Gross maximum exposure ⁽¹⁾ Rm	Collateral – credit impaired financial assets			
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	91 462	—	—	—	—
Debt instruments	46 924	—	—	—	—
Derivative assets	107 826	—	—	—	—
Money market assets	13 442	—	—	—	—
Trading and hedging portfolio assets	168 192	—	—	—	—
RBB ⁽²⁾	629 244	36	28 873	109	101
Home Loans	298 215	—	20 573	—	—
Vehicle and Asset Finance	88 884	—	5 011	—	—
Everyday Banking	88 020	—	3	—	—
Card	53 873	—	—	—	—
Personal Loans	25 123	—	—	—	—
Transactions and Deposits	9 024	—	3	—	—
Relationship Banking ⁽²⁾	154 072	36	3 286	109	101
RBB Other	53	—	—	—	—
CIB ⁽²⁾	376 697	268	339	—	34
Head Office, Treasury and other operations	501	—	—	—	—
Loans and advances to customers	1 006 442	304	29 212	109	135
Off-statement of financial position exposure					
Financial guarantee contracts	42 901	—	—	—	—
Letters of credit	4 505	—	—	—	—
Total off-statement of financial position exposure	47 406	—	—	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

⁽¹⁾ Included in the gross maximum exposure is the exposure for the off-statement of financial position exposure for irrevocable debt facilities and revocable debt facilities with a risk of draw down.

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

30 June 2020

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Collateral – not credit impaired financial assets					Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm			
—	—	169	—	—	12 370	78 923	91 462	
—	—	—	—	—	—	46 924	46 924	
—	—	—	—	3 560	78 064	26 202	107 826	
—	—	—	—	—	—	13 442	13 442	
—	—	—	—	3 560	78 064	86 568	168 192	
17 010	46 129	194	421 413	850	188	160 470	583 115	
2 131	22 704	—	254 960	—	—	20 551	275 511	
1 733	6 744	—	43 304	—	—	38 836	82 140	
10 222	10 225	—	—	—	—	77 795	77 795	
4 982	4 982	—	—	—	—	48 891	48 891	
4 600	4 600	—	—	—	—	20 523	20 523	
640	643	—	—	—	—	8 381	8 381	
2 871	6 403	194	123 149	850	188	23 288	147 669	
53	53	—	—	—	—	—	—	
4 117	4 758	913	51 603	4	28 601	290 818	371 939	
—	—	—	—	—	—	501	501	
21 127	50 887	1 107	473 016	854	28 789	451 789	955 555	
562	562	12	4 360	674	24	37 269	42 339	
—	—	—	—	—	—	4 505	4 505	
562	562	12	4 360	674	24	41 774	46 844	

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

31 December 2020

Collateral – credit impaired financial assets

Analysis of credit risk mitigation and collateral	Gross maximum exposure ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	66 135	—	—	—	—
Debt instruments	57 102	—	—	—	—
Derivative assets	109 138	—	—	—	—
Money market assets	8 935	—	—	—	—
Trading and hedging portfolio assets	175 175	—	—	—	—
RBB ⁽²⁾	652 901	31	31 086	57	53
Home Loans	308 816	—	21 583	—	—
Vehicle and Asset Finance	96 167	—	5 673	—	—
Everyday Banking	88 413	—	2	—	—
Card	54 882	—	—	—	—
Personal Loans	24 343	—	—	—	—
Transactions and Deposits	9 188	—	2	—	—
Relationship Banking ⁽²⁾	159 452	31	3 828	57	53
RBB Other	53	—	—	—	—
CIB ⁽²⁾	385 993	354	636	—	35
Head Office, Treasury and other operations	520	—	—	—	—
Loans and advances to customers	1 039 414	385	31 722	57	88
Off-statement of financial position exposure					
Guarantees	34 327	—	—	—	—
Letters of credit	5 777	—	—	—	—
Total off-statement of financial position exposure	40 104	—	—	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

⁽¹⁾ Included in the gross maximum exposure is the exposure for the off-statement of financial position exposure for irrevocable debt facilities and revocable debt facilities with a risk of draw down.

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.1.

Notes to the condensed consolidated interim financial results

for the reporting period ended

31 December 2020

Collateral – not credit impaired financial assets

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
—	—	390	—	—	18 664	47 081	66 135
—	—	—	—	—	—	57 102	57 102
—	—	—	—	3 169	74 288	31 681	109 138
—	—	—	—	—	—	8 935	8 935
—	—	—	—	3 169	74 288	97 718	175 175
19 587	50 814	2 129	447 128	1 217	195	151 418	602 087
2 307	23 890	—	263 416	—	—	21 510	284 926
2 043	7 716	—	48 809	—	—	39 642	88 451
11 730	11 732	—	—	—	—	76 681	76 681
5 379	5 379	—	—	—	—	49 503	49 503
5 607	5 607	—	—	—	—	18 736	18 736
744	746	—	—	—	—	8 442	8 442
3 454	7 423	2 129	134 903	1 217	195	13 585	152 029
53	53	—	—	—	—	—	—
5 107	6 132	537	50 555	4	35 392	293 373	379 861
—	—	—	—	—	—	520	520
24 694	56 946	2 666	497 683	1 221	35 587	445 311	982 468
748	748	13	4 666	645	24	28 231	33 579
48	48	—	—	—	—	5 729	5 729
796	796	13	4 666	645	24	33 960	39 308

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk

16.2.1 Liquidity risk

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

The Bank's liquidity risk position was resilient, in line with risk appetite, and above the minimum regulatory requirements.

The Bank has maintained adequate liquidity buffers to ensure the Bank complies with the Liquidity coverage ratio in accordance with the COVID-19 pandemic related relief provided by the SARB.

The on-boarding of the Absa Money Market Fund deposits onto Bank's balance sheet further strengthened core deposits and hence the liquidity position, creating additional capacity for asset growth as well

as risk diversification through increased investment in alternative forms of high quality liquid assets (HQLA).

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

Liquidity risk is monitored at Group level under a single comprehensive Treasury Risk Framework. The Treasury Risk Framework was designed to deliver an appropriate tenor structure and composition of funding consistent with the risk appetite set by the Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

The discounted maturity table below provides further analysis in terms of the Bank's liquidity position as at 30 June 2021 in order to illustrate the change in the liquidity risk position since 31 December 2020.

	30 June 2021					Total Rm
	Carrying amount (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	
Assets						
Cash, cash balances and balances with central banks	33 779	—	—	—	—	33 779
Investment securities	3 192	39 456	26 285	49 841	(134)	118 640
Loans and advances to banks	10 265	50 030	1 205	—	(48)	61 452
Trading and hedging portfolio assets	149 799	612	4 950	1 245	—	156 606
Derivative assets	66 924	612	4 950	1 245	—	73 731
Non-derivative assets	82 875	—	—	—	—	82 875
Other financial assets	14 800	6 926	156	—	—	21 882
Loans and advances to customers	152 405	157 084	320 313	238 732	(33 196)	835 338
Loans to Group Companies	39 375	20 372	2 895	342	(202)	62 782
Financial assets	403 615	274 480	355 804	290 160	(33 580)	1 290 479
Non-financial assets						30 527
Total assets						1 321 006
Liabilities						
Deposits from banks	39 899	41 516	4 591	985	—	86 991
Trading and hedging portfolio liabilities	79 280	404	1 311	2 069	—	83 064
Derivative liabilities	54 491	404	1 311	2 069	—	58 275
Non-derivative liabilities	24 789	—	—	—	—	24 789
Other financial liabilities	30 226	7 129	—	16	—	37 371
Deposits due to customers	577 454	212 687	52 311	9 516	—	851 968
Debt securities in issue	1 197	49 440	61 532	15 285	—	127 454
Borrowed funds	—	4 738	22 555	—	—	27 293
Loans from Group Companies	519	373	—	—	—	892
Financial liabilities	728 575	316 287	142 300	27 871	—	1 215 033
Non-financial liabilities						8 684
Total liabilities						1 223 717
Equity						97 289
Total equity and liabilities						1 321 006
Net liquidity position of financial instruments	(324 960)	(41 807)	213 504	262 289	(33 580)	75 446

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.1 Liquidity risk (continued)

Discounted maturity	30 June 2020					Total Rm
	Carrying amount (excluding impairment losses on amortised cost instruments)				Impairment losses	
	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Rm	
Assets						
Cash, cash balances and balances with central banks	31 761	—	—	—	—	31 761
Investment securities	3 660	13 813	34 917	47 955	(2)	100 343
Loans and advances to banks	15 677	68 908	5 173	1 704	(21)	91 441
Trading and hedging portfolio assets	157 491	1 043	8 512	1 659	—	168 705
Derivative assets	96 613	1 043	8 512	1 659	—	107 827
Non-derivative assets	60 878	—	—	—	—	60 878
Other financial assets	9 581	6 361	—	—	—	15 942
Loans and advances to customers	97 270	146 302	352 084	232 745	(31 809)	796 592
Loans to Group Companies	26 313	24 481	2 740	1 162	(161)	54 535
Financial assets	341 753	260 908	403 426	285 225	(31 993)	1 259 319
Non-financial assets						32 456
Total assets						1 291 776
Liabilities						
Deposits from banks	45 773	41 191	22 693	1 470	—	111 127
Trading and hedging portfolio liabilities	102 769	153	770	2 691	—	106 383
Derivative liabilities	94 855	153	770	2 691	—	98 469
Non-derivative liabilities	7 914	—	—	—	—	7 914
Other financial liabilities	25 925	6 372	—	—	—	32 297
Deposits due to customers	468 676	214 248	49 518	12 588	—	745 030
Debt securities in issue	890	94 987	70 982	8 734	—	175 593
Borrowed funds	—	3 594	19 553	—	—	23 147
Financial liabilities	644 033	360 545	163 516	25 483	—	1 193 577
Non-financial liabilities						7 280
Total liabilities						1 200 857
Equity						90 919
Total equity and liabilities						1 291 776
Net liquidity position of financial instruments	(302 280)	(99 637)	239 910	259 742	(31 993)	65 742

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.1 Liquidity risk (continued)

	31 December 2020					Total Rm
	Carrying amount (excluding impairment losses on amortised cost instruments)				Impairment losses	
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Rm	
Assets						
Cash, cash balances and balances with central banks	33 812	—	—	—	—	33 812
Investment securities	1 109	13 762	37 016	47 609	(7)	99 489
Loans and advances to banks	17 507	39 792	4 750	4 086	(22)	66 113
Trading and hedging portfolio assets	165 067	949	8 695	1 353	—	176 064
Derivative assets	98 140	949	8 695	1 353	—	109 137
Non-derivative assets	66 927	—	—	—	—	66 927
Other financial assets	5 721	6 509	—	—	—	12 230
Loans and advances to customers	130 134	163 713	317 220	234 047	(33 952)	811 162
Loans to Group Companies	33 664	20 129	1 607	947	(202)	56 145
Financial liabilities	387 014	244 854	369 288	288 042	(34 183)	1 255 015
Non-financial liabilities						31 260
Total assets						1 286 275
Liabilities						
Deposits from banks	28 831	52 269	13 265	1 668	—	96 033
Trading and hedging portfolio liabilities	105 983	235	1 193	3 424	—	110 835
Derivative liabilities	86 777	235	1 193	3 424	—	91 629
Non-derivative liabilities	19 206	—	—	—	—	19 206
Other financial liabilities	10 225	6 363	—	—	—	16 588
Deposits due to customers	519 318	214 069	49 278	12 222	—	794 887
Debt securities in issue	668	62 812	66 778	13 901	—	144 159
Borrowed funds	—	2 459	18 162	—	—	20 621
Financial liabilities	665 025	338 207	148 676	31 215	—	1 183 123
Non-financial liabilities						8 753
Total liabilities						1 191 876
Equity						94 399
Total equity and liabilities						1 286 275
Net liquidity position of financial instruments	(278 011)	(93 353)	220 612	256 827	(34 183)	71 892

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.2 Capital management risk

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

Review of current reporting period

- The Bank's capital position was above minimum regulatory requirements as at 30 June 2021 and at the upper end of the 2021 Board target range of 11.0% to 12.5%.

- Capital ratios were stronger year-on-year due to strong earnings generation between June 2020 and June 2021 coupled with RWA savings achieved through model changes that were approved by the regulator and optimization savings. Capital buffers remained strong, consistently above minimum regulatory requirements.
- The Bank called R0.2bn of Tier 2 capital instruments in May 2021.
- In May 2021, Absa Bank issued additional tier 1 instruments to the value of \$US500m in offshore capital markets. The issuance was \$100m above plan providing the Bank with a strong Tier 1 and CAR position and an optimised capital structure.
- The leverage ratio was supported by the additional tier 1 issuance.

Capital adequacy ratios

	30 June		31 December	30 June		30 June and 31 December	
	2021	2020	2020	Board target ranges 2021	Minimum regulatory capital requirements ⁽¹⁾ 2021	Board target ranges 2020	Minimum regulatory capital requirements 2020
Statutory capital ratios (includes unappropriated profits) (%)							
CET 1	11.8	10.6	10.6	11.0 – 12.5	8.0	11.0 – 12.0	7.5
Tier 1	14.2	11.7	11.9	>12.0	9.5	12.0 – 13.0	9.3
Total capacity adequacy requirement (CAR)	17.7	15.8	15.6	>14.5	11.5	14.5 – 15.5	11.5
Capital supply and demand for the reporting period (Rm)							
Qualifying capital	109 958	98 056	99 410				
Total RWA	619 779	619 412	640 044				

⁽¹⁾ The 2021 minimum total regulatory capital adequacy requirement of **11.5%** (2020:11.5%) includes the capital conservation buffer, Pillar 2A at zero percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on).

Notes to the condensed consolidated interim financial results

for the reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.3 Interest rate risk in the banking book (IRRBB)

IRRBB is the risk that the Bank's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads.

The Group Risk and Capital Management Committee continues to evaluate IRRBB on an ongoing basis and take appropriate steps to mitigate the risk. The evaluation and risk mitigation is performed with consideration of the dynamic interest rate environments and balance sheets across the various jurisdictions in which the Bank operates.

Key risk metrics	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates	(896)	(1 942)	(857)

Review of current reporting period

- 2020 was a year of significant rate cuts by the SARB in response to the weak macroeconomic environment. In addition, the Bank benefited from significant growth in deposits and HQLA which contributed to increased hedging activities, which has continued in H1 2021.
- In addition, methodology changes to the measurement of risk were implemented that more closely align NII sensitivity to the financial outcome of the FY 2020 rate cuts. These actions all contributed to the improvement in the Group NII sensitivity over the past year.
- In H1, the Bank's NII sensitivity to a 2% downward rate shock has remained materially in line with December 2020.

16.3 Traded market risk

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

The Traded Market Risk Committee (TMRC) meets monthly to review, challenge and make recommendations concerning the traded market risk profile, including risk appetite, policies, limits, risk utilisation, valuation risk and the effectiveness of the control environment.

The Trading Risk Committee (TRC) and Market Risk Infrastructure, Data, Governance and Control Committee (MRIDGCC) are subcommittees of the TMRC that provide oversight of specific traded market risks and the traded market risk control environment.

Key risk metrics	30 June	31 December	
	2021 Rm	2020 Rm	2020 Rm
Average traded market risk – 99% daily value at risk (DVaR)	49.00	68.30 ⁽¹⁾	62.87

Review of current reporting period

- The decrease in average VaR was principally due to risk reduction across the portfolio in light of the economic uncertainty arising from historic high asset prices/low interest rates alongside increasing inflation and COVID-19 concerns. The June 2020 portfolio was impacted by the COVID-19 pandemic induced volatility and low market liquidity resulting in a higher VaR.

⁽¹⁾ The number recorded in June 2020 has been restated to accurately reflect the regulatory VAR.

Condensed consolidated normalised interim financial results

for the reporting period ended

Normalised interim financial results as a consequence of the Barclays PLC separation

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

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

The separation process has had a significant impact on the Group's interim financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results show a disconnect between the underlying business performance and the IFRS interim financial results. Normalised results have therefore been disclosed and will continue to be disclosed while the underlying business performance is materially different from the IFRS interim financial results. Refer to page 3 for the IFRS results.

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

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

Basis of presentation

Normalised interim financial results

The condensed consolidated normalised results have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separating activities, operating expenses (including amortisation of intangible assets) and other expenses (collectively the 'separation'). The Bank will present normalised results for future periods where the financial impact of separation is considered material. Normalisation does not affect divisional disclosures.

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

The normalised results have not been prepared using the accounting policies of the Bank and do not comply with IFRS. These results are considered to be pro forma financial information and have been presented in accordance with the JSE Limited Listing Requirements which require that pro forma financial information be compiled in terms of the JSE Limited Listing Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA. The normalised results are the responsibility of the Bank's Board.

Condensed consolidated normalised interim financial results

for the reporting period ended

	30 June 2021 ⁽¹⁾	2020	31 December 2020
Statement of comprehensive income (Rm)			
Income	28 774	25 423	53 464
Operating expenses	16 271	14 628	31 554
Profit attributable to ordinary equity holders	5 963	(1 157)	2 530
Headline earnings ⁽²⁾	5 576	(1 150)	2 654
Statement of financial position			
Total assets (Rm)	1 317 053	1 286 879	1 281 486
Financial performance (%)			
Return on equity (RoE)	14.2	(3.1)	3.5
Return on average assets (RoA)	0.4	(0.2)	0.2
Return on risk-weighted assets (RoRWA)	1.78	(0.38)	0.43
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.62	3.23	3.25
Non-interest as a percentage of total income	35.8	37.1	38.1
Cost-to-income ratio	56.5	57.5	59.0
Jaws	2	(5.0)	(7)
Effective tax rate	26.6	41.7	23.0
Share statistics (million)			
Weighted average number of ordinary shares in issue	448.3	448.3	448.3
Diluted weighted average number of ordinary shares in issue	448.3	448.3	448.3
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	1 243.8	(256.5)	592.0
Diluted headline earnings per ordinary share (DHEPS)	1 243.8	(256.5)	592.0
Basic earnings per ordinary share (EPS)	1 238.9	(258.1)	564.4
Diluted basic earnings per ordinary share (DEPS)	1 238.9	(258.1)	564.4
Dividend per ordinary share relating to income for the reporting period	—	—	—
Dividend cover (times)	—	—	—
NAV per ordinary share	18 133	15 648	17 247
Tangible NAV per ordinary share	16 727	15 079	15 972
Capital adequacy (%)⁽³⁾			
Absa Bank Limited	17.7	15.8	15.6
Common Equity Tier 1 (%)⁽³⁾			
Absa Bank Limited	11.8	10.6	10.6

⁽¹⁾ Please refer to the condensed consolidated normalised reconciliation for the period ended 30 June 2021 for further information as presented on page 73.

⁽²⁾ After allowing for R120m (30 June 2020: R172m; 31 December 2020: R307m) profit attributable to preference equity holders and R290m (30 June 2020: R334m; 31 December 2020: R589m) profit attributable to additional Tier 1 capital holders.

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

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	30 June 2021		
	IFRS Bank performance ⁽¹⁾	Barclays separation effects ⁽²⁾	Normalised Bank performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	18 489	(12)	18 477
Non-interest income	10 308	(11)	10 297
Total income	28 797	(23)	28 774
Impairment losses	(3 756)	—	(3 756)
Operating expenses	(16 815)	544	(16 271)
Other expenses	(652)	(16)	(668)
Share of post-tax results of associates and joint ventures	40	—	40
Operating profit before income tax	7 614	505	8 119
Tax expenses	(2 013)	(143)	(2 156)
Profit for the reporting period	5 601	362	5 963
Profit attributable to:			
Ordinary equity holders	5 191	362	5 553
Preference shares	120	—	120
Additional Tier 1	290	—	290
	5 601	362	5 963
Headline earnings	5 217	359	5 576
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.62	n/a	3.62
Credit loss ratio on gross loans and advances to customers and banks	0.40	n/a	0.40
Non-interest income as % of total income	35.8	n/a	35.8
Income growth (%)	12.0	n/a	13.2
Operating expenses growth (%)	9.3	n/a	11.2
Cost-to-income ratio	58.4	n/a	56.5
Effective tax rate	26.4	n/a	26.6
Statement of financial position (Rm)			
Loans and advances to customers	835 338	—	835 338
Loans and advances to banks	61 452	—	61 452
Investment securities	118 640	—	118 640
Other assets	305 541	(3 918)	301 623
Total assets	1 320 971	(3 918)	1 317 053
Deposits due to customers	851 968	—	851 968
Debt securities in issue	127 454	—	127 454
Other liabilities ⁽⁴⁾	244 259	424	244 683
Total liabilities	1 223 681	424	1 224 105
Equity	97 290	(4 342)	92 948
Total equity and liabilities	1 320 971	(3 918)	1 317 053
Key performance ratios (%)			
RoA	0.39	n/a	0.42
RoE	12.5	n/a	14.2
Capital adequacy ⁽⁵⁾	17.7	n/a	17.7
Common Equity Tier 1 ⁽⁵⁾	11.8	n/a	11.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 163.7	n/a	1 243.8

⁽¹⁾ IFRS Bank performance, presents the IFRS information as extracted from the Bank's condensed consolidated interim financial results for the reporting period ended 30 June 2021.

⁽²⁾ Barclays separation effects, presents the financial effects of the separation on the condensed consolidated interim financial results of the Bank.

⁽³⁾ Normalised Bank performance, presents the condensed consolidated interim financial results of the Bank, after adjusting for the consequences of the separation.

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

⁽⁵⁾ Due to the completion of the 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.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	IFRS Bank performance ⁽¹⁾	30 June 2020 Barclays separation effects ⁽²⁾	Normalised Bank performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	16 045	(53)	15 992
Non-interest income	9 657	(226)	9 431
Total income	25 702	(279)	25 423
Impairment losses	(11 162)	—	(11 162)
Operating expenses	(15 390)	762	(14 628)
Other expenses	(849)	107	(742)
Share of post-tax results of associates and joint ventures	(8)	—	(8)
Operating profit before income tax	(1 707)	590	(1 117)
Tax expenses	537	(71)	466
Profit for the reporting period	(1 170)	519	(651)
Profit attributable to:			
Ordinary equity holders	(1 676)	519	(1 157)
Preference shares	172	—	172
Additional Tier 1	334	—	334
	(1 170)	519	(651)
Headline earnings	(1 611)	461	(1 150)
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.24	n/a	3.23
Credit loss ratio on gross loans and advances to customers and banks	2.49	n/a	2.49
Non-interest income as % of total income	37.6	n/a	37.1
Income growth (%)	(1.4)	n/a	(2.1)
Operating expenses growth (%)	(6.5)	n/a	(7.6)
Cost-to-income ratio	59.9	n/a	57.5
Effective tax rate	31.5	n/a	41.7
Statement of financial position (Rm)			
Loans and advances to customers	796 592	—	796 592
Loans and advances to banks	91 441	—	91 441
Investment securities	100 343	—	100 343
Other assets	303 400	(4 897)	298 503
Total assets	1 291 776	(4 897)	1 286 879
Deposits due to customers	745 030	—	745 030
Debt securities in issue	175 593	—	175 593
Other liabilities ⁽⁴⁾	280 234	1 408	281 642
Total liabilities	1 200 857	1 408	1 202 265
Equity	90 919	(6 305)	84 614
Total equity and liabilities	1 291 776	(4 897)	1 286 879
Key performance ratios (%)			
RoA	(0.3)	n/a	(0.2)
RoE	(4.0)	n/a	(3.1)
Capital adequacy ⁽⁵⁾	15.8	n/a	15.8
Common Equity Tier 1 ⁽⁵⁾	10.6	n/a	10.6
Share statistics (cents)			
Diluted headline earnings per ordinary share	(359.6)	n/a	(256.5)

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Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	31 December 2020		
	IFRS Bank performance ⁽¹⁾	Barclays separation effects ⁽²⁾	Normalised Bank performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	33 184	(67)	33 117
Non-interest income	20 503	(156)	20 347
Total income	53 687	(223)	53 464
Impairment losses	(15 829)	—	(15 829)
Operating expenses	(33 202)	1 649	(31 553)
Other expenses	(1 798)	200	(1 598)
Share of post-tax results of associates and joint ventures	(36)	—	(36)
Operating profit before income tax	2 822	1 626	4 448
Tax expenses	(750)	(272)	(1 022)
Profit for the reporting period	2 072	1 354	3 426
Profit attributable to:			
Ordinary equity holders	1 176	1 354	2 530
Ordinary shares	—	—	—
Preference shares	307	—	307
Additional Tier 1	589	—	589
	2 072	1 354	3 426
Headline earnings	1 402	1 252	2 654
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.24	n/a	3.25
Credit loss ratio on gross loans and advances to customers and banks	1.74	n/a	1.74
Non-interest income as % of total income	38.2	n/a	38.1
Income growth (%)	1.8	n/a	1.7
Operating expenses growth (%)	(5.4)	n/a	(5.4)
Cost-to-income ratio	61.8	n/a	59.0
Effective tax rate	26.6	n/a	23.0
Statement of financial position (Rm)			
Loans and advances to customers	811 162	—	811 162
Loans and advances to banks	66 113	—	66 113
Investment securities	99 489	—	99 489
Other assets	309 511	(4 789)	304 722
Total assets	1 286 275	(4 789)	1 281 486
Deposits due to customers	794 887	—	794 887
Debt securities in issue	144 159	—	144 159
Other liabilities ⁽⁴⁾	252 830	646	253 476
Total liabilities	1 191 876	646	1 192 522
Equity	94 399	(5 435)	88 964
Total equity and liabilities	1 286 275	(4 789)	1 281 486
Key performance ratios (%)			
RoA	0.1	n/a	0.2
RoE	1.7	n/a	3.5
Capital adequacy ⁽⁵⁾	15.6	n/a	15.6
Common Equity Tier 1 ⁽⁵⁾	10.6	n/a	10.6
Share statistics (cents)			
Diluted headline earnings per ordinary share	312.5	n/a	592.0

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