Absa Group Limited

Financial results for the reporting period ended 31 December 2020

Report overview

This financial results booklet for the reporting period ended 31 December 2020 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 15 March 2021. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the Annual financial results presentation. The full set of documents is available on www.absa.africa.

Reportable segment changes

The Corporate Debt and Structure Trade and Commodity Finance portfolios, which were previously reported in Corporate South Africa, have been moved to Investment Bank South Africa to align the segment report to management reporting structure.

The business portfolio changes have resulted in the restatement of financial results within Corporate and Investment Bank (CIB), but have not impacted the overall position or net earnings of the Group.

Absa Group Limited (1986/003934/06)

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

Financial results for the reporting period ended 31 December 2020.

Date of publication: 15 March 2021.

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

- The Board of Directors oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors view reports prepared by the businesses, risk and others. They exercise sound independent judgement, and probe and challenge recommendations, as well as decisions made by management.
- Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.
- Finance is led by the 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).
- The Board has reviewed and approved the reporting changes contained in the financial results announcement released on 15 March 2021.

Dividend per share

Final: 0 cents

Interim: 0 cents

Key dates

Dividend payment: n/a

Financial year-end: 31 December 2020

Annual general meeting: 4 June 2021

Shareholder communications

Shareholder information page 176

Contact details page 186

Absa reporting suite

2020 Absa Group annual consolidated and separate financial statements

2020 Investor presentation

Icons used with this report

Positive

Negative

Remains the same

Increase/decrease

Marginal

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

Contents

The Absa Group today

"The Group has delivered respectable progress over the last two-and-a-half years against the strategy journey that was adopted in 2018, and we have seen good traction in some parts of the business. We have become more precise in expressing how we want to be more customer-centric, how we will evolve our digital maturity, what it means to be purpose-led and how we will play a meaningful role in society." Daniel Mminele, Group Chief Executive

As a financial services provider, we play an important role in the economic life of individuals, businesses and nations. We help to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

Bring your possibility to life

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and supporting them every step of the way.

Our 2018 growth strategy laid the foundation to reimagine our business. 2020, however, brought with it a materially different operating context than the one in which our original growth strategy was set. The pandemic has fundamentally altered behavioural patterns, the way we work, collaborate, our perspectives on health and the fragility of life. Moreover, it significantly impacted banking performance while rapidly accelerating the evolution of the industry. Against this backdrop, we proactively engaged in a strategy review process – while ensuring the immediate stabilisation of our business – determined to still deliver on our aspiration to be a leader on the continent.

Sustainable growth will continue to shape our thinking and drive our planning as a critical measure of our success.

While our aspirations are unwavering and our strategic choices remain, the world in which we seek to achieve them has changed. A crisis is one of the most fundamental drivers for innovation, and as 'old' value and opportunities diminish, we need to shift our focus and employ our creativity, tenacity and ingenuity in building new value to drive growth – a reality that we have embraced and one that has propelled us to address the implications of our evolving operating environment.

As such, we have adapted our strategy which required that we refine our go to market approach and execute with agility and speed. The refreshed strategy entails a refinement of our purpose-led ethos and customer centric business model whereby our focus is on ensuring that our propositions, distribution channels, market footprint, capabilities, mindsets and behaviours deliver on the needs of our customers and clients. We therefore have four strategic imperatives and four strategic enablers that are integrated and work together to enable us to restore leadership in the market.

2018 – 2020: Pre-Covid-19

Delivering our Group growth strategy, premised on the overarching guiding purpose – to bring possibilities to life.

Three strategic priorities

- Create a thriving, entrepreneurial organisation.
- Restore leadership in our core businesses.
- Build pioneering new propositions.

Three enablers

- Build a scalable, digital-first, business.
- Pursue growth opportunities.
- Play a shaping role in Africa's growth and sustainability.

2020 – 2021: Covid-19

Immediate stabilisation of the business as a result of the Covid-19 pandemic arising from March 2020.

Ensuring business resilience through:

- Capital and liquidity preservation; and
- Operational stability.

Delivering our corporate purpose through:

- The safety and wellbeing of our employees;
- The safety and financial wellbeing of our customers; and
- Safeguarding lives in the communities we serve.

2021 and beyond: Post-Covid-19

A purpose-led ethos and a customer centric business model where our focus is on ensuring that our propositions, distribution channels, market footprint, capabilities, mindsets and behaviours deliver on the needs of our customers.

Four imperatives

- **Lead with purpose** and deliver shared value to a broad range of stakeholders.
- Solve for customers' intrinsic needs through **hyper-personalised propositions** delivered in the right key moments.
- Deliver propositions through effective, **digital-first distribution channels** that complement our customers' behavioural patterns.
- Establish a **diverse market footprint** that best meets our customers' expectations.

Four enablers

- Invest in **strategic capabilities** that drive market leadership.
- Build a **modern technology architecture** that powers digital transformation.
- Create an execution model that delivers **fast-lane innovation**.
- Develop and nurture an **entrepreneurial culture**.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended 31 December

Strong pre-provision profit growth of 7%

(CCY +5%) was supported by positive **JAWS** of **+3%**. At a business unit level, pre-provision profits reflect particularly strong growth in CIB Pan-Africa +22% (CCY +18%), with RBB SA +6% and ARO +3% (CCY -5%).

Costs reduced by 2%

(CCY -3%) reflecting management actions in response to the Covid-19 stress, restructuring initiatives in the prior year as well as a reduction in performance costs (in line with the Group performance). The **cost-to-income ratio** reduced to **56.0%** (2019: 58.0%).

Customer deposits growth of 15%

(CCY +16%) grew faster than **gross customer advances +3%** (CCY +3%). This has contributed to a strong liquidity position with a **liquidity coverage ratio** of **120.6%**, well above the regulatory minimum.

Improved performance was evident in H2

albeit still below pre-Covid-19 levels, with H2 headline earnings of R6.5bn which were **-19%** (CCY -20%) lower than the comparable period in the prior year. First half headline earnings of R1.5bn were **-82%** (CCY -84%) lower than the prior year following materially higher credit impairments.

A well capitalised position

was maintained despite the material impact of higher impairments with a Group IFRS **CET1** ratio of **11.2%** at 31 December 2020 (2019: 12.1%).

Headline earnings decreased by 51%

(CCY -53%) to R8.0bn following the impact of materially higher impairments on the Group's results despite strong pre-provision profits. The reduction in earnings resulted in a **return on equity of 7.2%** which was substantially lower than the prior year (2019: 15.8%).

Impairment charges of R20.6bn

increased substantially from R7.8bn in the prior year and the **credit loss ratio** increased to **192 bps** (2019: 80 bps). A material component of the charge related to judgmental macro-economic overlays which supported an increase in the Group's **loan coverage** to **4.54%** (2019: 3.27%).

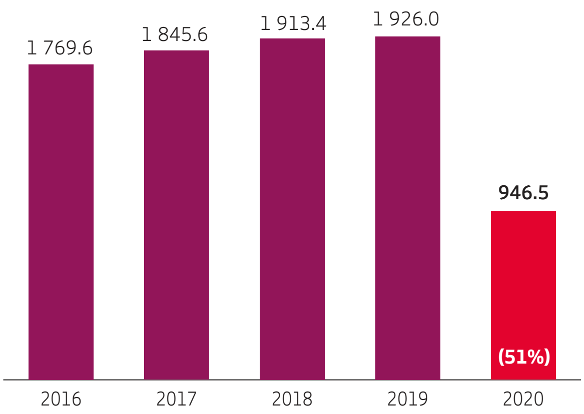
Subdued income growth of 2%

(CCY flat) reflects resilient **net interest income** growth of **+5%** (CCY +4%) supported by **+15%** growth in **customer deposits**, however **non-interest income** reduced by -**3%** (CCY -4%) as fee and commission income was adversely affected by lower transactional volumes impacted by lower economic activity. **Net interest margin** contracted to **4.17%** (2019: 4.50%) reflecting materially lower interest rates across our markets, and a change in Balance Sheet composition following strong growth in lower margin deposits which were deployed in low margin assets.

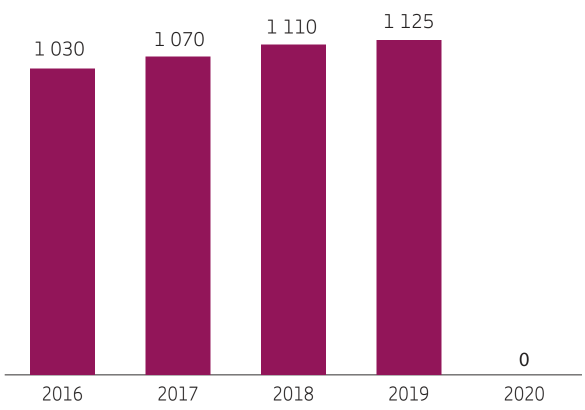
Normalised Group performance overview

for the reporting period ended 31 December

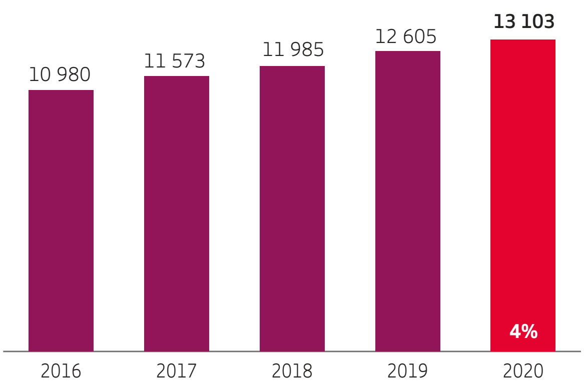
Headline earnings per ordinary share (HEPS) (cents)



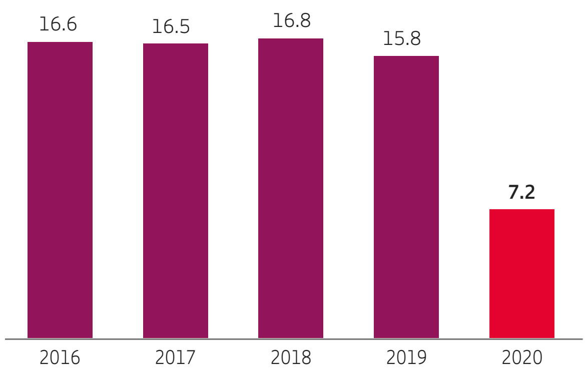
Dividend per share (DPS) (cents)



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



Return on equity (RoE) (%)



Normalised Group performance overview

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

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

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loans from Barclays separation segment' in the condensed consolidated normalised statement of financial position (refer to page 28).

[2] Normalised capital ratios will no longer be presented as the Group's separation from Barclays PLC has been materially completed and the current differences between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position.

Normalised Group performance overview

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

	IFRS Group performance	2019 Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	46 501	(195)	46 306
Non-interest income	33 619	36	33 655
Total income	80 120	(159)	79 961
Impairment losses	(7 816)	—	(7 816)
Operating expenses	(48 767)	2 410	(46 357)
Other expenses	(2 006)	113	(1 893)
Share of post-tax results of associates and joint ventures	221	—	221
Operating profit before income tax	21 752	2 364	24 116
Tax expenses	(5 772)	(538)	(6 310)
Profit for the reporting period	15 980	1 826	17 806
Profit attributable to:			
Ordinary equity holders	14 256	1 747	16 003
Non-controlling interest – ordinary shares	937	79	1 016
Non-controlling interest – preference shares	352	—	352
Non-controlling interest – additional Tier 1 capital	435	—	435
	15 980	1 826	17 806
Headline earnings	14 526	1 739	16 265
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.50	n/a	4.50
Credit loss ratio on gross loans and advances to customers and banks	0.80	n/a	0.80
Non-interest income as % of total income	42.0	n/a	42.1
Income growth	5	n/a	6
Operating expenses growth	4	n/a	6
Cost-to-income ratio	60.9	n/a	58.0
Effective tax rate	26.5	n/a	26.2
Statement of financial position (Rm)			
Loans and advances to customers	916 978	—	916 978
Loans and advances to banks	59 745	—	59 745
Investment securities	116 747	—	116 747
Other assets	305 705	(4 681)	301 024
Total assets	1 399 175	(4 681)	1 394 494
Deposits due to customers	826 293	—	826 293
Debt securities in issue	159 794	—	159 794
Other liabilities	284 405	2 162[1]	286 567
Total liabilities	1 270 492	2 162	1 272 654
Equity	128 683	(6 843)	121 840
Total equity and liabilities	1 399 175	(4 681)	1 394 494
Key performance ratios (%)			
Return on average assets (RoA)	1.07	n/a	1.20
Return on equity (RoE)	13.1	n/a	15.8
Capital adequacy	15.8	n/a	15.5
Common Equity Tier 1	12.1	n/a	11.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 747.6	n/a	1 923.3

[1] 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'. The amount is presented in 'Loans from Barclays separation segment' in the condensed consolidated normalised statement of financial position (refer to page 28).

Normalised salient features

for the reporting period ended 31 December

	2020	2019	Change %
Statement of comprehensive income (Rm)			
Income	**81 382**	79 961	2
Operating expenses	**45 576**	46 357	(2)
Profit attributable to ordinary equity holders	**7 912**	16 003	(51)
Headline earnings	**7 965**	16 265	(51)
Statement of financial position			
Gross loans and advances to customers (Rm)	**973 602**	946 715	3
Total assets (Rm)	**1 525 964**	1 394 494	9
Deposits due to customers (Rm)	**951 894**	826 293	15
Loans-to-deposits and debt securities ratio (%)	**84.7**	93.0	
Average loans-to-deposits and debt securities ratio (%)	**86.2**	87.5	
Financial performance (%)			
Return on equity (RoE)	**7.2**	15.8	
Return on average assets (RoA)	**0.52**	1.20	
Return on risk-weighted assets (RoRWA)	**0.86**	1.91	
Stage 3 loans ratio on gross loans and advances	**6.28**	4.67	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.17**	4.50	
Credit loss ratio on gross loans and advances to customers and banks	**1.92**	0.80	
Non-interest income as percentage of total income	**40.0**	42.1	
Cost-to-income ratio	**56.0**	58.0	
Jaws	**3**	(1)	
Effective tax rate	**27.8**	26.2	
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	
Number of ordinary shares in issue (excluding treasury shares)	**844.8**	843.5	
Weighted average number of ordinary shares in issue	**841.5**	844.5	
Diluted weighted average number of ordinary shares in issue	**842.0**	845.7	
Share statistics (cents)			
Headline earnings per ordinary share	**946.5**	1 926.0	(51)
Diluted headline earnings per ordinary share	**946.0**	1 923.3	(51)
Basic earnings per ordinary share	**940.2**	1 895.0	(50)
Diluted basic earnings per ordinary share	**939.7**	1 892.3	(50)
Dividend per ordinary share relating to income for the reporting period	**0**	1 125	(100)
Dividend cover (times)	**0**	1.7	(100)
NAV per ordinary share	**13 103**	12 605	4
Tangible NAV per ordinary share	**12 258**	11 854	3
Capital adequacy (%)			
Absa Group Limited[1]	**n/a**	15.5	
Absa Bank Limited[1]	**n/a**	16.2	
Common Equity Tier 1 (%)			
Absa Group Limited[1]	**n/a**	11.8	
Absa Bank Limited[1]	**n/a**	11.4	

[1] Normalised capital ratios will no longer be presented as the Group's separation from Barclays PLC has been materially completed and the current differences between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position.

Normalised salient features by segment

for the reporting period ended 31 December

	2020	2019	Change %
Headline earnings (Rm)			
RBB South Africa	**4 270**	9 510	(55)
CIB South Africa	**3 035**	3 230	(6)
Absa Regional Operations	**1 589**	3 635	(56)
Head Office, Treasury and other operations in South Africa	**(929)**	(110)	>100
Return on average risk-weighted assets (%)			
RBB South Africa[1]	**1.11**	2.54	
CIB South Africa	**1.24**	1.48	
Absa Regional Operations	**0.61**	1.63	
Return on regulatory capital (%)			
RBB South Africa	**9.4**	21.4	
CIB South Africa	**11.1**	13.3	
Absa Regional Operations[2]	**6.4**	17.2	
Credit loss ratio (%)			
RBB South Africa	**2.64**	1.18	
CIB South Africa	**0.54**	0.11	
Absa Regional Operations	**2.66**	0.98	
Gross loans and advances to customers (Rm)			
RBB South Africa	**551 663**	530 281	4
CIB South Africa	**306 262**	299 663	2
Absa Regional Operations	**115 065**	116 475	(1)
Head Office, Treasury and other operations in South Africa	**612**	296	>100
Deposits due to customers (Rm)			
RBB South Africa	**416 395**	372 564	12
CIB South Africa	**282 771**	207 461	36
Absa Regional Operations	**159 233**	150 388	6
Head Office, Treasury and other operations in South Africa	**93 495**	95 880	(2)

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

[2] RoRC for Absa Regional Operations has been calculated using returns on regulatory capital and not returns on tangible equity, in order to align to the rest of the segments.

Profit commentary

Salient features

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.

- The Covid-19 pandemic and resulting lockdowns and economic downturn across our presence countries, materially impacting the Group's performance.
- Diluted normalised headline earnings per share (HEPS) fell 51% to 946.0 cents from 1 923.3 cents.
- No ordinary dividend was declared for the period.
- Retail and Business Banking (RBB) South Africa's headline earnings declined 55% to R4 270m, Corporate and Investment Bank (CIB) South Africa declined 6% to R3 035m, and Absa Regional Operations (ARO) declined 56% to R1 589m.
- Normalised return on equity (RoE) decreased to 7.2% from 15.8%.
- Normalised revenue increased 2% to R81.4bn and operating expenses declined 2% to R45.6bn, resulting in a 56.0% cost-to-income ratio.
- Normalised pre-provision profit increased 7% to R35.8bn.
- Credit impairments increased 163% to R20.6bn, resulting in a 1.92% credit loss ratio from 0.80%.
- Absa Group's IFRS Common Equity Tier 1 (CET 1) ratio of 11.2% remains well above regulatory requirements and within the Board's target range.
- Normalised net asset value (NAV) per share rose 4% to 13 103 cents.

Normalised reporting

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

Normalisation adjusts for the following items: R67m (2019: R195m) of interest earned on Barclays PLC's separation contribution; hedging revenue linked to separation activities of R144m (2019: R36m loss); operating expenses of R2 535m (2019: R2 410m) and R270m (2019: R113m) of other expenses, plus a R450m (2019: R538m) tax impact of the aforementioned items. In total, these adjustments added R1 927m (2019: R1 739m) to the Group's normalised headline earnings during the period. As normalisation occurs at a Group level, it does not affect divisional disclosures.

Overview of results

On a normalised basis, Absa Group's headline earnings declined 51% to R7 965m from R16 265m and diluted HEPS fell 51% to 946.0 cents from 1 923.3 cents. The Group's normalised RoE decreased to 7.2% from 15.8% and its return on assets was 0.52% from 1.20%. Revenue grew 2% to R81 382m, with net interest income rising 5% and non-interest income declining 3%. The Group's net interest margin decreased to 4.17% from 4.50%, primarily due to significant policy rate cuts during the period and a change in balance sheet composition. With operating expenses declining 2%, the normalised cost to-income ratio improved to 56.0% from 58.0%, and pre-provision profit grew 7% to R35.8bn. In constant currency (CCY), pre-provision profit increased 5% and headline earnings fell 53%. Credit impairments grew 163% to R20.6bn, resulting in a 1.92% credit loss ratio from 0.80%. Gross loans and advances to customers grew 3% to R974bn, while deposits due to customers rose 15% to R952bn. The Group's normalised NAV per share increased 4% to 13 103 cents. No ordinary dividend was declared for the period.

RBB South Africa's headline earnings fell 55% to R4 270m, while CIB South Africa's earnings declined 6% to R3 035m – both due to materially higher credit impairments. Total CIB headline earnings decreased 17% to R4 945m, given significantly higher credit impairments. ARO's headline earnings fell 56% to R1 589m, or 65% in CCY, with RBB and CIB declining 120% and 30%, respectively.

South African normalised headline earnings declined 50% to R6 295m, while Africa Regions fell 54% to R1 670m, or 63% in CCY.

Operating environment

The Covid-19 pandemic upended the global economy in 2020, producing historic declines in economic activity across most countries. The International Monetary Fund (IMF) expects a global recession with real GDP declining 3.5% in 2020, with developed economies among the most impacted by the pandemic. The UK is estimated to have shrunk by 10% during 2020, the Euro area by 7.2% and the US by 3.4%. Monetary and fiscal policy across all major economies are highly accommodative. Advanced economies are willing to stabilise public finances very slowly and, at the margin, to extend further policy support should economic activity stutter further.

Coming into 2020, South Africa's economy was already under pressure and shrinking, amid low consumer and business confidence, electricity supply concerns and delayed structural reforms. The hard lockdown during the second quarter produced a historic decline in economic activity, and even as restrictions eased in subsequent months, many sectors remained under significant pressure. Real GDP shrank 7.0% during 2020, well below the 0.9% growth we expected before the pandemic. Aided by modest inflation, the South African Reserve Bank reduced the policy rate by 300 basis points (bps), to a record low of 3.5%. The government also provided direct support to many vulnerable households and businesses, which saw the fiscal deficit increase sharply. In light of its deteriorating debt metrics, Moody's withdrew South Africa's last investment grade credit rating in March 2020.

Growth in our main ARO countries also slowed sharply during 2020. Weighted real GDP declined 0.4%, the first regional recession in several decades and significantly lower than the 5.6% growth we forecasted a year ago. There were lockdowns in several markets, albeit shorter and generally less restrictive than South Africa's. Lower commodity prices (excluding gold) hurt others, while reduced tourism placed significant strain on countries where the sector is a significant employer and source of hard currency. Direct fiscal support for the economic recovery was generally muted, although some countries such as Kenya announced tax breaks. Budget deficits trended higher everywhere on weaker revenues. Policy rates in most ARO countries were reduced during 2020, as monetary authorities took advantage of generally modest inflation to mitigate some of the impact of Covid-19.

Profit commentary

Group performance

Statement of financial position

Normalised total assets increased 9% to R1 526bn at 31 December 2020, reflecting 1% growth in net loans and advances to customers, 41% higher loans and advances to banks, while investment securities and trading portfolio assets grew 31% and 35% respectively.

Gross loans and advances to customers

Gross loans and advances to customers increased 3% to R974bn. RBB South Africa loans rose 4% to R552bn, as Vehicle and Asset Finance grew 9% to R95bn, Home Loans increased 5% to R255bn, Credit Cards rose 3% to R46bn, while Relationship Banking and Personal Loans were largely flat at R128bn and R24bn respectively. CIB South Africa's gross loans grew 2% to R306bn, including 23% growth in mortgages, flat foreign currency loans and 28% lower overdrafts. ARO gross loans declined 1% (grew by 2% in CCY) to R115bn, as RBB increased 8% and CIB decreased 10%.

Funding

Group liquid assets and other sources of liquidity grew 11% to R260bn, which equates to over a 27% of customer deposits. The Group's liquidity coverage ratio was 121% and the net stable funding ratio was 116%, both well above the minimum regulatory requirement. Deposits due to customers grew 15%, or 16% in CCY, to R952bn. The loans-to-deposits and debt securities ratio decreased to 84.7% from 93.0%. Deposits due to customers constituted 80% of total funding from 75%. RBB South Africa's deposits grew 12% to R416bn, as savings and transmission deposits increased 18% and fixed deposits decreased 1%, while cheque account deposits rose 14%. CIB South Africa's deposits grew 36% to R283bn, due to a 68% growth in call deposits, with cheque account deposits and fixed deposits increasing 60% and 12% respectively, partially offset by 45% lower repurchase agreements with non-banks. ARO's deposits increased 6% to R159bn, or 11% in CCY, as RBB grew 11% and CIB decreased 1%.

Net asset value

The Group's normalised NAV increased 4% to R111bn and NAV per share grew 4% to 13 103 cents. During the year, it generated retained earnings of R7.3bn and paid R5.1bn in ordinary dividends. The foreign currency translation reserve decreased by R0.9bn and the cash flow hedging reserve grew by R4.0bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 5% to R915bn at 31 December 2020, largely due to 6% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group's CET 1 and total capital adequacy ratios were 11.2% and 15.0% respectively, from 12.1% and 15.8%. Given the Group's focus on preserving capital, it did not declare an ordinary dividend for the period.

Statement of comprehensive income

The commentary below refers to normalised financial results.

Net interest income

Net interest income increased 5% to R48 790m from R46 306m, or 4% in CCY, while average interest-bearing assets grew 14%. The Group's net interest margin declined to 4.17% from 4.50%. The loan margin improved 11 bps, with pricing widening by 4 bps largely in Home Loans and Investment Banking in South Africa. Slower growth in Home Loans and CIB SA relative to overall interest-bearing assets had a positive loan composition impact. Deposit margins decreased 18 bps, with pricing down 7 bps, mainly due to competitive pricing in RBB SA and Corporate SA where the ability to pass on the impact of lower rates is constrained. Reduced reliance on wholesale funding had a positive composition impact, partially offset by growth in low-margin Corporate SA deposits.

Given lower policy rates in South Africa, the structural hedge released R2 553m to the income statement or 22 bps (versus R595m or 6 bps in 2019). The programme's after-tax cash flow hedging reserve increased to R4.3bn at 31 December 2020 from R1.1bn the previous year. After hedging, the endowment on equity and liabilities had a net 7 bps negative contribution, largely due to these growing slower than interest-bearing assets. ARO reduced the Group margin by 10 bps, due to lower policy rates across markets and competitive pricing pressures. There was a 15 bps negative mix impact from deploying surplus liquidity into low-margin assets, while the negative reset impact of 300 bps of rate cuts during the period reduced the margin by 8 bps. These were partially offset by a wider prime-JIBAR differential and higher yields on the liquid asset portfolio.

Non-interest income

Non-interest income decreased 3% (or 4% in CCY) to R32 592m from R33 655m to account for 40.0% of total revenue from 42.1%. Net fee and commission income fell 9% to R21 598m, representing 66% of total non-interest income. Within this, transactional fees and commissions decreased 7%, with cheque account and electronic banking down 7% and 3% respectively. Credit card fees fell 20%, largely due to the disposal of the Edcon portfolio. Merchant income declined 3% to R2 209m, reflecting the impacts of the Covid-19 lockdown. Net trading income, excluding the impact of hedge accounting, rose 21% to R6 016m, as Global Markets income in South Africa increased 41% and ARO grew 24%.

RBB South Africa's non-interest income fell 8% to R21 395m, as Everyday Banking declined 7% to R11 332m and Relationship Banking decreased 12% to R5 588m, while the Insurance Cluster was 9% lower at R2 917m. CIB South Africa increased 13% to R4 258m, despite negative fair value adjustments taken on a legacy portfolio in the first half of the year. ARO's non-interest income grew 4% (decreased 1% in CCY) to R6 270m, as CIB increased 16% while RBB fell 7%.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Impairment losses (credit impairments)

The most significant impact of the Covid-19 pandemic and the resulting economic downturn on the Group's results was credit impairments, particularly given that IFRS 9 requires provisions for expected future credit losses. Credit impairments rose 163% to R20 569m from R7 816m, which increased the Group's credit loss ratio on gross loans and advances to customers and banks to 1.92% from 0.80%. The credit loss ratio is significantly higher than the Group's expected through-the-cycle charge of 0.75% to 1.0%. The credit charge includes R5 357m of Covid-19 management adjustments, which factored in deteriorating macroeconomic expectations and the substantial payment relief granted to customers during the period. Payment relief was granted on loans and advances to customers with a gross carrying value of R219bn or 22% of the Group total. The vast majority of payment relief has expired. Of the payment relief portfolios, 92% of RBB SA was up to date at 31 December 2020, while CIB SA and ARO were 97% and 89% up to date, respectively. Credit impairments also included R2 734m raised for single name exposures. Group balance sheet coverage of loans increased to 4.54% from 3.27%.

RBB SA's credit impairments increased 134% to R14 621m from R6 253m, resulting in a 2.64% credit loss ratio from 1.18%. Home Loans' charge grew 1 103% to R2 189m resulting in a 0.88% credit loss ratio from 0.08%. Vehicle and Asset Finance credit impairments rose 179% to R3 062m, increasing the credit loss ratio to 3.45% from 1.34%. Everyday Banking's credit impairments (including Personal Loans, Card and overdrafts) grew 58% to R7 337m, or an 8.42% credit loss ratio from 5.50%. Relationship Banking's credit impairments rose 531% to R2 032m, increasing the credit loss ratio to 1.59% from 0.26%. CIB South Africa's credit impairments rose 432% to R1 951m from R367m, resulting in a credit loss ratio of 0.54% from 0.11%. ARO's credit charge grew 229% to R3 995m from R1 213m, increasing the credit loss ratio to 2.66% from 0.98%. Within ARO, RBB's charge rose 124% to R2 507m, resulting in a 3.90% credit loss ratio, while CIB's increased 675% to R1 340m or a 1.85% credit loss ratio.

Operating expenses

Operating expenses decreased 2% (CCY 3%), to R45 576m from R46 357m, improving the Group's cost-to-income ratio to 56.0% from 58.0%. Staff costs declined 2% and accounted for 55% of total operating expenses. Salaries, the largest component of staff costs, increased 1%. Bonuses fell 36%, reflecting a reduction of the incentive pool in line with Group earnings, partially offset by lower deferrals. Headcount decreased 5% to 36 737. Non-staff costs fell 1%, although depreciation increased 7% and amortisation of intangible assets rose 17%. Marketing costs and cash transportation costs decreased by 28% and 9%, respectively. Telephone and postage decreased 5%, and printing and stationery declined 13%. Property costs increased 7%, largely due to Covid-19 costs for protective equipment. Professional fees grew 21%, given increased project-related spend on change and technology. Total IT-related spend grew 9% to R10 128m and constituted 22% of Group operating expenses.

RBB South Africa's costs fell 8% to R26 406m, reflecting prior year restructuring and reduced volume-related costs. CIB South Africa's expenses were flat at R6 490m, due to cost-saving initiatives and lower bonus provisions. ARO's expenses increased 12% (8% in CCY), to R12 085m primarily due to restructuring costs to right-size the business, as well as investments in technology and higher incremental run costs after separating from Barclays PLC.

Taxation

The Group's taxation expense fell 43% to R3 606m from R6 310m, slightly less than the decrease in operating profit before income tax, resulting in an effective tax rate of 27.8% from 26.2%.

Segment performance

RBB South Africa

Headline earnings fell 55% to R4 270m, due to 134% higher credit impairments as pre-provision profits grew 6%. Revenue declined 2% to R48 577m, as net interest income rose 4% and non-interest income decreased 8%. Costs decreased 8% to R26 406m, resulting in a cost-to-income ratio of 54.4% from 57.7%. The credit loss ratio increased to 2.64% from 1.18%. RBB South Africa generated a return on regulatory capital (RoRC) of 9.4%, from 21.4%, and contributed 48% of total Group normalised headline earnings excluding the Group centre.

Everyday Banking headline earnings fell 44% to R1 967m, given substantially higher credit impairments. Within this, Transactional and Deposits headline earnings increased 11% to R2 478m, while considerably higher credit impairments saw Card's earnings drop 99% to R5m and Personal Loans lost R516m. Home Loans earnings decreased 71% to R453m, as significantly higher credit impairments outweighed 17% increase in pre-provision profits. Vehicle and Asset Finance lost R993m, despite 33% pre-provision profit growth, as credit impairments almost trebled. Relationship Banking's headline earnings fell 31% to R2 522m, although pre-provision profits grew 4%, again due to significantly higher credit impairments. The Insurance Cluster headline earnings decreased 12% to R1 114m, with Life Insurance falling 30%, while Short-term Insurance grew 42%.

CIB South Africa

Headline earnings decreased 6% to R3 035m, as credit impairments increased 432%, resulting in a 0.54% credit loss ratio from 0.11%. Pre-provision profits grew 33% as 14% revenue growth exceeded flat costs. Corporate earnings declined 14% to R838m, due to significantly higher credit impairments, while Investment Bank earnings decreased 2% to R2 197m for the same reason. CIB South Africa contributed 34% of total normalised headline earnings, excluding the Group centre, and generated an 11.1% RoRC from 13.3%.

Profit commentary

Segment performance (continued)

CIB – Total (including ARO)

Total CIB earnings decreased 17% to R4 945m. Pre-provision profits increased 22%, as revenue grew 14% and costs 7%. Credit impairments were 509% higher, resulting in a 0.76% credit loss ratio from 0.14%. Total Corporate earnings dropped 35% to R1900m, while the Investment Bank grew 1% to R3 045m. Total CIB contributed 56% of headline earnings excluding the Group centre and produced a 13.3% RoRC from 18.2%.

ARO

Headline earnings fell 56% (65% in CCY) to R1 589m, as credit impairments rose 229%. Revenue grew 8%, or 2% in CCY, to R20 149m, including 4% higher non-interest income. Costs rose 12%, or 8% in CCY, to R12 085m, resulting in a 60.0% cost-to-income ratio. RBB ARO made a R161m loss, due to significantly higher credit impairments, while CIB ARO earnings fell 30% to R1 910m for the same reason. ARO accounted for 18% of total headline earnings, excluding the Group centre, and produced a 7.4% RoE from 19.0%.

Prospects

Substantial uncertainty surrounds the global economic outlook, which depends on the roll out of effective vaccines and additional policy support. The IMF expects global real GDP growth to rebound to 5.5% in 2021, with strong growth from the US among developed economies and China in the developing world. After declining 2.6% in 2020, the IMF expects 3.2% growth from Sub-Saharan Africa, with a wide range among individual countries.

Similarly, there is significant uncertainty as South Africa works through its largest economic shock since the early 1930s. We forecast 3.1% growth in South Africa during 2021, although we expect GDP to only recover to 2019 levels by 2024. The timely rollout of an appropriate vaccination programme is critical. However, employment and consumer spending will remain under pressure and business confidence and investment are likely to recover slowly. South Africa's fiscal trajectory will be of particular importance, as National Treasury tries to restrain public sector wage growth to improve the state's finances. We anticipate that the Reserve Bank will leave the policy rate unchanged this year, before increasing it by 75 bps in 2022.

We expect the economy in our ARO presence countries to rebound in 2021, with a GDP-weighted growth of 4.5%. Economies dependent on tourism, such as Seychelles, Mauritius and Botswana, are expected to recover slower than the more diversified East African economies. Policy rates are likely to rise, albeit gradually, in many of our ARO countries during 2021 and public finances will become a central focus amongst policymakers in several markets.

Based on these assumptions, and excluding any significant unforeseen political, macroeconomic or regulatory developments, our guidance for 2021 is as follows:

On average, we expect the Rand to be stronger in 2021, translating to a 2% to 3% growth headwind.

We expect low-to-mid-single-digit-growth in net interest income, given improved customer loan growth. Although non-interest income growth is expected to improve, it is likely to remain low.

We will continue to manage operating expenses carefully, while maintaining investment in systems and digitisation. Despite increased variable and performance costs, we expect low single digit growth. As a result, we anticipate flat operating JAWS in 2021, although the first half is likely to be negative. Our cost-to-income ratio is expected to be in line with 2020's 56.0%. Thus, we envisage slower pre-provision profit growth, particularly in the first half.

After 2020's substantial build, credit impairments are expected to decrease, particularly in the first half of the year, resulting in a 2021 credit loss ratio only slightly above our through-the-cycle range of 75 to 100 bps.

Consequently, we expect our RoE to improve materially, particularly in the first half, to low double digits for the year, although it will remain below our cost of equity. At this stage, we expect to exceed our cost of equity in 2023, and this remains heavily dependent upon GDP forecasts. We will provide more detailed medium-term guidance once there is less economic forecast risk.

The Group's performance year-to-date, including earnings, has been stronger than we expected.

In line with our previous guidance, we did not declare any ordinary dividends for 2020. On our capital outlook and dividend policy, we will follow a balanced approach between retaining sufficient capital for growth, resuming dividends and allowing for a period of capital accretion to build and then maintain a position broadly at the mid-point of our 11.0 to 12.5% Group CET1 target range. We expect to gradually resume paying dividends from interim 2021, starting with a dividend payout of 30% and increasing to 50% over the medium-term. In the absence of appropriate loan growth, we would return excess capital to shareholders.

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

Basis of presentation

Basis of presentation

The Group's annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Group's most recent audited annual consolidated financial statements.

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 the Covid-19 pandemic have resulted in significant estimation uncertainty during the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets, fair value measurements, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

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

Accounting policies

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

Standards issued not yet effective

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

On 25 June 2020, the International Accounting Standards Board issued amendments to IFRS 17 resulting from the Exposure Draft that was published on 26 June 2019 and subsequent deliberations based on feedback received. The effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023.

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the new accounting standard, solution design, model prototyping as well as the commencement of an impact assessment. During 2019, the solution design was approved and development activities commenced. During 2020, development activities continued and the new data process that supports the new IFRS 17 standard was established. During 2021, the actuarial software as well as impacted financial processes will be upgraded to ensure compliance. The programme plans for a full year of parallel runs in 2022 to ensure the end-to-end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

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

Auditor's report

Ernst & Young Inc. (EY), the Group's independent auditor, has audited the annual consolidated financial statements of the Group from which management prepared the summary consolidated financial results. The auditor has expressed an unmodified audit opinion on the consolidated annual financial statements. The summary consolidated financial results comprise: the summary consolidated statement of financial position at 31 December 2019, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the reporting period then ended and selected explanatory notes. The audit report on the consolidated annual financial statements as well as the independent reporting accountants' report on the normalised financial results and the constant currency pro forma financial information is available for inspection at the Group's registered office.

Events after the reporting period

The Directors are not aware of any other events (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 31 December 2020 and the date of authorisation of these financial statements.

On behalf of the Board

W E Lucas-Bull
Group Chairman

Daniel Mminele
Group Chief Executive

J P Quinn
Financial Director

Johannesburg
15 March 2021

Dividend announcement

Declaration of ordinary dividend

In line with previous guidance, no ordinary dividend was declared for the period, given our focus on capital preservation in the current environment.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
15 March 2021

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

Impact of Covid-19

As outlined in the profit and dividend announcement on page 10, the Covid-19 pandemic continues to affect global economic developments and has resulted in significant changes to government policies and actions, economic and financial market conditions as well as consumer behaviour. This in turn has had a material impact on the risks to which the Group is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting from this has forced the Group to reassess assumptions, and existing methods of estimation and judgements used in the preparation of these financial results. Furthermore, the temporary payment relief provided to eligible customers as part of the Group's response created added complexity and there is a risk that actual loss experienced may differ from those suggested by the judgements and assumptions used.

The Group's response to the Covid-19 pandemic included payment relief to customers, fee waivers, insurance premium relief and the expansion of credit life cover. The most substantial impact on the Group relates to credit risk. IFRS 9 requires expected credit loss (ECL) allowances to be recognised based on a stage allocation methodology:

- Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date. Exposures must be moved to stage 2 when a significant increase in credit risk has been observed.
- Stage 2 and stage 3 exposures carry an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

The ECL allowance estimation must include an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. IFRS 9 models use the following three parameters in ECL allowance calculations: probability of default (PD), loss given defaults (LGD) and exposure at default (EAD). Significant judgement and estimates are applied when quantifying the ECL allowance on loans and advances, and even more so now as credit models are not calibrated for events such as the Covid-19 crisis. Given the deteriorating macroeconomic environment, specific increases in PDs and LGDs were made in seeking to appropriately capture the Covid-19 environment.

As multiple outbreaks continue to progress and evolve, it is challenging to predict the full extent and duration of their business and economic impact. Management adjustments were therefore required, in addition to the model outputs, to provide a more appropriate assessment of risk for the financial year ended 31 December 2020. These additional management adjustments have required greater governance across the Group and were robustly challenged and reviewed by the Group Credit Impairment Committee. A revised approach to the estimation of PDs, identification of significant increase in credit risk (stage 2 impairment), forward looking scenarios and the impact on estimated ECL allowances was employed.

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.

Impact of Covid-19

Payment relief measures

The table below provides information on the relief provided to customers which impacted the estimation of ECLs.

Covid-19 customer payment relief

The Group implemented a payment relief programme across segments from March 2020 for eligible customers, allowing customers requiring short-term financial relief, to reduce or defer their monthly instalments to assist with cash flow needs. In anticipation of credit-risk induced pressure on banks' capital, temporary dispensation has been provided by the Prudential Authority at the South African Reserve Bank in relation to relief initiatives where those measures are regarded as short-term liquidity solutions. This dispensation provides that these restructures are not classified as distressed restructures for regulatory purposes, provided that the customers remain up to date once their relief period ends. Once payment relief ends, the Group's existing credit policies continue to apply.

RBB SA: Given that most customers' credit profiles remained healthy, payment relief was offered to customers in good standing. Retail customers were able to opt in to receive payment relief with revised repayment terms on the full suite of retail lending products. In the second half of the year, additional, more tailored, payment relief was provided to customers through the launch of the "Siyasizana" programme, with a key requirement being that customers must make partial payments on any further deferrals. Interest and fees continued to accrue monthly and were capitalised to the customer's loan account. As at 31 December, the vast majority of Absa's payment relief programme had been concluded and customers were required to recommence payment.

Business customers benefitted from payment relief measures that ranged from proactive payment relief offers to bespoke customer centric solutions.

CIB (South Africa and ARO): Customers received tailored solutions specific to their individual circumstances, including interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

ARO Retail and Business Banking: Payment relief programmes were instituted in all the ARO banking entities, providing relief for periods of, in general up to six months as informed by local regulatory and management actions. A minimal amount of payment relief was extended for a further 3 months for customers in good standing and sectors where there was protracted impact. Most of the payment relief had concluded by 31 December 2020.

The Group's existing credit policies continued to apply to customers not meeting the payment relief eligibility criteria or those who no longer benefit from the payment relief.

The table below provides the gross carrying value of loans and advances to customers that were granted payment relief during the financial period, together with an analysis of payment behaviour after the relief period ended 31 December 2020:

	2020			
	Total gross carrying amount of payment relief population as at 31 December 2020 Rm	Gross carrying amount at 31 December 2020 Rm	Percentage of portfolio %	Up-to date %
RBB South Africa	**151 658**	**551 663**	**27.49**	**91.57**
Home Loans	84 492	255 130	33.12	94.46
Vehicle and Asset Finance	25 892	94 876	27.29	88.01
Everyday Banking	16 492	73 732	22.37	79.32
Card	9 832	45 874	21.43	83.49
Personal Loans	6 607	23 786	27.78	73.30
Transactional and Deposits	53	4 072	1.30	54.90
Relationship Banking	24 782	127 872	19.38	93.59
RBB Other	—	53	—	—
CIB South Africa	**39 793**	**306 262**[1]	**12.99**	**97.41**
Absa Regional Operations (ARO)	**27 130**	**115 065**	**23.58**	**88.86**
RBB ARO	12 487	59 920	20.84	88.03
CIB ARO	14 643	55 145	26.55	89.57
Head Office, Treasury and other operations in South Africa	—	612	—	—
Total loans and advances to customers	**218 581**	**973 602**	**22.45**	**92.30**

[1] Includes the carrying amount of financial assets at fair value through profit and loss.

Impact of Covid-19

Payment relief measures (continued)

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

Macroeconomic scenarios

As indicated above, ECL estimation must reflect an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa and various ARO presence countries has started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment and the risk of a possible resurgence of the virus. Such risks have been incorporated in the scenarios used to calculate the Group's ECL charge at 31 December 2020.

The Group considers several factors in the development of its macroeconomic scenarios including economic growth/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 actions.

A 40% probability weighting was applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios.

In the normal course of events the macroeconomic scenarios used to calculate the Group's ECL charge are refreshed semi-annually by Group Economics. Primary forecasts are updated more regularly. Unexpected large changes in primary forecasts may warrant a revision of the macroeconomic scenarios. Although the Group revised its 2020 real GDP forecast for South Africa to -7.1% (2021: 3.1%) in January 2021, an improvement over the -9.4% (2021: 3.2%) forecast used for December 2020; the December 2020 macroeconomic scenarios were not revised for the purposes of the financial statements due to the high level of uncertainty in the outlook.

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 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

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 31 December 2019:

	Baseline					**Mild upside**					**Mild downside**				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	1.5	1.7	1.8	1.6	1.6	2.9	2.6	1.8	1.4	1.5	(1.4)	1.2	2.4	2.2	1.7
CPI (%)	5.2	5.0	5.0	4.9	5.0	3.5	3.1	3.4	4.0	4.7	8.2	6.6	5.9	5.6	5.4
Average repo rate (%)	6.5	6.5	6.5	6.5	6.5	4.6	5.0	4.9	5.4	5.8	9.0	8.0	8.2	7.6	7.2

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2020:

	Baseline					**Mild upside**					**Mild downside**				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	(10.8)	7.3	5.5	4.3	4.2	(7.9)	5.9	4.8	4.7	4.6	(13.0)	7.3	3.6	2.6	2.5
CPI (%)	1.8	3.3	4.1	2.8	2.6	1.5	2.4	3.4	2.6	2.6	2.1	4.7	4.5	4.5	4.4
Average policy rate (%)	4.4	4.2	4.8	4.8	4.8	4.9	3.9	4.4	4.5	4.5	4.4	4.7	5.1	5.1	5.0
Ghana															
Real GDP (%)	1.5	4.1	4.9	5.3	5.2	2.6	5.0	5.5	5.8	5.6	(0.4)	3.6	4.8	3.9	4.0
CPI (%)	10.5	9.8	8.3	8.2	8.0	10.1	8.6	8.0	8.2	8.3	11.1	13.6	9.6	9.7	9.8
Average policy rate (%)	14.7	15.4	15.5	15.5	15.5	14.9	14.6	14.8	14.5	14.5	14.9	16.3	17.8	17.3	16.8

Impact of Covid-19

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Kenya															
Real GDP (%)	1.6	3.9	5.0	5.4	5.5	2.7	5.1	5.9	6.0	6.1	(0.4)	3.5	3.3	2.8	2.7
CPI (%)	5.2	5.1	5.3	4.5	4.3	4.9	3.0	4.1	2.9	2.8	5.4	7.3	6.1	5.2	5.1
Average policy rate (%)	7.3	7.0	7.3	7.5	7.5	7.2	6.5	6.8	7.0	7.0	7.3	7.8	8.8	8.3	8.0
Mauritius															
Real GDP (%)	(9.6)	7.3	5.6	4.2	4.0	(5.6)	5.5	5.3	5.3	5.2	(11.6)	6.7	3.7	3.2	3.2
CPI (%)	2.1	2.2	2.4	3.4	3.6	2.0	0.8	1.7	2.8	2.9	2.8	4.6	4.4	4.1	4.1
Average policy rate (%)	2.3	2.2	2.9	3.1	3.3	2.3	1.8	2.2	2.4	2.8	2.3	3.3	4.9	5.3	5.1

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets as at 31 December 2019:

Botswana															
Real GDP (%)	4.2	3.7	4.2	4.3	4.3	7.9	8.7	4.8	4.3	4.3	(5.4)	0.4	5.1	5.8	4.9
CPI (%)	3.0	3.6	4.1	4.1	4.0	1.0	2.8	4.3	4.1	4.0	4.2	5.1	4.0	4.0	4.0
Average policy rate (%)	4.8	4.8	5.6	5.8	6.2	3.6	4.2	5.6	5.8	6.2	6.7	6.6	5.6	5.8	6.2
Ghana															
Real GDP (%)	7.1	6.6	6.5	6.5	6.5	9.7	9.7	9.2	8.6	8.0	0.8	3.5	5.8	5.3	5.1
CPI (%)	10.3	10.4	10.8	10.9	10.7	8.4	7.1	9.1	10.3	10.7	11.8	13.5	9.6	9.5	9.9
Average policy rate (%)	15.9	16.2	16.4	16.6	16.7	15.3	14.5	14.9	15.7	16.6	17.6	20.8	20.3	18.6	17.1
Kenya															
Real GDP (%)	5.5	6.2	6.3	6.4	6.5	6.2	7.1	7.1	7.3	6.6	3.9	4.1	4.0	5.4	6.7
CPI (%)	5.2	5.7	5.0	4.9	4.9	4.8	4.3	4.2	5.0	5.1	6.0	7.5	5.6	4.8	4.8
Average policy rate (%)	8.7	8.9	9.0	9.2	9.3	7.5	7.3	8.0	9.1	9.3	11.2	11.4	9.8	9.2	9.3
Mauritius															
Real GDP (%)	4.2	3.9	4.0	4.0	4.0	6.0	6.0	4.4	4.4	4.2	3.5	3.0	3.8	3.8	3.8
CPI (%)	2.3	3.9	2.8	2.8	2.8	2.0	3.0	2.7	2.8	2.8	2.7	4.7	2.9	2.8	2.8
Average policy rate (%)	3.5	4.1	4.1	4.1	4.1	3.0	3.0	3.3	3.6	3.9	3.6	4.3	4.3	4.2	4.2

Base scenario as at 31 December 2020

South Africa

2020 witnessed the most difficult economic environment since the early 1930s, both in South Africa and globally. South Africa's economy shrunk by more than a sixth in Q2 as hard lockdown was imposed. An easing of pandemic-related restrictions has allowed some recovery to begin, but overall economic performance remains volatile. Extreme variations in performance between different sectors of the economy depending upon their proximity to the social distancing regulations is a particular feature of this environment, in sharp contrast to the normal business cycle, and as the evolution of the Covid-19 pandemic remains uncertain, the impact on public health, on the economy and on financial markets will each have an unusually high degree of uncertainty. Better understanding of Covid-19 transmission risks, and of the economic impact of various restrictions, and the speed at which vaccines can be rolled out and their efficacy, is expected to allow a better balance between public health and broader economic imperatives even as further outbreaks of the pandemic remain likely.

The rollout of mass vaccination during 2021 is a key assumption of our baseline view that the economy will begin a sustained recovery in 2021. Our expectation is that the economy will recover to 2019 levels of activity only in 2023. The emergence of more virulent strains of the virus raises the potential of an even longer period of heightened uncertainty and strain. Eskom electricity supply poses another downside risk to the forecast. For the economy to grow sustainably faster the government will need to make progress with the implementation of structural reforms. Job losses are likely to be large, while pay restraint and reduced working hours will also weigh on disposable income. Household leverage, as measured by debt to disposable income, rose significantly in 2020 (as income plummets) and is expected to be remain above pre-pandemic levels throughout the forecast horizon. Both investment and discretionary spending are expected to remain constrained.

During 2020 short-term interest rates fell to levels last seen in the 1960s. Recent splits in votes of Monetary Policy Committee (MPC) members indicate that the risks are finely balanced. Our base case is for the next move to be up, but only gradually and only from 2022. The housing market surprised with its resilience during 2020, but current House Price Index (HPI) buoyancy is hard to reconcile over the longer term with the likely big hit to household finances.

Impact of Covid-19

Macroeconomic scenarios (continued)

Base scenario as at 31 December 2020 (continued)

ARO

The economic impact of the global pandemic has varied widely across ARO. At a general level, the economies of East Africa have generally been impacted less, as restrictions to economic activity were generally more modest, and as their more diversified economies benefitted from sharp moves in commodity prices. Those economies with less diversification, and particularly those where tourism and/or commodity exports are a focus, have been very hard hit. Our latest projections for 2020 point to a 0.1% contraction in real GDP for ARO. Only three countries within ARO appear certain to have escaped a full-year recession in 2020, namely Kenya, Tanzania and Ghana. We expect growth to rebound to 4.6% in 2021, though downside risks remain elevated as a result of the second wave of the pandemic that resulted in a further tightening of containment measures domestically and in key international markets.

Very large fiscal deficits and weak fiscal buffers raise the risk of unsustainable public debt trajectories for some countries in ARO. Zambia and Seychelles are in the process of restructuring their external debt, whilst a number of ARO economies have already received assistance from multilaterals for Balance of Payments and budget support and a number of ARO countries are in talks with the IMF for formal programmes.

Central banks were able to reduce policy rates during 2020 in response to the pandemic, but rates are assumed to have bottomed. As inflation gradually moves higher and country risk premia are generally expected to rise, we expect monetary policy tightening for the bulk of markets by late 2021 and possibly into 2022.

Upside scenario as at 31 December 2020

South Africa

For 2020, the upside scenario is based on an economy that is somewhat more resilient to the pandemic-related constraints in 2020, where subsequent waves of infection are met with more targeted social distancing measures in 2021, and where vaccine rollout is more comprehensive in 2021. National Treasury is able to announce a credible path of fiscal consolidation, whilst government makes demonstrated progress on some structural reforms. Together, these help to improve market confidence, easing long-end funding costs somewhat, and firming business and consumer confidence help generate a more robust improvement in investment, thereby boosting medium-term growth. Improving risk premia allow the SARB to reduce the policy rate somewhat further and leave the policy rate lower for longer than in the baseline scenario. GDP recovers its 2019 levels by late 2023.

ARO

Phased reopening is somewhat faster than under the baseline scenario and the resumption of economic activity therefore quicker. Countries with larger Covid-19 related slowdown will tend to show bigger improvements than baseline when compared with those countries for which the Covid-19 impact was relatively small. Fiscal consolidation is credible, helping to reduce borrowing costs and reducing the threat of fiscal crisis in those economies where public finance is most stretched. Reduced risk premia could see short-term interest rates fall modestly as compared to the baseline forecast.

Downside scenario as at 31 December 2020

South Africa

Significant outbreaks of Covid-19 persist through 2021 with a slower than baseline rollout of vaccines, leaving consumers and businesses tentative, and requiring frequent, albeit targeted, tightening of pandemic restrictions. Load shedding remains a large and persistent constraint on production throughout 2021 and into 2022. Hamstrung by a lack of political consensus within the ruling party, credible fiscal consolidation remains elusive, causing debt dynamics to worsen further and pushing long-term yields even higher, whilst little progress on structural reforms contributes to trend growth for the economy that is even lower than in baseline. Short-term interest rates are expected to rise from 2021 on the sharply higher risk premia that this scenario would generate.

ARO

The Covid-19 crisis persists longer than expected and the impact of containment measures is more intense. Cross border tourism returns more slowly than in the baseline, and commodity exports remain under downward pressure for longer. Despite the weaker economic outlook there is no room for further fiscal or monetary policy support. Rather the larger fiscal deficits that result from revenue shortfalls inducing heightened fears of debt sustainability in a number of ARO countries, increasing risk premia and pushing central banks into raising short-term interest rates earlier and faster than in the baseline scenario.

Impact of Covid-19

Estimation of probability of default, loss given default and significant increase in credit risk

As the Group's ECL modelling methodology does not automatically consider the atypical complexity of the current economic environment, management applied these macroeconomic scenarios in conjunction with the following considerations, to determine the appropriate management adjustment when recognising ECL losses for the reporting period.

Probability of default (PDs) and loss given defaults (LGDs)	PD's and LGD's were adjusted for current and forward-looking information, either on an individual client or portfolio basis. The management adjustment was further updated by applying a scaling factor, where applicable, to the modelled PD's and LGD's. The scaling factor was in turn tested against various qualitative factors including impacted industry exposures. Appropriate sense checks were performed on the quantitative outcomes. These PD and LGD scaling factors are continuously being reassessed as the impacts of Covid-19 pandemic become known and the level of customer distress becomes evident within the models.
Significant increase in credit risk (SICR) events	Exposures are required to be classified within Stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from Stage 1 to Stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. A request for payment relief was not considered the sole indicator that a SICR event had occurred. All available information was considered, including whether a client is experiencing a short-term liquidity constraint, the respective industry and the anticipated arears in a Covid-19 environment when determining whether a SICR event occurred. This methodology was tested against international guidelines and those issued by the Prudential Authority at the South African Reserve Bank to ensure that the Group's approach was appropriate. Once an exposure has exited payment relief, all facts and circumstances are considered to determine the appropriate impairment stage.

Impairment losses pre- and post-management adjustments

The table below provides a breakdown of the total ECL recognised at 31 December 2020 to reflect the impairment charge calculated using the Group's approved models together with the macroeconomic variable management adjustment.

	December 2020		June (unaudited) 2020		December 2019
	Macroeconomic variables management adjustment Rm	**Total Impairment losses including management adjustments Rm**	Macroeconomic variables management adjustment Rm	Total impairment losses including management adjustments Rm	Total impairment losses including management adjustments Rm
RBB South Africa	**3 524**	**14 621**	3 565	10 333	6 253
Home Loans	**950**	**2 189**	950	1 750	182
Vehicle and Asset Finance	**926**	**3 062**	926	2 129	1 099
Everyday Banking	**1 177**	**7 337**	1 221	5 107	4 653
Card	**628**	**3 883**	673	2 897	2 536
Personal Loans	**466**	**2 893**	466	1 867	1 610
Transactional and Deposits	**83**	**561**	82	343	507
Relationship Banking	**471**	**2 032**	468	1 348	322
RBB Other	**—**	**1**	—	(1)	(3)
CIB South Africa	**776**	**1 951**	776	1 657	367
ARO	**1 057**	**3 995**	1 176	2 672	1 213
RBB ARO	**570**	**2 507**	634	1 455	1 120
CIB ARO	**441**	**1 340**	483	1 140	173
Head Office, Treasury and other operations in South Africa	**46**	**148**	59	77	(80)
Head Office, Treasury and other operations in South Africa	**—**	**2**	—	(1)	(17)
Total	**5 357**	**20 569**	5 517	14 661	7 816

Impact of Covid-19

Sensitivity of expected credit losses

Given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to a 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

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

In addition, the impact on expected credit losses were analysed should 5% of the gross carrying of the Groups' loans and advances to customers in stage 1 experience a SICR and move to stage 2 as at 31 December 2020. 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:

	Stage 2	
	Increase in gross carrying amount (Rm)	Increase in expected credit loss (Rm)
RBB SA	21 939	2 147
CIB SA	9 775	24
ARO	4 686	492

Single name impairments

The impairment losses have been adversely impacted by increased level of risk for single name wholesale exposures that have specifically been affected by Covid-19. The Group continuously monitored these exposures through the Group Distressed Assets Committee to ensure any potential risk was appropriately identified, mitigated, and/or adequately provided for. As at 31 December 2020 the following impairment losses were raised for single name exposures:

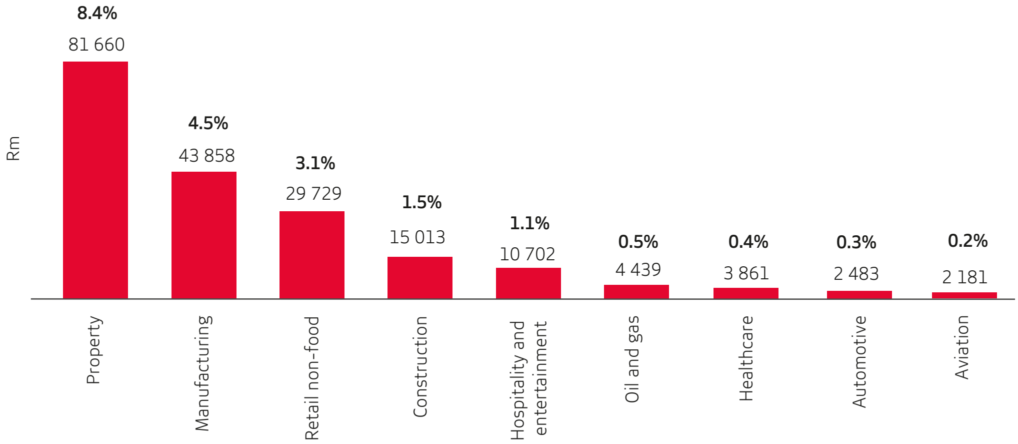
	December 2020 Rm	June (unaudited) 2020 Rm
SA Relationship Banking	**287**	246
CIB SA	**1 040**	662
CIB ARO	**1 077**	781
ARO Business Banking	**330**	130
Total	**2 734**	**1 819**

Impact of Covid-19

Wholesale lending in key Covid-19 impacted industries

In addition to the disclosure provided above, the graph below provides a view of the Group's wholesale exposure (across CIB SA and ARO, Relationship Banking and ARO Business Banking), in R'millions and as a percentage of total gross loans and advances, 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 Group's financial results have been impacted by the advent of the pandemic. The table below provides detail of key estimates and judgements.

Impairment of internally generated intangible assets, property and equipment, and goodwill	The far-reaching effects of the pandemic indicate that the Group's internally generated intangible assets, property and equipment, and goodwill may potentially be impaired, and the Group therefore carried out impairment tests on these assets. The recoverable amount of each asset is the higher of the asset's fair value less costs to sell and its value in use or the value in use of the cash generating unit to which it belongs. The Group uses approved projected cash flow forecasts for the period up until the end of 2023, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations were revised from 0.0% – 10.0% as at 31 December 2019 to **0.0% – 8.1%** at 31 December 2020. The discount rates used have been adjusted from 12.9% – 22.5% as at 31 December 2019 to **10.7% – 30%** at 31 December 2020. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised. At 31 December 2020, the Group recognised impairment losses on internally generated intangible assets, property and equipment and goodwill of **R420m** (2019: R330m).

Impact of Covid-19

Other estimates and judgements (continued)

Post-retirement benefits	While the Absa Pension Fund meets the definition of a defined benefit pension plan, the majority of the Group's employees are part of the defined contribution portion of the fund, and as a result the Group's actuarial risk exposure is limited. In ARO subsidiaries, there are certain legacy defined benefit pension plans, however, the majority of employees in these countries belong to defined contribution pension plans. Defined benefit pension plan valuations are determined using actuarial assumptions and due to the long-term nature of these plans, such estimates are subject to significant uncertainty. These include: inflation **5.2%** (2019: 5.2%) and future salary increases **6.2%** (2019: 6.2%). The most significant defined benefit pension plan in ARO is that of Mauritius. The key assumptions for the Mauritius defined benefit pension plan is a discount rate of **3.2%** (2019: 5.6%) inflation of **0.5%** (2019: 2.4%) and salary increases of **0.5%** (2019: 2.4%). Furthermore, IAS 19 limits the recognition of any pension fund surpluses depending on the fund's statutory rules. Although the statutory valuation of the Absa Pension Fund continues to indicate that the value of pension fund assets exceeds the actuarially determined liability, the valuation indicated negative returns attributable to the employer. The above resulted in adjustments to the amounts recognised at 31 December 2020. The negative returns attributable to the employer for the Absa Pension Fund resulted in a decrease in other comprehensive income (after tax) of **R104m** (2019: R24m decrease). Adjustments in the assumptions applied to ARO subsidiary funds, primarily the Mauritius Pension Fund, resulted in a decrease in other comprehensive income (after tax) of **R416m** (2019: R104m decrease).
Hedge accounting	Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group exposure to interest rate and foreign currency risk. The Group's structural interest rate hedge in South Africa represents its most significant cash flow hedge. An assessment of the Group's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Group manages its risk. At 31 December 2020, the Group recognised a net increase (after tax) of **R3 997m** (2019: R913m) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates. The net increase is after a release of **R3 488m** (2019: R806m) into the statement of comprehensive income. Furthermore, there has been minimal impact of Covid-19 effects on hedge ineffectiveness recognised during the period ended 31 December 2020.
Valuation of insurance liabilities	The Group provides **short-term and long-term insurance** in South Africa and in Absa Regional Operations. The Group has assessed the carrying value of these insurance liabilities as at 31 December 2020. The value of the life insurance liability is determined using assumptions regarding future mortality, morbidity, discontinuance rates, policyholders' reasonable benefit expectations, and guaranteed benefits and expenses. This reserve was increased in response to the pandemic as a result of an adjustment in mortality assumptions, higher lapse rate expectations and an increase in the retrenchment incidence rate. Adjustments to mortality assumptions were derived based on excess death data reported during 2020, with additional allowance for the emerging increased severity of the second wave compared to the first wave, whilst lapse rate and retrenchment incidence rate expectations were increased due to the expected persistence of the weakened economic environment. There is still considerable uncertainty around the impact of the pandemic and adjustments to assumptions will continue to be reviewed as experience emerges. Establishing **short-term insurance liabilities** is an inherently uncertain process and, therefore, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates. Estimates and judgements are regularly adjusted as changes in facts and experience are identified. No material changes in these estimates and assumptions have been noted at 31 December 2020 when compared to 31 December 2019.

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Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	Note	2020 Rm	2019 Rm	Change %
Net interest income	2	**48 790**	46 306	5
Interest and similar income		**93 045**	97 796	(5)
Effective interest income		**91 257**	95 998	(5)
Other interest income		**1 788**	1 798	(1)
Interest expense and similar charges		**(44 255)**	(51 490)	(14)
Non-interest income	3	**32 592**	33 655	(3)
Net fee and commission income		**21 598**	23 606	(9)
Fee and commission income	3.1	**25 120**	26 759	(6)
Fee and commission expense	3.1	**(3 522)**	(3 153)	12
Net insurance premium income	3.2	**8 286**	7 830	6
Net claims and benefits incurred on insurance contracts	3.3	**(4 205)**	(3 747)	12
Changes in investment and insurance contract liabilities	3.4	**(2 262)**	(1 589)	42
Gains from banking and trading activities	3.5	**6 216**	5 419	15
Gains and losses from investment activities	3.6	**2 199**	1 600	37
Other operating income	3.7	**760**	536	42
Total income		**81 382**	79 961	2
Impairment losses	4	**(20 569)**	(7 816)	>100
Operating income before operating expenses		**60 813**	72 145	(16)
Operating expenses	5	**(45 576)**	(46 357)	(2)
Other expenses		**(2 238)**	(1 893)	18
Other impairments		**(345)**	(319)	8
Indirect taxation	6	**(1 893)**	(1 574)	20
Share of post-tax results of associates and joint ventures		**(36)**	221	<(100)
Operating profit before income tax		**12 963**	24 116	(46)
Taxation expense	7	**(3 606)**	(6 310)	(43)
Profit for the reporting period		**9 357**	17 806	(47)
Profit attributable to:				
Ordinary equity holders		**7 912**	16 003	(51)
Non-controlling interest – ordinary shares		**549**	1 016	(46)
Non-controlling interest – preference shares		**307**	352	(13)
Non-controlling interest – additional Tier 1 capital		**589**	435	35
		9 357	17 806	(47)
Earnings per share:				
Basic earnings per share (cents)	1	**940.2**	1 895.0	(50)
Diluted earnings per share (cents)	1	**939.7**	1 892.3	(50)

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	2020 Rm	2019 Rm	Change %
Profit for the reporting period	**9 357**	17 806	(47)
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(578)**	(112)	>100
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	60	<(100)
Fair-value (losses)/gains	**(7)**	77	<(100)
Deferred tax	**2**	17	(88)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(82)**	(44)	86
Fair-value movement	**(116)**	(61)	90
Deferred tax	**34**	17	100
Movement in retirement benefit fund assets and liabilities	**(491)**	(128)	>100
Decrease in retirement benefit surplus	**(100)**	(38)	>100
Increase in retirement benefit deficit	**(433)**	(104)	>100
Deferred tax	**42**	14	>100
Items that are or may be subsequently reclassified to profit or loss	**2 553**	(1 055)	<(100)
Movement in foreign currency translation reserve	**(903)**	(1 409)	(36)
Differences in translation of foreign operations	**(785)**	(1 527)	(49)
Release to profit or loss	**(118)**	118	<(100)
Movement in cash flow hedging reserve	**3 997**	913	>100
Fair-value gains	**9 034**	2 081	>100
Amounts transferred within other comprehensive income	**5**	(7)	<(100)
Amount removed from other comprehensive income and recognised in profit or loss	**(3 488)**	(806)	>100
Deferred tax	**(1 554)**	(355)	>100
Movement in fair value of debt instruments measured at FVOCI	**(541)**	(559)	(3)
Fair-value losses	**(772)**	(810)	(5)
Release to profit or loss	**(32)**	(20)	60
Deferred tax	**263**	271	(3)
Total comprehensive income for the reporting period	**11 332**	16 639	(32)
Total comprehensive income attributable to:			
Ordinary equity holders	**9 816**	14 930	(34)
Non-controlling interest – ordinary shares	**620**	922	(33)
Non-controlling interest – preference shares	**307**	352	(13)
Non-controlling interest – additional Tier 1 capital	**589**	435	35
	11 332	16 639	(32)

Consolidated normalised statement of financial position

as at 31 December

	Note	2020 Rm	2019 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**60 682**	52 532	16
Investment securities		**153 504**	116 747	31
Loans and advances to banks		**84 538**	59 745	41
Trading portfolio assets		**213 521**	158 348	35
Hedging portfolio assets		**11 000**	3 358	>100
Other assets		**20 071**	30 076	(33)
Current tax assets		**531**	1 602	(67)
Non-current assets held for sale		**144**	3 992	(96)
Loans and advances to customers	8	**929 969**	916 978	1
Reinsurance assets		**680**	886	(23)
Investments linked to investment contracts		**21 273**	20 042	6
Investments in associates and joint ventures		**1 601**	1 648	(3)
Investment properties		**496**	513	(3)
Property and equipment		**16 476**	18 106	(9)
Goodwill and intangible assets		**7 140**	6 338	13
Deferred tax assets		**4 338**	3 583	21
Total assets		**1 525 964**	1 394 494	9
Liabilities				
Deposits from banks		**96 106**	117 423	(18)
Trading portfolio liabilities		**108 976**	59 224	84
Hedging portfolio liabilities		**4 868**	1 379	>100
Other liabilities		**33 570**	45 836	(27)
Provisions		**3 839**	3 919	(2)
Current tax liabilities		**268**	767	(65)
Non-current liabilities held for sale		**—**	112	(100)
Deposits due to customers	9	**951 894**	826 293	15
Debt securities in issue	10	**145 740**	159 794	(9)
Loans from Barclays separation segment		**78**	2 078	(96)
Liabilities under investment contracts		**27 533**	29 700	(7)
Policyholder liabilities under insurance contracts		**4 198**	4 331	(3)
Borrowed funds	11	**20 761**	21 418	(3)
Deferred tax liabilities		**587**	380	54
Total liabilities		**1 398 418**	1 272 654	10
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 689**	1 687	0
Share premium	11	**4 006**	3 875	3
Retained earnings		**97 010**	95 021	2
Other reserves		**7 988**	5 745	39
		110 693	106 328	4
Non-controlling interest – ordinary shares		**5 205**	5 073	3
Non-controlling interest – preference shares		**4 644**	4 644	—
Non-controlling interest – additional Tier 1 capital		**7 004**	5 795	21
Total equity		**127 546**	121 840	5
Total liabilities and equity		**1 525 964**	1 394 494	9

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Consolidated normalised statements of changes in equity

for the reporting period ended 31 December

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

[1] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania, which was housed in Absa Regional Operations.
[2] On 15 December 2020, Absa acquired the remaining minority interest of Instant Life Proprietary Limited, increasing its shareholding in this entity to 100%.

2020

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

Consolidated normalised statements of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the end of the previous reporting period	840 193	1 680	3 657	89 124	6 239	823
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	(243)	—	—
Adjusted balance at the beginning of the reporting period	840 193	1 680	3 657	88 881	6 239	823
Total comprehensive income	—	—	—	15 895	(965)	—
Profit for the period	—	—	—	16 003	—	—
Other comprehensive income	—	—	—	(108)	(965)	—
Dividends paid during the reporting period	—	—	—	(9 377)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(400)	(62)	—	—
Elimination of the movement in Treasury shares held by Group entities	3 337	7	218	—	—	—
Movement in share-based payment reserve	—	—	400	—	155	—
Transfer from share-based payment reserve	—	—	400	—	(400)	—
Value of employee services	—	—	—	—	575	—
Deferred tax	—	—	—	—	(20)	—
Movement in general credit risk reserve	—	—	—	(89)	89	89
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(6)	6	—
Share of post-tax results of associates and joint ventures	—	—	—	(221)	221	—
Balance at the end of the reporting period	843 530	1 687	3 875	95 021	5 745	912

2019

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(80)	403	3 065	7	724	1 297	100 700	4 768	4 644	2 741	112 853
—	—	—	—	—	—	(243)	(13)	—	—	(256)
(80)	403	3 065	7	724	1 297	100 457	4 755	4 644	2 741	112 597
(548)	913	(1 330)	—	—	—	14 930	922	352	435	16 639
—	—	—	—	—	—	16 003	1 016	352	435	17 806
(548)	913	(1 330)	—	—	—	(1 073)	(94)	—	—	(1 167)
—	—	—	—	—	—	(9 377)	(614)	(352)	—	(10 343)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(435)	(435)
—	—	—	—	—	—	—	—	—	3 054	3 054
—	—	—	—	—	—	(462)	—	—	—	(462)
—	—	—	—	—	—	225	—	—	—	225
—	—	—	—	155	—	555	—	—	—	555
—	—	—	—	(400)	—	—	—	—	—	—
—	—	—	—	575	—	575	—	—	—	575
—	—	—	—	(20)	—	(20)	—	—	—	(20)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	6	—	—	—	—	—	—	—
—	—	—	—	—	221	—	—	—	—	—
(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840

Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

	Note	2020 Rm	Restated 2019[1] Rm	Change %
Net cash generated from operating activities		**6 916**	11 880	(42)
Net cash utilised in investing activities		**(740)**	(4 444)	(83)
Net cash utilised in financing activities		**(8 186)**	(8 021)	2
Net cash (decrease)/increase in cash and cash equivalent		**(2 010)**	(585)	>100
Cash and cash equivalents at the beginning of the reporting period	1	**18 288**	18 494	(1)
Effect of foreign exchange rate movement on cash and cash equivalents		**518**	379	37
Cash and cash equivalents at the end of the reporting period	2	**16 796**	18 288	(8)

Notes to the condensed consolidated normalised statement of cash flows

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

	2020 Rm	Restated 2019[1] Rm	Change %
Cash, cash balances and balances with central banks[2]	**14 033**	14 252	(2)
Loans and advances to banks[3]	**4 255**	4 242	0
	18 288	18 494	(1)

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

	2020 Rm	Restated 2019[1] Rm	Change %
Cash, cash balances and balances with the central banks[2]	**14 403**	14 033	3
Loans and advances to banks[3]	**2 393**	4 255	(44)
	16 796	18 288	(8)

[1] The Group has voluntarily amended the basis on which the statement of cash flows is presented, from the direct to the indirect method. As part of the implementation of the cash flow statement on the indirect basis, the cash movements relating to investments linked to investment contracts have been moved from investing activities to operating activities as this relates to a principal revenue-producing activity.

[2] Includes coins and bank notes.

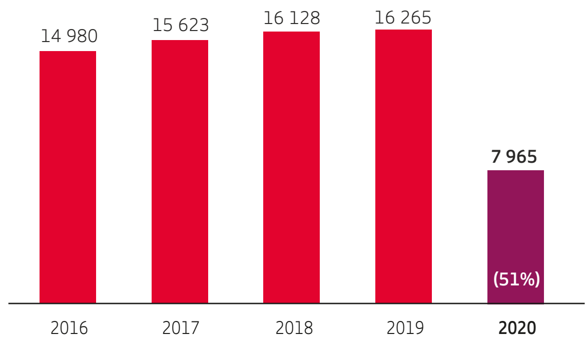
[3] Includes call advances, which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	2020 Gross Rm	2020 Net Rm	2019 Gross Rm	2019 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		**7 912**		16 003	(51)
Total headline earnings adjustment		**53**		262	(80)
IFRS 3 – Goodwill impairment	**2**	**2**	—	—	100
IFRS 3 – Gain on bargain purchase	**(86)**	**(86)**	—	—	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	**(1)**	**1**	(19)	(15)	>100
IFRS 5 – Re-measurement of non-current assets held for sale	**33**	**29**	(9)	(6)	>100
IAS 16 – Profit on disposal of property and equipment	**(65)**	**(48)**	(29)	(21)	>100
IAS 21 – Recycled foreign currency translation reserve	**(118)**	**(92)**	118	81	<(100)
IAS 28 – Impairment of investments in associates and joint ventures	**11**	**11**	—	—	100
IAS 36 – Impairment of property and equipment	**218**	**158**	197	145	9
IAS 36 – Impairment of intangible assets	**81**	**74**	122	88	(16)
IAS 40 – Change in fair value of investment properties	**5**	**4**	(12)	(9)	>100
IAS 40 – Profit on disposal of investment property	**—**	**—**	(1)	(1)	100
		7 965		16 265	(51)

Notable adjustments to headline earnings

- 'Gain on bargain purchase' arose from the purchase of Societe Generale's derivatives clearing, custody and trustee services business in South Africa.
- 'Recycled foreign currency reserve' relates to foreign exchange gains realised on settlement of subordinated loans in the current period.
- 'Impairment of property and equipment' relates mainly to multiple properties located within Johannesburg, branch assets and computer equipment.
- 'Impairment of intangible assets' relates to intangible assets that are no longer in use.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

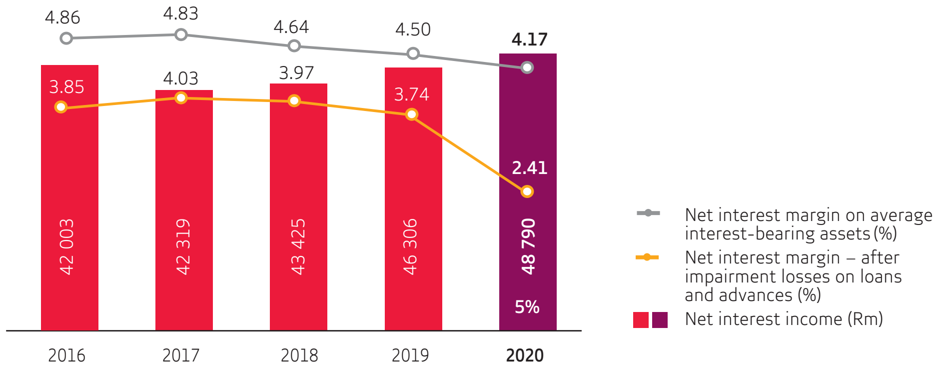
	2020 Rm	2019 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**7 912**	16 003	(51)
Weighted average number of ordinary shares in issue (million)	**841.5**	844.5	(3.0)
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—
Treasury shares held by Group entities (million)	**(6.3)**	(3.3)	(3.0)
Basic earnings per ordinary share (cents)	**940.2**	1 895.0	(50)
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**7 912**	16 003	(51)
Diluted weighted average number of ordinary shares in issue (million)	**842.0**	845.7	(3.7)
Weighted average number of ordinary shares in issue (million)	**841.5**	844.5	(3.0)
Adjustments for share options issued at no value (million)	**0.5**	1.2	(0.7)
Diluted basic earnings per ordinary share (cents)	**939.7**	1 892.3	(50)
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**7 965**	16 265	(51)
Weighted average number of ordinary shares in issue (million)	**841.5**	844.5	(3.0)
Headline earnings per ordinary share (cents)	**946.5**	1 926.0	(51)
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**7 965**	16 265	(51)
Diluted weighted average number of ordinary shares in issue (million)	**842.0**	845.7	(3.7)
Diluted headline earnings per ordinary share (cents)	**946.0**	1 923.3	(51)

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income

Net interest income and net interest margin (Rm, % and change %)



Group average statement of financial position	2020 Average balance[1] Rm	2020 Average rate %	2020 Interest income/ (expense) Rm	2019 Average balance[1] Rm	2019 Average rate %	2019 Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	3 284	0.69	23	2 577	0.97	25
Investment securities[2]	132 599	7.81	10 350	118 096	8.57	10 123
Loans and advances to banks and customers[2]	1 034 879	7.99	82 673	908 355	9.65	87 648
Interest-bearing assets	1 170 762	7.95	93 045	1 029 028	9.50	97 796
Non-interest-bearing assets	350 284	—	—	325 677	—	—
Total assets	1 521 046	—	93 045	1 354 705	—	97 796
Liabilities						
Deposits due to banks and customers	831 618	(3.72)	(30 941)	746 903	(4.94)	(36 920)
Debt securities in issue	143 770	(7.76)	(11 162)	148 298	(8.38)	(12 430)
Borrowed funds	21 676	(9.93)	(2 153)	20 588	(10.39)	(2 140)
Interest-bearing liabilities	997 065	(4.44)	(44 255)	915 789	(5.62)	(51 490)
Non-interest-bearing liabilities	401 212	—	—	324 524	—	—
Total liabilities	1 398 277	—	(44 255)	1 240 313	—	(51 490)
Total equity	122 769	—	—	114 391	—	—
Total equity and liabilities	1 521 046	—	(44 255)	1 354 704	—	(51 490)
Net interest margin on average interest-bearing assets		4.17			4.50	

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

[2] For qualifying cash flow hedges, the fair value gain or loss on the hedging instruments associated with the effective portion of the cash flow hedge was recognised initially in other comprehensive income, and then recycled to net interest income in the reporting period when the hedged item will affect profit or loss. During the current year, a change was made in relation to the balance sheet category in which the recycle component of qualifying cash flow hedges is reported within net interest income. The recycled amount was previously reported within Investment Securities and has been amended to Loans and Advances to Customers in order to match the category of the hedged item. This has resulted in a restatement of the December 2019 amount related to Investment Securities and Loans and advances to banks and customers to R10 123m (previously R10 794m) and R87 648m (previously R86 977m) respectively.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income (continued)

Change in net interest margin	2020 bps	2019 bps
Loans and advances to customers (i)	**11**	(4)
Change in customer rates (pricing)	**4**	(7)
Change in composition	**7**	3
Deposits due to customers (ii)	**(18)**	(13)
Change in customer rates (pricing)	**(7)**	(4)
Change in composition	**1**	(6)
Endowment (iii)	**(12)**	(3)
Equity endowment (iii)	**(12)**	(2)
Interest rate risk management (hedging strategy) (iii)	**16**	1
Absa Regional Operations (iv)	**(10)**	(1)
Other (v)	**(20)**	5
	(33)	(14)

Performance

The Group's net interest margin of **417 bps** (2019: 450 bps) is **33 bps** lower than the previous reporting period (2019: decreased by 14 bps) mainly reflecting the negative impact of interest rate reductions in the current reporting period in South Africa partially offset by the benefits released from the structural hedge programme and lower rates across the Absa Regional Operations markets. In addition, balance sheet construct also resulted in an adverse impact following strong growth in lower margin deposits which were deployed in low margin assets. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Improved front book pricing in Home Loans and higher margins in Investment Banking in South Africa supported Group margin.
- Slower growth in the Home Loans and CIB SA portfolio relative to the Group's overall interest bearing assets created a positive composition impact and was partially offset by the negative mix impact of the sale of a store card portfolio.

(ii) Deposits due to customers

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

Performance indicators and condensed normalised notes to the consolidated financial statements

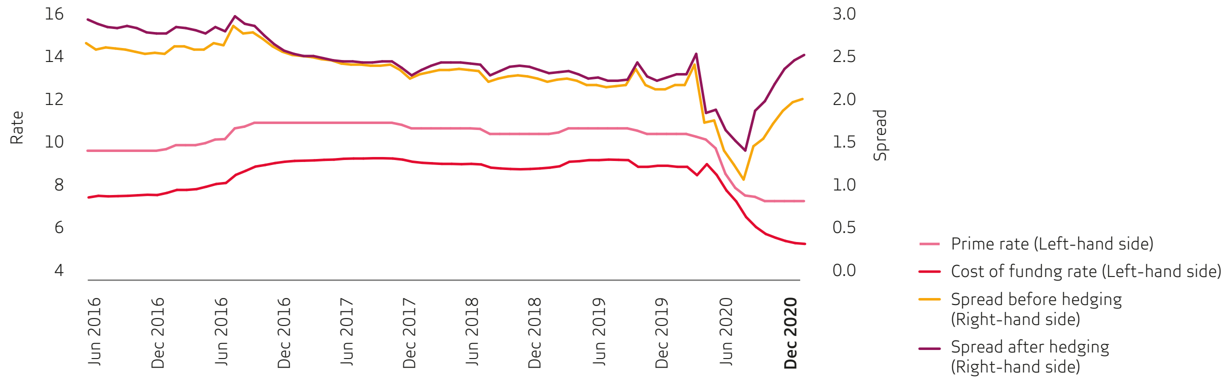
for the reporting period ended 31 December

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

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



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 31 December 2020 an aggregate of **12%** (Dec 2019: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a credit balance of **R4.3bn** (R1.1bn in 2019). The benefit realised in the current reporting period is 22 bps (Dec 2019: 6 bps), releasing **R2 553m** (Dec 2019: R595m) to the statement of comprehensive income.
- Endowment on equity and liabilities after hedging had a net **7 bps** negative contribution (Dec 2019 net 4bps negative contribution) to the Group's net interest margin mainly from the negative mix impact of slower growth in endowment balances relative to the Group's overall interest-bearing assets.

(iv) Absa Regional Operations

- Absa Regional Operations had a negative **10 bps** impact on Group margin. This mainly reflected the negative margin impact of lower benchmark interest rates across markets as well as competitive pricing pressures (pricing impact). This was partially offset by the positive composition impact of faster growth in the higher yielding ARO balance sheet compared to the rest of the Group's balance sheet (mix impact).

(v) Other

Other items have had a cumulative **20 bps** negative impact mainly representing:

- Surplus liquidity was deployed into secured financing transactions which has resulted in a drag on margin (mix impact) (-15 bps).
- The negative reset impact following the decrease in the prime rate in the current reporting period of 300 bps (-8 bps).
- The positive impact on margin of an increase in the basis differential between prime and JIBAR.
- Higher yields earned on the Liquid Asset Portfolio had a positive impact on margin (price impact).

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.1 Net fee and commission income

	2020 Rm	2019 Rm	Change %
Consulting and administration fees	**575**	548	5
Transactional fees and commissions	**19 301**	20 695	(7)
Cheque accounts	**5 112**	5 497	(7)
Credit cards (includes card issuing fees)	**2 340**	2 923	(20)
Electronic banking	**5 333**	5 510	(3)
Other (includes fees on mortgage loans and foreign currency transactions)	**4 864**	4 752	2
Savings accounts	**1 652**	2 013	(18)
Insurance commission received	**766**	784	(2)
Investment, markets execution and investment banking fees	**390**	400	(3)
Merchant income	**2 209**	2 289	(3)
Other fee and commission income	**488**	535	(9)
Trust and other fiduciary services fees	**1 391**	1 508	(8)
Portfolio and other management fees	**1 092**	1 168	(7)
Trust and estate income	**299**	340	(12)
Fee and commission income	**25 120**	26 759	(6)
Fee and commission expense	**(3 522)**	(3 153)	12
Brokerage fees	**(100)**	(89)	12
Cheque processing fees	**(99)**	(122)	(19)
Clearing and settlement charges	**(999)**	(823)	21
Insurance commission paid	**(1 091)**	(994)	10
Notification fees	**(250)**	(216)	16
Other	**(897)**	(831)	8
Valuation fees	**(86)**	(78)	10
	21 598	23 606	(9)
Segment split			
RBB South Africa	**15 586**	17 366	(10)
CIB South Africa	**2 123**	2 062	3
Absa Regional Operations	**3 121**	3 310	(6)
Head Office, Treasury and other operations in South Africa	**768**	868	(12)
	21 598	23 606	(9)

3.2 Net insurance premium income

	2020 Rm	2019 Rm	Change %
Gross insurance premiums	**9 441**	8 944	6
Premiums ceded to reinsurers	**(1 155)**	(1 114)	4
	8 286	7 830	6
Segment split			
RBB South Africa[1]	**8 342**	7 866	6
Head Office, Treasury and other operations in South Africa	**(56)**	(36)	56
	8 286	7 830	6

[1] Life Insurance and Short-term Insurance (including Absa Regional Insurance Operations) are disclosed as part of the Insurance Cluster in RBB South Africa.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	2020 Rm	2019 Rm	Change %
Gross claims and benefits incurred on insurance contracts	**(4 753)**	(4 869)	(2)
Reinsurance recoveries	**548**	1 122	(51)
	(4 205)	(3 747)	12
Segment split			
RBB South Africa[1]	**(4 154)**	(3 808)	9
Head Office, Treasury and other operations in South Africa	**(51)**	61	<(100)
	(4 205)	(3 747)	12

3.4 Changes in investment and insurance contract liabilities

	2020 Rm	2019 Rm	Change %
Change in insurance contract liabilities	**(104)**	(19)	>100
Change in investment contract liabilities[2]	**(2 158)**	(1 570)	37
	(2 262)	(1 589)	42
Segment split			
RBB South Africa[1]	**(2 267)**	(1 596)	42
Head Office, Treasury and other operations in South Africa	**5**	7	(29)
	(2 262)	(1 589)	42

[1] Life Insurance and Short-term Insurance (including Absa Regional Insurance Operations) are disclosed as part of the Insurance Cluster in RBB South Africa.

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	2020 Rm	2019 Rm	Change %
Net (losses)/gains on investments	**(77)**	297	<(100)
Debt instruments designated at fair value through profit or loss	**179**	117	53
Equity instruments at fair value through profit or loss	**(288)**	160	<(100)
Unwind from reserves for debt instruments at FVOCI	**32**	20	60
Net trading result	**6 593**	5 221	26
Net trading income excluding the impact of hedge accounting	**6 016**	4 980	21
Ineffective portion of hedges	**577**	241	>100
Cash flow hedges	**566**	225	>100
Fair-value hedges	**11**	16	(31)
Other losses	**(300)**	(99)	>100
	6 216	5 419	15
Segment split			
RBB South Africa	**736**	706	4
CIB South Africa	**2 051**	1 706	20
Absa Regional Operations	**3 086**	2 641	17
Head Office, Treasury and other operations in South Africa[1]	**343**	366	(6)
	6 216	5 419	15

3.6 Gains and losses from investment activities

	2020 Rm	2019 Rm	Change %
Net gains on investments from insurance activities	**2 216**	1 583	40
Policyholder insurance contracts	**231**	275	(16)
Policyholder investment contracts[2]	**1 701**	865	97
Shareholders' funds	**284**	443	(36)
Other (losses)/gains	**(17)**	17	<(100)
	2 199	1 600	37
Segment split			
RBB South Africa[1]	**2 712**	2 368	15
Head Office, Treasury and other operations in South Africa	**(513)**	(768)	(33)
	2 199	1 600	37

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2020 Rm	2019 Rm	Change %
Property-related income	**107**	140	(24)
Income from investment properties	**—**	18	(100)
Change in fair value	**(5)**	12	<(100)
Rentals	**5**	6	(17)
Property-related income arising from contracts with customers	**107**	122	(12)
Profit on disposal of property and equipment	**65**	30	>100
Profit on sale of developed properties	**7**	31	(77)
Profit on sale of repossessed properties	**4**	25	(84)
Rental income	**31**	36	(14)
Other operating income	**653**	396	65
Foreign exchange differences, including recycle from other comprehensive income	**164**	(111)	>100
Income from maintenance contracts	**36**	33	9
Sundry income	**453**	474	(4)
	760	536	42
Segment split			
Property-related income	**107**	140	(24)
RBB South Africa	**47**	106	(56)
Absa Regional Operations	**24**	24	—
Head Office, Treasury and other operations in South Africa	**36**	10	>100
Other operating income	**653**	396	65
RBB South Africa	**393**	373	5
CIB South Africa	**84**	(6)	>100
Absa Regional Operations	**39**	66	(41)
Head Office, Treasury and other operations in South Africa	**137**	(37)	>100
	760	536	42

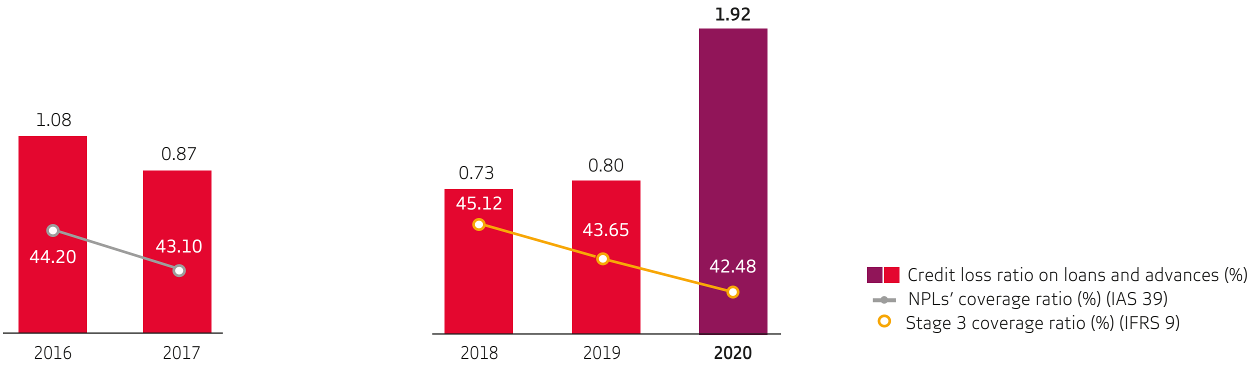
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses

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

Credit loss and Stage 3 coverage ratio (IFRS 9)/NPLs' coverage ratios (%) (IAS 39)



Charge to the statement of comprehensive income by market segment	2020 Rm	2019 Rm	Change %
RBB South Africa			
Home Loans	2 189	182	>100
Vehicle and Asset Finance	3 062	1 099	>100
Everyday Banking	7 337	4 653	58
Card	3 883	2 536	53
Personal Loans	2 893	1 610	80
Transactions and Deposits	561	507	11
Relationship Banking	2 032	322	>100
Retail and Business Banking Other (RBB Other)	1	(3)	<(100)
Total charge	14 621	6 253	>100
Credit loss ratio (%)	2.64	1.18	
CIB South Africa			
Total charge	1 951	367	>100
Credit loss ratio (%)	0.54	0.11	
Absa Regional Operations			
RBB	2 507	1 120	>100
CIB	1 340	173	>100
Head Office, Treasury and other operations	148	(80)	<(100)
Total charge	3 995	1 213	>100
Credit loss ratio (%)	2.66	0.98	
Head Office, Treasury and other operations in South Africa			
Total charge	2	(17)	<(100)
Total charge to the statement of comprehensive income	20 569[1]	7 816	>100
Interest on cured accounts	250	749	(67)
Total charge to the statement of comprehensive income before cured interest adjustment	20 819	8 565	>100
Comprising:			
Impairment losses raised	23 203	10 106	>100
Impairment losses on loans and advances to customers and undrawn facilities[2]	22 792	10 233	>100
Impairment losses on loans and advances to banks	42	(0)	<(100)
Impairment losses on other financial instruments subject to impairment	189	(120)	<(100)
Impairment losses on guarantees and letters of credit	180	(7)	<(100)
Recoveries of financial instruments subject to impairment previously written off	(656)	(826)	(21)
Net change in interest including other movements	(1 978)	(1 464)	35
Total charge to the statement of comprehensive income	20 569	7 816	>100

[1] Included in the total impairment per the statement of comprehensive income, is the management adjustment that accounts for the change in the macroeconomic environment due to the effect of Covid-19. Refer to the Impact of Covid-19 section (page 16).

[2] Impairment losses on loans and advances to customers and undrawn facilities includes the net change in interest that has been suspended.

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Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	438 772	4 562	1.04
Home Loans	—	210 738	666	0.32
Vehicle and Asset Finance	—	76 556	935	1.22
Everyday Banking	—	48 845	2 161	4.42
Card	—	31 726	1 389	4.38
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking	—	102 633	800	0.78
RBB Other	—	—	—	—
CIB South Africa	63 901	195 506	1 318	0.67
Absa Regional Operations (ARO)	—	93 715	1 368	1.46
RBB	—	50 429	976	1.94
CIB	—	43 286	392	0.91
Head Office, Treasury and other operations in South Africa	—	390	(137)	—
Loans and advances to customers	—	390	5	1.28
Reclassification to provisions[1]	—	—	(142)	—
Loans and advances to customers	63 901	728 383	7 111	0.98
Loans and advances to banks	31 830	50 454	59	0.12
Total loans and advances to customers and banks	95 731	778 837	7 170	0.92

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

2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
59 607	6 452	10.82	53 284	23 396	43.91	517 253
20 581	552	2.68	23 812	6 233	26.18	247 680
10 605	1 237	11.66	7 716	3 575	46.33	89 130
10 635	3 435	32.30	14 251	10 114	70.97	58 021
6 174	2 302	37.29	7 975	5 780	72.48	36 404
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	336	28.94	686	398	58.02	3 207
17 786	1 228	6.90	7 452	3 422	45.92	122 421
—	—	—	53	52	98.11	1
40 827	377	0.92	6 028	1 165	19.33	303 402
14 175	1 696	11.96	7 175	3 752	52.29	108 249
5 537	1 199	21.65	3 954	2 424	61.31	55 321
8 638	497	5.75	3 221	1 328	41.23	52 928
222	(248)	—	—	(68)	—	1 065
222	—	—	—	—	—	607
—	(248)	—	—	(68)	—	458
114 831	8 277	7.21	66 487	28 245	42.48	929 969
2 317	4	0.17	—	—	—	84 538
117 148	8 281	7.07	66 487	28 245	42.48	1 014 507

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

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

	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	451 601	3 202	0.71
Home Loans	—	209 949	293	0.14
Vehicle and Asset Finance	—	73 684	608	0.83
Everyday Banking	—	53 486	1 436	2.68
Card	—	32 979	875	2.65
Personal Loans	—	18 046	467	2.59
Transactions and Deposits	—	2 461	94	3.82
Relationship Banking	—	114 482	865	0.76
RBB Other	—	—	—	—
CIB South Africa	67 656	201 299	503	0.25
Absa Regional Operations (ARO)[1]	—	102 215	812	0.79
RBB	—	48 376	484	1.00
CIB	—	53 839	328	0.61
Head Office, Treasury and other operations in South Africa	—	287	(229)	—
Loans and advances to customers	—	287	12	4.18
Reclassification to provisions[2]	—	—	(241)	—
Loans and advances to customers	67 656	755 402	4 288	0.57
Loans and advances to banks	29 453	29 736	21	0.07
Total loans and advances to customers and banks	97 109	785 138	4 309	0.55

[1] The ARO segment has been expanded to provide more comprehensive disclosures in relation to ARO RBB and ARO CIB.

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

2019						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
39 097	3 937	10.07	39 583	16 664	42.10	506 478
13 923	235	1.69	18 956	4 909	25.90	237 391
7 996	622	7.78	5 253	1 963	37.37	83 740
9 077	2 555	28.15	10 034	7 220	71.96	61 386
5 083	1 745	34.33	6 384	4 772	74.75	37 054
2 788	489	17.54	3 107	2 128	68.49	20 857
1 206	321	26.62	543	320	58.93	3 475
8 101	525	6.48	5 287	2 520	47.66	123 960
—	—	—	53	52	98.11	1
28 905	316	1.09	1 803	615	34.11	298 229
8 654	951	10.99	5 607	3 248	57.93	111 465
3 760	773	20.56	3 250	2 103	64.71	52 026
4 894	178	3.64	2 357	1 145	48.58	59 439
9	(269)	—	—	(12)	—	806
9	—	—	—	—	—	284
—	(269)	—	—	(12)	—	522
76 665	4 935	6.44	46 993	20 515	43.66	916 978
580	3	0.52	—	—	—	59 745
77 245	4 938	6.39	46 993	20 515	43.66	976 723

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance

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

2020	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	34 410	2 860	6 816	(453)	43 633
Stage 1	4 562	1 318	1 368	(137)	7 111
Stage 2	6 452	377	1 696	(248)	8 277
Stage 3	23 396	1 165	3 752	(68)	28 245
Undrawn facilities	—	—	136	458	594
Stage 1	—	—	93	142	235
Stage 2	—	—	32	248	280
Stage 3	—	—	11	68	79
Total ECL allowance on loans and advances to customers and undrawn facilities	34 410	2 860	6 952	5	44 227

2019	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	23 803	1 434	5 010	(510)	29 737
Stage 1	3 202	503	812	(229)	4 288
Stage 2	3 937	316	950	(269)	4 934
Stage 3	16 664	615	3 248	(12)	20 515
Undrawn facilities	—	—	122	522	644
Stage 1	—	—	71	241	312
Stage 2	—	—	29	269	298
Stage 3	—	—	22	12	34
Total ECL allowance on loans and advances to customers and undrawn facilities	23 803	1 434	5 132	12	30 381

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	2020				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	530	(18)	173	—	685
Stage 2 net transfers	(1 540)	94	(465)	—	(1 911)
Stage 3 net transfers	1 010	(76)	292	—	1 226
Impairment losses raised and interest in suspense	16 367	1 971	4 461	(7)	22 792
Amounts written off	(5 760)	(545)	(1 110)	—	(7 415)
Foreign exchange movements	—	—	(1 531)	—	(1 531)
Balance at the end of the reporting period	34 410	2 860	6 952	5	44 227
Stage 1	4 562	1 318	1 461	5	7 346
Stage 2	6 452	377	1 728	—	8 557
Stage 3	23 396	1 165	3 763	—	28 324

	2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 743	2 698	5 217	6	30 664
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	817	14	105	—	936
Stage 2 net transfers	(1 156)	(23)	(289)	—	(1 468)
Stage 3 net transfers	339	9	184	—	532
Impairment losses raised and interest in suspense	8 085	538	1 604	6	10 233
Amounts written off	(6 188)	(1 802)	(1 433)	—	(9 423)
Foreign exchange movements	—	—	(256)	—	(256)
Transfer to non-current assets held for sale	(837)	—	—	—	(837)
Balance at the end of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	2020				
Loans and advances to banks at amortised cost	**RBB South Africa Rm**	**CIB South Africa Rm**	**Absa Regional Operations Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total expected credit losses Rm**
Balances at the beginning of the reporting period	**—**	**18**	**4**	**2**	**24**
Stage 1	—	15	4	2	21
Stage 2	—	3	—	—	3
Impairment losses raised	—	2	40	—	42
Foreign exchange movements	—	—	(3)	—	(3)
Balance at the end of the reporting period	**—**	**20**	**41**	**2**	**63**
Stage 1	—	17	40	2	59
Stage 2	—	3	1	—	4

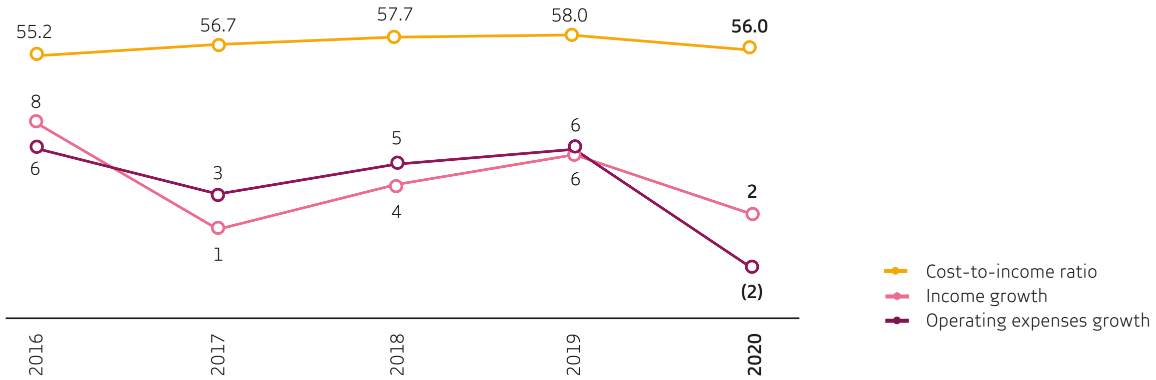
	2019				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	15	3	5	23
Stage 1	—	6	2	1	9
Stage 2	—	9	1	4	14
Impairment losses raised	—	3	—	(3)	—
Foreign exchange movements	—	—	1	—	1
Balance at the end of the reporting period	—	18	4	2	24
Stage 1	—	15	4	2	21
Stage 2	—	3	—	—	3

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	2020 Rm	2019 Rm	Change %
Administration fees	**497**	563	(12)
Amortisation of intangible assets	**1 286**	1 100	17
Auditors' remuneration	**403**	351	15
Cash transportation	**1 181**	1 304	(9)
Depreciation	**3 801**	3 564	7
Equipment costs	**339**	357	(5)
Information technology	**4 141**	3 717	11
Marketing costs	**1 114**	1 538	(28)
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 897**	2 813	(33)
Printing and stationery	**292**	337	(13)
Professional fees	**2 316**	1 912	21
Property costs	**1 878**	1 763	7
Staff costs	**25 140**	25 696	(2)
Bonuses	**1 239**	1 946	(36)
Deferred cash and share-based payments	**468**	640	(27)
Other[1]	**1 293**	1 044	24
Salaries and current service costs on post-retirement benefit funds	**21 734**	21 625	1
Training costs	**406**	441	(8)
Straight line lease expenses on short term leases and low value assets	**181**	174	4
Telephone and postage	**1 110**	1 168	(5)
	45 576	46 357	(2)

Breakdown of IT-related spend included in operating expenses	2020 Rm	2019 Rm	Change %
Amortisation of intangible assets and depreciation of IT equipment	**2 609**	2 259	15
Information technology	**4 141**	3 717	11
Staff costs	**2 217**	2 480	(11)
of which staff costs pre the capitalisation of project-related resource costs	**2 598**	2 821	(8)
Other	**1 161**	867	34
	10 128	9 323	9

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses (continued)

On a normalised basis operating costs decreased by 2% (CCY 3%) to **R45 576m** (2019: R46 357m) reflecting a reduction in staff costs of 2% (CCY 4%) year-on-year whilst non-staff costs also decreased by 1% (CCY 2%). The decrease in operating expenses reflect the benefit of strategic actions taken in recent years together with tactical actions taken in response to the Covid-19 crisis. This, together with lower performance incentives, reflected in a lower year-on-year cost position.

- Administration fees decreased by 12% (CCY 11%) and mainly reflect lower payments for externally managed product services following the sale of a store card portfolio.
- Amortisation of intangible assets increased by 17% (CCY 16%) and reflects continuing investment in new digital, data and automation capabilities.
- Cash transportation costs decreased by 9% (CCY 10%) and reflect lower cash volumes as a result of the impact of Covid-19 on economic activity.
- Depreciation increased by 7% (CCY 6%) mainly driven by higher depreciation on technology infrastructure.
- Information technology costs increased by 11% (CCY 11 %) and reflect continued investment in technology services following separation from Barclays PLC.
- Marketing costs decreased by 28% (CCY 28%) and reflect lower product campaign, citizenship and sponsorship spend.
- Other operating costs decreased by 33% (CCY 36%) and reflect lower fraud charges and travel costs as a consequence of the Covid-19 lockdown.
- Professional fees increased by 21% (CCY 22%) mainly from increased change and technology services spend.
- Property costs increased by 7% (CCY 5%) and mainly reflect Covid-19 related costs in respect of protective equipment. When excluding the afore-mentioned costs, property-related expense growth remained low in line with the ongoing Group's property optimisation strategy.
- Staff costs decreased by 2% (CCY 4%) to **R25 140m** (2019: R25 696m). Salaries and Other staff costs of **R23 028m** (2019: R22 670m) have increased by 2% (flat in constant currency) mainly reflective of lower headcount levels. Bonuses of **R1 239m** (2019: R1 946m) decreased by 36% (CCY 37%) and reflect a reduction in the Group's incentive pools in line with the Group's results, partially offset by lower deferrals as well as prior year accrual adjustments. Deferred cash and share-based payments of **R468m** (2019: R640m) decreased by 27% (CCY 27%).
- Telephone and postage costs decreased by 5% (CCY 6%) and mainly reflect the impact of optimisation initiatives on postage costs.

6. Indirect taxation

	2020 Rm	2019 Rm	Change %
Training levy	**177**	201	(12)
Value-added tax net of input credits	**1 716**	1 373	25
	1 893	1 574	20

7. Taxation expense

	2020 Rm	2019 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**12 963**	24 116	(46)
Share of post-tax results of associates and joint ventures	**36**	(221)	>100
	12 999	23 895	(46)
Tax calculated at a tax rate of 28%	**3 640**	6 691	(46)
Effect of different tax rates in other countries	**(23)**	52	<(100)
Expenses not deductible for tax purposes[1]	**441**	528	(16)
Recognition of previously unrecognised deferred tax assets	**9**	37	(76)
Dividend income	**(519)**	(447)	16
Non-taxable interest[2]	**(344)**	(315)	9
Other income not subject to tax	**(33)**	(3)	>100
Other	**324**	(244)	>100
Items of a capital nature	**111**	11	>100
	3 606	6 310	(43)

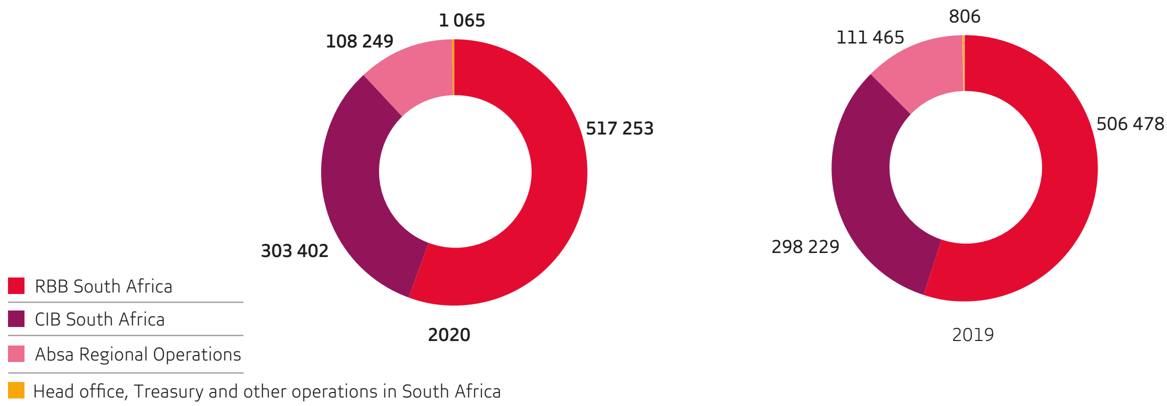
[1] This includes donations, non-deductible levies and other non-deductible expenses.
[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	2020 %	2019 %
RBB South Africa	**55.6**	55.2
CIB South Africa	**32.6**	32.5
Absa Regional Operations	**11.6**	12.2
Head Office, Treasury and other operations in South Africa	**0.2**	0.1
	100.0	100.0

Loans and advances to customers by segment	2020 Rm	2019 Rm	Change %
RBB South Africa			
Credit cards	**44 460**	43 219	3
Instalment credit agreements	**103 544**	94 380	10
Loans to associates and joint ventures	**24 563**	25 923	(5)
Mortgages	**280 405**	272 279	3
Other loans and advances	**3 395**	4 181	(19)
Overdrafts	**33 167**	34 513	(4)
Personal and term loans	**62 129**	55 786	11
Gross loans and advances to customers	**551 663**	530 281	4
Impairment losses on loans and advances to customers	**(34 410)**	(23 803)	45
	517 253	506 478	2
CIB South Africa			
Foreign currency loans	**39 274**	39 101	0
Mortgages	**44 646**	36 197	23
Term loans	**115 644**	113 328	2
Overdrafts	**12 695**	17 571	(28)
Overnight finance	**19 419**	18 130	7
Preference shares	**25 100**	20 986	20
Reverse repurchase agreements	**37 001**	43 222	(14)
Other loans and advances	**12 483**	11 128	12
Gross loans and advances to customers	**306 262**	299 663	2
Impairment losses on loans and advances to customers	**(2 860)**	(1 434)	99
	303 402	298 229	2

Performance indicators and condensed normalised notes to the consolidated financial statements

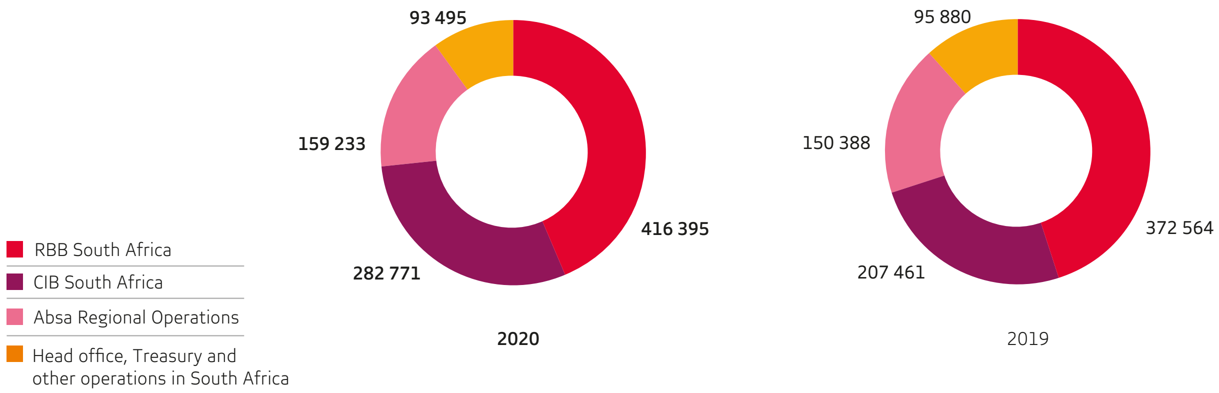
for the reporting period ended 31 December

8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	2020 Rm	2019[1] Rm	Change %
Absa Regional Operations – Total			
Gross loans and advances to customers	**115 065**	116 475	(1)
Impairment losses on loans and advances to customers	**(6 816)**	(5 010)	36
	108 249	111 465	(3)
Absa Regional Operations – RBB			
Gross loans and advances to customers	**59 920**	55 386	8
Impairment losses on loans and advances to customers	**(4 599)**	(3 360)	37
	55 321	52 026	6
Absa Regional Operations – CIB			
Gross loans and advances to customers	**55 145**	61 089	(10)
Impairment losses on loans and advances to customers	**(2 217)**	(1 650)	34
	52 928	59 439	(11)
Head Office, Treasury and other operations in South Africa			
Gross loans and advances to customers	**612**	296	>100
Impairment losses on loans and advances to customers	**453**	510	(11)
	1 065	806	32
Total loans and advances to customers			
Gross loans and advances to customers	**973 602**	946 715	3
Impairment losses on loans and advances to customers	**(43 633)**	(29 737)	47
Net loans and advances to customers including reverse repurchase agreements	**929 969**	916 978	1
Less: Reverse repurchase agreements	**(37 001)**	(43 222)	(14)
Net loans and advances to customers excluding reverse repurchase agreements	**892 968**	873 756	2

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits due to customers (continued)

Total funding mix	2020 %	2019 %
Deposits due to customers	**79.8**	74.9
RBB South Africa	**35.0**	33.8
CIB South Africa	**23.7**	18.8
Absa Regional Operations	**13.3**	13.6
Head Office, Treasury and other operations in South Africa	**7.8**	8.7
Deposits from banks	**8.0**	10.6
Debt securities in issue	**12.2**	14.5
	100.0	100.0

Deposits due to customers by segment	2020 Rm	2019 Rm	Change %
RBB South Africa	**416 395**	372 564	12
Call deposits	**12 906**	13 023	(1)
Cheque account deposits	**97 560**	85 449	14
Credit card deposits	**2 033**	1 862	9
Fixed deposits	**92 219**	93 104	(1)
Foreign currency deposits	**1 074**	793	35
Notice deposits	**28 742**	23 655	22
Other deposits	**384**	307	25
Saving and transmission deposits	**181 477**	154 371	18
CIB South Africa	**282 771**	207 461	36
Call deposits	**37 033**	22 005	68
Cheque account deposits	**124 835**	78 266	60
Fixed deposits	**65 963**	59 084	12
Foreign currency deposits	**25 613**	19 053	34
Notice deposits	**15 409**	6 696	>100
Other deposits	**552**	415	33
Repurchase agreements with non-banks	**10 991**	19 884	(45)
Saving and transmission deposits	**2 375**	2 058	15
Absa Regional Operations	**159 233**	150 388	6
RBB	**83 947**	75 670	11
CIB	**70 922**	71 814	(1)
Head Office, Treasury and other operations	**4 364**	2 904	50
Head Office, Treasury and other operations in South Africa	**93 495**	95 880	(2)
Total deposits due to customers including repurchase agreements with non-banks	**951 894**	826 293	15
Less: Repurchase agreements with non-banks	**(10 991)**	(19 884)	(45)
Total deposits due to customers excluding repurchase agreements with non-banks	**940 903**	806 409	17

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

10. Debt securities in issue

	2020 Rm	2019 Rm	Change %
Commercial paper	**4 504**	5 290	(15)
Credit-linked notes	**11 151**	9 464	18
Floating rate notes	**48 723**	57 028	(15)
Negotiable certificates of deposit	**42 670**	46 539	(8)
Other	**1 394**	1 140	22
Promissory notes	**49**	1 120	(96)
Senior notes	**37 149**	39 111	(5)
Structured notes and bonds	**100**	102	(2)
	145 740	159 794	(9)
Segment split			
CIB South Africa	**18 276**	16 612	10
Absa Regional Operations	**2 105**	2 855	(26)
Head Office, Treasury and other operations in South Africa	**125 359**	140 327	(11)
	145 740	159 794	(9)

11. Equity and borrowed funds

	2020 Rm	2019 Rm	Change %
Authorised			
891 774 054 (2019: 880 467 500) ordinary shares of R2.00 each	**1 784**	1 761	1
Issued			
847 750 679 (2019: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—
2 981 725 (2019: 4 221 005) treasury shares held by Group entities	**(7)**	(9)	(22)
	1 689	1 687	0
Total issued capital			
Share capital	**1 689**	1 687	0
Share premium	**4 006**	3 875	3
	5 695	5 562	2

Number of ordinary shares in issue (after deduction of treasury shares)	2020 Number of shares (million)	2019 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—
Treasury shares held by the Group	**(3.0)**	(4.2)	(29)
	844.8	843.6	0

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

11. Equity and borrowed funds (continued)

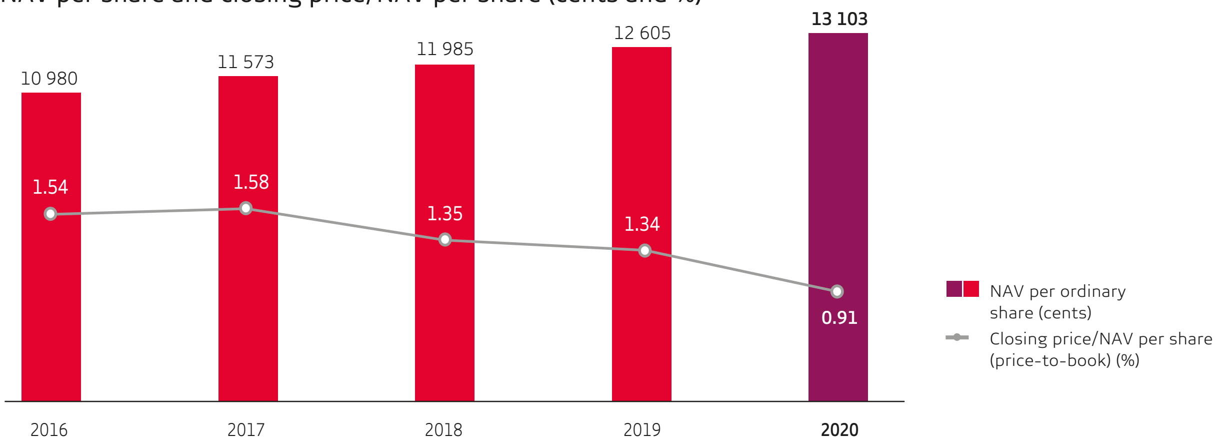
Borrowed funds		2020 Rm	2019 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**			
Consumer price index linked notes fixed at 5.50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by Absa Group Limited				
10.05%	5 February 2025	**—**	807	(100)
11.365%	4 September 2025	**—**	508	(100)
11.40%	29 September 2025	**—**	288	(100)
11.74%	20 August 2026	**140**	140	—
11.81%	3 September 2027	**737**	737	—
12.43%	5 May 2026	**200**	200	—
Three-month JIBAR + 2.13%	17 May 2030	**2 676**	—	100
Three-month JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—
Three-month JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—
Three-month JIBAR + 3.50%	5 February 2025	**—**	1 693	(100)
Three-month JIBAR + 3.50%	4 September 2025	**—**	437	(100)
Three-month JIBAR + 3.60%	3 September 2027	**30**	30	—
Three-month JIBAR + 4.00%	5 May 2026	**31**	31	—
Three-month JIBAR + 4.00%	20 August 2026	**1 510**	1 510	—
Three-month JIBAR + 4.00%	3 November 2026	**500**	500	—
Three-month JIBAR + 3.78%	17 March 2027	**642**	642	—
Three-month JIBAR + 3.85%	25 May 2027	**500**	500	—
Three-month JIBAR + 3.85%	14 August 2029	**390**	390	—
Three-month JIBAR + 3.15%	30 September 2027	**295**	295	—
Three-month JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—
USD 6.25%	25 April 2028	**4 952**	4 952	—
Subordinated callable notes issued by other subsidiaries				
Barclays Bank of Botswana Limited, Bank rate +2.25%	14 November 2023	**136**	136	—
Other				
Accrued interest		**1 108**	1 162	(5)
Fair value adjustments		**418**	245	71
Foreign exchange movements		**902**	621	45
		20 761	21 418	(3)

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

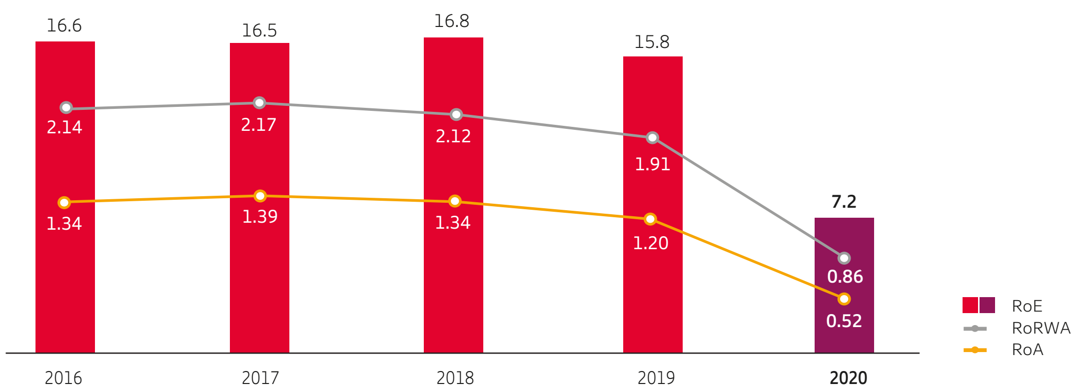
11. Equity and borrowed funds (continued)

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



12. Returns

RoE, RoA and RoRWA (%)

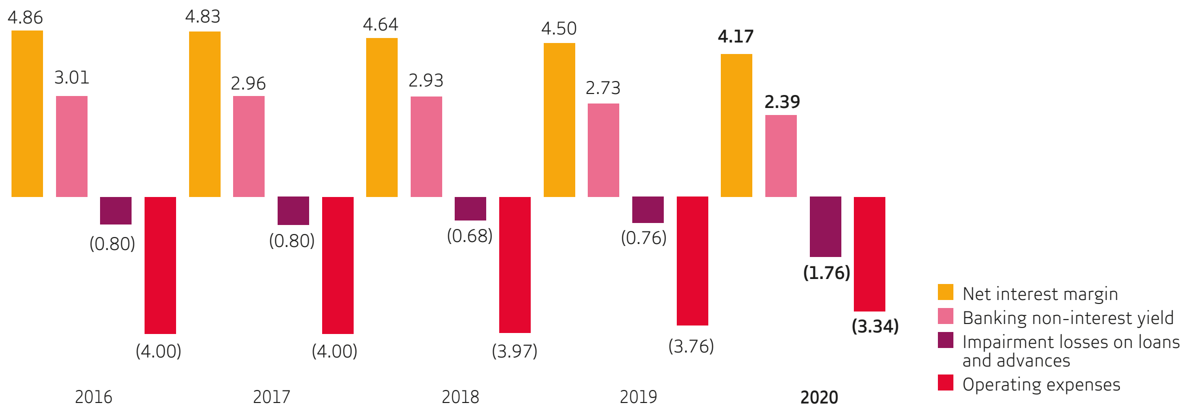


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

13. RoE decomposition

Major drivers of RoE (%)



		2020 %	2019 %
	Net interest margin on average interest-bearing assets	**4.17**	4.50
Less:	Impairment losses on average interest-bearing assets	**1.76**	0.76
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**2.41**	3.74
Multiply:	Average interest-bearing assets/Average banking assets	**85.68**	83.19
Equals:	Banking interest yield	**2.07**	3.11
Plus:	Banking non-interest yield	**2.39**	2.73
Equals:	Banking income yield	**4.45**	5.85
Less:	Operating expenses/Average banking assets	**3.34**	3.76
Equals:	Net banking return	**1.12**	2.09
Less:	Other[1]	**0.53**	0.77
Equals:	Banking return	**0.58**	1.32
Multiply:	Average banking assets/Total average assets	**89.82**	91.07
Equals:	RoA	**0.52**	1.20
Multiply:	Leverage	**13.71**	13.17
Equals:	RoE	**7.2**	15.8

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

14. Off-statement of financial position items

	2020 Rm	2019 Rm	Change %
Contingencies, commitments and similar items			
Guarantees	**45 405**	45 325	0
Irrevocable debt facilities	**176 264**	174 827	1
Irrevocable equity facilities	**—**	7	(100)
Letters of credit	**12 722**	10 463	22
Other	**—**	1	(100)
	234 391	230 623	2
Authorised capital expenditure			
Contracted but not provided for	**758**	1 156	(34)

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

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

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

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

15. Legal proceedings

Legal matters

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

- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided an online electronic system to Absa that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa is disputing both the substance and the quantum of the claim.
- Absa has received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US$64m. Absa is defending the matter.

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

15. Legal proceedings (continued)

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis has resulted in a 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 of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation.

The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. Some of these are likely to have an impact on the Group's businesses, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

During the first half of the year, the PA instituted several regulatory relief reforms in specific response to the Covid-19 pandemic. The relief measures provide for a temporary relaxation of both capital supply and short-term liquidity requirements, with the intention of enabling banks to continue the provision of credit into the economy during this period of financial stress. Furthermore, in anticipation of credit risk-induced pressure on banks' capital brought on by the pandemic, specific temporary dispensation has been provided by the PA in relation to relief initiatives enacted by banks during the stress period, where those relief measures are effectively regarded as short-term liquidity solutions only.

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

16. Income tax

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

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

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

17. Standards issued not yet effective

IFRS 17 – *Insurance Contracts*

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

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity specific adjustment for risk) and a contractual service margin (effectively representing the unearned profit). As a result, no profit may be recognised at inception of an insurance contract, and profit is rather recognised over the coverage period. Losses are however immediately recognised on initial recognition for contracts where fulfilment cash flows are a net outflow.

The premium allocation approach is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

On 25 June 2020, the International Accounting Standards Board issued amendments to IFRS 17 resulting from the Exposure Draft that was published on 26 June 2019 and subsequent redeliberations based on feedback received. As a result, the effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective (continued)

IFRS 17 – *Insurance Contracts* (continued)

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the new accounting standard, solution design, model prototyping as well as the commencement of an impact assessment. During 2019, the solution design was approved by the relevant governance forums and development activities commenced on the big data framework which provides a single source of reconciled insurance data to support the required system and business processes changes. Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments.

During 2020, development activities continued and the new data process that supports the new IFRS 17 standard was established. During 2021, the actuarial software as well as the financial process will be upgraded to ensure compliance. The programme plans for a full year of parallel runs in 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

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

Amendment to IFRS 16 *Leases* – Covid-19-related Rent Concessions

The amendments to IFRS 16 provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic, so long as specific conditions are met. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted.

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

The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are as follows:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2021, with earlier application permitted.

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

The amendments to IAS 37 specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Costs that are required to be included are those that relate directly to a contract to provide goods or services, and include both incremental costs, as well as an allocation of costs directly related to contract activities. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

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

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IFRS 3 *Business Combinations*

The Amendments to IFRS 3 intend to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework). The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

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

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

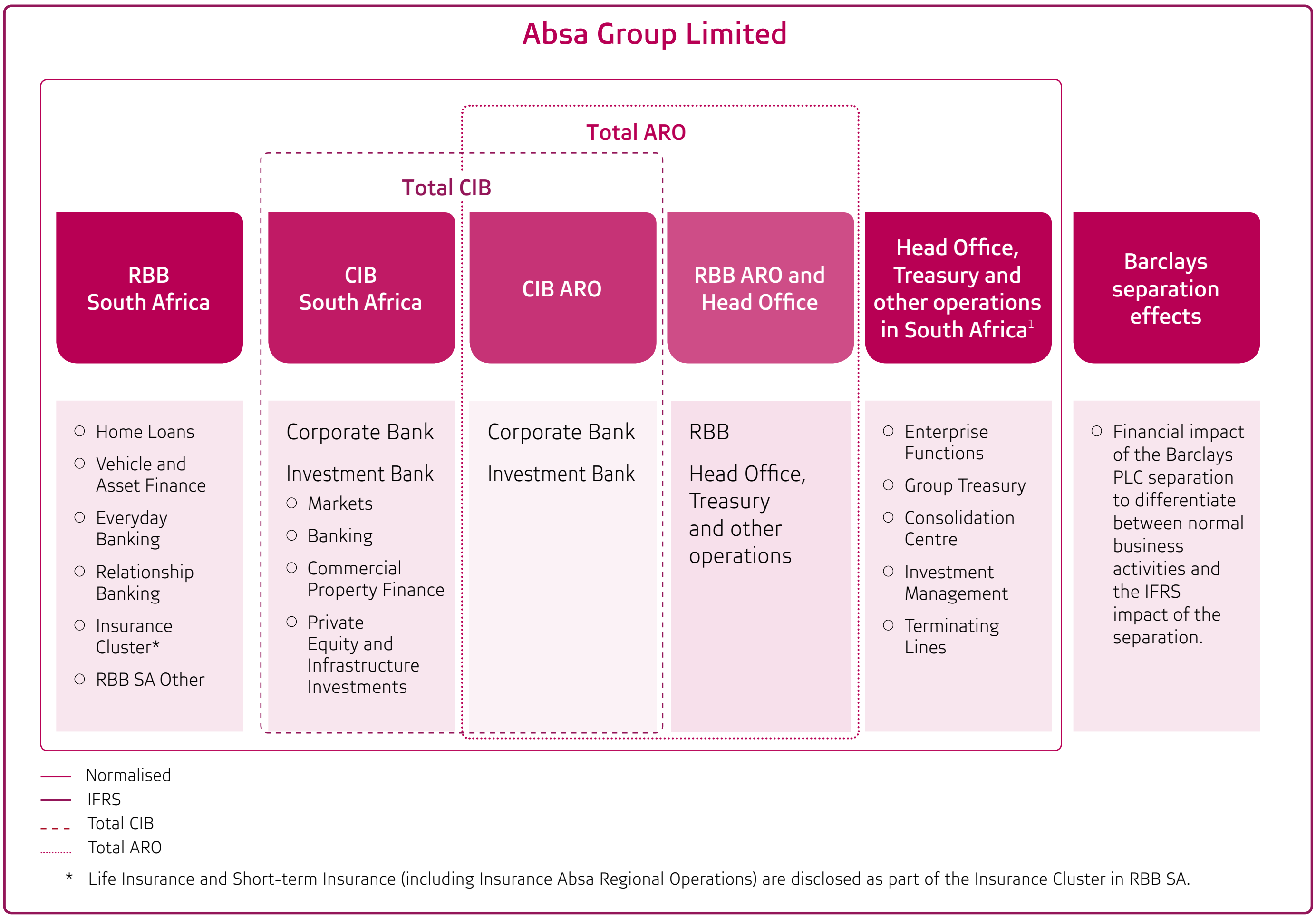
Segment performance

Segment performance overview

for the reporting period ended 31 December

Segment reporting structure

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



Operational metrics	2020	2019	Change %
South Africa			
Outlets (including number of branches and sales centres)	**619**	632	(2)
ATMs[2]	**8 660**	8 766	(1)
Africa regions			
Outlets (including number of branches and sales centres)	**372**	380	(2)
ATMs	**1 074**	1 107	(3)
Number of permanent and temporary employees	**36 737**	38 472	(5)
South Africa (excludes WFS employees)	**27 160**	28 296	(4)
Africa regions	**9 543**	10 149	(6)
International operations outside Africa[3]	**34**	27	26

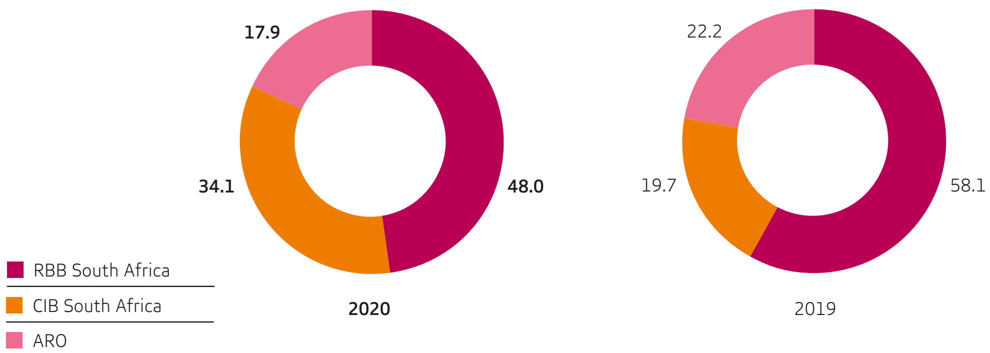
[1] Includes Absa Manx Insurance Company.
[2] The 2019 SA ATM number has been restated to reflect Installed ATM's as opposed to transacting ATM's.
[3] Headcount as disclosed is in relation to the Group's international offices in the United States and United Kingdom.

Segment performance overview

for the reporting period ended 31 December

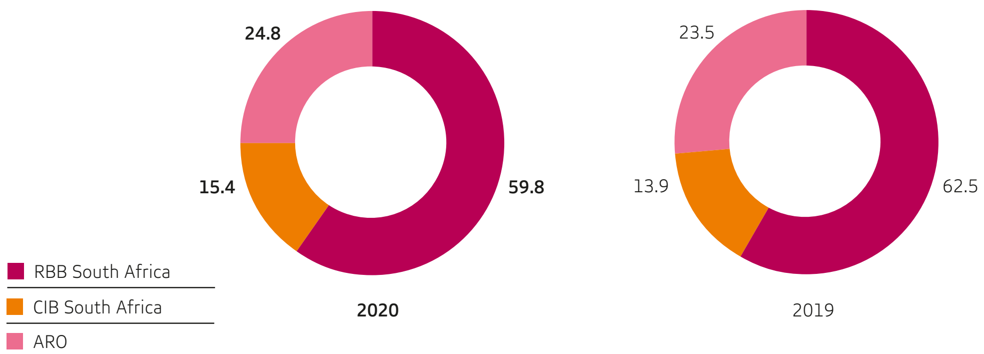
Performance per market segment

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



Headline earnings	2020 Rm	2019 Rm	Change %
RBB South Africa	**4 270**	9 510	(55)
CIB South Africa	**3 035**	3 230	(6)
Absa Regional Operations	**1 589**	3 635	(56)
Head Office, Treasury and other operations in South Africa	**(929)**	(110)	>100
	7 965	16 265	(51)

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



Income	2020 Rm	2019 Rm	Change %
RBB South Africa	**48 577**	49 572	(2)
CIB South Africa	**12 534**	11 040	14
Absa Regional Operations	**20 149**	18 605	8
Head Office, Treasury and other operations in South Africa	**122**	744	(84)
	81 382	79 961	2

Segment report per market segment

for the reporting period ended 31 December

	RBB South Africa			CIB South Africa		
	2020	2019	Change %	2020	2019[1]	Change %[1]
Statement of comprehensive income (Rm)						
Net interest income	**27 182**	26 191	4	**8 276**	7 278	14
Non-interest income	**21 395**	23 381	(8)	**4 258**	3 762	13
Total income	**48 577**	49 572	(2)	**12 534**	11 040	14
Impairment losses	**(14 621)**	(6 253)	>100	**(1 951)**	(367)	>100
Operating expenses	**(26 406)**	(28 581)	(8)	**(6 490)**	(6 503)	0
Other expenses	**(758)**	(618)	23	**(121)**	(100)	21
Operating profit/(loss) before income tax	**6 792**	14 120	(52)	**3 972**	4 070	(2)
Tax expense	**(1 907)**	(3 922)	(51)	**(495)**	(534)	(7)
Profit/(loss) for the reporting period	**4 885**	10 198	(52)	**3 477**	3 536	(2)
Profit attributable to:						
Ordinary equity holders	**4 173**	9 416	(56)	**3 121**	3 225	(3)
Non-controlling interest – ordinary shares	**172**	306	(44)	**—**	—	—
Non-controlling interest – preference shares	**186**	212	(12)	**121**	140	(14)
Non-controlling interest – additional Tier 1	**354**	264	34	**235**	171	37
	4 885	10 198	(52)	**3 477**	3 536	(2)
Headline earnings	**4 270**	9 510	(55)	**3 035**	3 230	(6)
Operating performance (%)						
Net interest margin on average interest-bearing assets	**3.19**	3.38		**1.90**	2.02	
Credit loss ratio	**2.64**	1.18		**0.54**	0.11	
Non-interest income as % of income	**44.0**	47. 2		**34.0**	34. 1	
Income growth	**(2)**	5		**14**	(4)	
Operating expenses growth	**(8)**	4		**(0)**	6	
Cost-to-income ratio	**54. 4**	57. 7		**51. 8**	58. 9	
Statement of financial position (Rm)						
Loans and advances to customers	**517 253**	506 478	2	**303 402**	298 229	2
Loans and advances to banks	**15 458**	14 411	7	**58 203**	41 881	39
Investment securities	**31 212**	31 436	(1)	**43 122**	42 382	2
Other assets	**404 169**	364 739	11	**408 004**	278 320	47
Total assets	**968 092**	917 064	6	**812 731**	660 812	23
Deposits due to customers	**416 395**	372 564	12	**282 771**	207 461	36
Debt securities in issue	**—**	—	—	**18 276**	16 612	10
Other liabilities	**540 246**	528 014	2	**506 309**	430 658	18
Total liabilities	**956 641**	900 578	6	**807 356**	654 731	23
Financial performance (%)						
RoRWA[2]	**1.11**	2.54		**1.24**	1.48	
RoA	**0.46**	1.08		**0.40**	0.52	
RoRC[3]	**9.4**	21.4		**11.1**	13.3	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

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

[3] RoRC for Absa Regional Operations has been calculated using returns on regulatory capital and not returns on tangible equity, in order to align to the rest of the segments.

Absa Regional Operations			Head Office, Treasury and other operations in South Africa			Normalised Group performance		
2020	2019	Change %	2020	2019[1]	Change %[1]	2020	2019	Change %
13 879	12 564	10	(547)	273	<(100)	48 790	46 306	5
6 270	6 041	4	669	471	42	32 592	33 655	(3)
20 149	18 605	8	122	744	(84)	81 382	79 961	2
(3 995)	(1 213)	>100	(2)	17	<(100)	(20 569)	(7 816)	>100
(12 085)	(10 753)	12	(595)	(520)	14	(45 576)	(46 357)	(2)
(537)	(367)	46	(858)	(587)	46	(2 274)	(1 672)	36
3 532	6 272	(44)	(1 333)	(346)	>100	12 963	24 116	(46)
(1 556)	(1 903)	(18)	352	49	>100	(3 606)	(6 310)	(43)
1 976	4 369	(55)	(981)	(297)	>100	9 357	17 806	(47)
1 595	3 661	(56)	(977)	(299)	>100	7 912	16 003	(51)
381	708	(46)	(4)	2	<(100)	549	1 016	(46)
—	—	—	—	—	—	307	352	(13)
—	—	—	—	—	—	589	435	35
1 976	4 369	(55)	(981)	(297)	>100	9 357	17 806	(47)
1 589	3 635	(56)	(929)	(110)	>100	7 965	16 265	(51)
6.64	7.39		n/a	n/a		4.17	4.50	
2.66	0.98		n/a	n/a		1.92	0.80	
31.1	32.5		n/a	n/a		40.0	42.1	
8	14		n/a	n/a		2	6	
12	12		n/a	n/a		(2)	6	
60.0	57.8		n/a	n/a		56.0	58.0	
108 249	111 465	(3)	1 065	806	32	929 969	916 978	1
18 910	14 847	27	(8 033)	(11 394)	(29)	84 538	59 745	41
47 165	35 675	32	32 005	7 254	>100	153 504	116 747	31
50 914	56 000	(9)	(505 134)	(398 035)	27	357 953	301 024	19
225 238	217 987	3	(480 097)	(401 369)	20	1 525 964	1 394 494	9
159 233	150 388	6	93 495	95 880	(2)	951 894	826 293	15
2 105	2 855	(26)	125 359	140 327	(11)	145 740	159 794	(9)
42 585	42 248	1	(788 356)	(714 353)	10	300 784	286 567	5
203 923	195 491	4	(569 502)	(478 146)	19	1 398 418	1 272 654	10
0.61	1.63		n/a	n/a		0.86	1.91	
0.64	1.77		n/a	n/a		0.52	1.20	
6.4	17.2		n/a	n/a		n/a	n/a	

Segment report per geographical segment

for the reporting period ended 31 December

	South Africa		
	2020	2019	Change %
Statement of comprehensive income (Rm)			
Net interest income	**34 898**	33 712	4
Non-interest income	**25 783**	27 176	(5)
Total income	**60 681**	60 888	(0)
Impairment losses	**(16 574)**	(6 603)	>100
Operating expenses	**(33 051)**	(35 162)	(6)
Other expenses	**(1 710)**	(1 263)	35
Operating profit before income tax	**9 346**	17 860	(48)
Tax expenses	**(2 039)**	(4 403)	(54)
Profit for the reporting period	**7 307**	13 457	(46)
Profit attributable to:			
Ordinary equity holders	**6 255**	12 371	(49)
Non-controlling interest – ordinary shares	**156**	299	(48)
Non-controlling interest – preference shares	**307**	352	(13)
Non-controlling interest – additional Tier 1	**589**	435	35
	7 307	13 457	(46)
Headline earnings	**6 295**	12 657	(50)
Operating performance (%)			
Net interest margin on average interest-bearing assets	**3.63**	3.94	
Credit loss ratio	**1.80**	0.78	
Non-interest income as % of income	**42.5**	44.8	
Income growth	**(0)**	4	
Cost growth	**(6)**	5	
Cost-to-income ratio	**54.5**	57.7	
Statement of financial position (Rm)			
Loans and advances to customers	**821 720**	805 513	2
Loans and advances to banks	**65 342**	44 688	46
Investment securities	**105 525**	80 297	31
Other assets	**305 025**	242 901	26
Total assets	**1 297 612**	1 173 399	11
Deposits due to customers	**792 661**	675 905	17
Debt securities in issue	**143 635**	156 939	(8)
Other liabilities	**255 814**	241 892	6
Total liabilities	**1 192 110**	1 074 736	11
Financial performance (%)			
RoRWA	**0.96**	2.03	
RoA	**0.50**	1.10	

Africa regions 2020	2019	CCY%	Change %	Normalised Group performance 2020	2019	CCY%	Change %
13 892	12 594	4	10	48 790	46 306	4	5
6 809	6 479	(0)	5	32 592	33 655	(4)	(3)
20 701	19 073	3	9	81 382	79 961	0	2
(3 995)	(1 213)	>100	>100	(20 569)	(7 816)	>100	>100
(12 525)	(11 195)	7	12	(45 576)	(46 357)	(3)	(2)
(564)	(409)	31	38	(2 274)	(1 672)	17	36
3 617	6 256	(50)	(42)	12 963	24 116	(48)	(46)
(1 567)	(1 907)	(25)	(18)	(3 606)	(6 310)	(45)	(43)
2 050	4 349	(61)	(53)	9 357	17 806	(49)	(47)
1 657	3 632	(64)	(54)	7 912	16 003	(53)	(51)
393	717	(47)	(45)	549	1 016	(48)	(46)
—	—	—	—	307	352	(13)	(13)
—	—	—	—	589	435	35	35
2 050	4 349	(61)	(53)	9 357	17 806	(49)	(47)
1 670	3 608	(63)	(54)	7 965	16 265	(53)	(51)
6.63	7.39			4.17	4.50		
2.66	0.98			1.92	0.80		
32.9	34.0			40.0	42.1		
9	14			2	6		
12	11			(2)	6		
60.5	58.7			56.0	58.0		
108 249	111 465	0	(3)	929 969	916 978	2	1
19 196	15 057	34	27	84 538	59 745	43	41
47 979	36 450	36	32	153 504	116 747	33	31
52 928	58 123	1	(9)	357 953	301 024	21	19
228 352	221 095	9	3	1 525 964	1 394 494	11	9
159 233	150 388	11	6	951 894	826 293	16	15
2 105	2 855	(27)	(26)	145 740	159 794	(6)	(9)
44 970	44 675	10	1	300 784	286 567	6	5
206 308	197 918	10	4	1 398 418	1 272 654	11	10
0.64	1.61			0.86	1.91		
0.67	1.72			0.52	1.20		

RBB South Africa

for the reporting period ended 31 December

Headline earnings decline of **55%** to **R4 270m** (2019: R9 510m), reflects the balance sheet resiliency built, as the expected credit loss allowance was increased by **R10.6bn**, given the weakened economic environment whilst pre-provision profit growth of **6%** was supported by cost containment measures and a diverse revenue base.

Comprehensive support
provided to customers.

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

Health and safety
of colleagues prioritised.

Insurance reserving strengthened

Balance sheet resilience built
as overall expected credit loss allowance coverage increased to **6.24%** (2019: 4.49%).

Strong secured asset production
in the second half of the year.

Asset market share improved
across products.

Deposit margins
continue to contract from increased competition and lower interest rates.

Deposits grew
by 12% to R416bn supported by transactional deposit growth.

Transactional activity
remains subdued.

Cost to income ratio improved
to **54.4%** from 57.7% in 2019

Credit loss ratio increased
to **2.64%** (2019: 1.18%) from increased balance sheet resilience.

Return on Regulatory Capital declined
to 9.4% from 21.4% from the increased impairment charge.

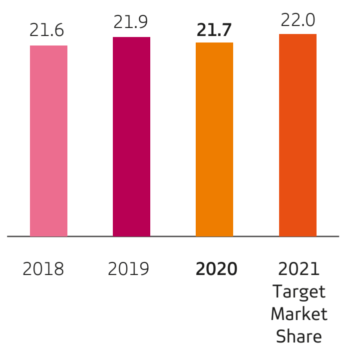
Salient features	2020	2019	Change %
Income (Rm)	**48 577**	49 572	(2)
Pre-provision profit (Rm)	**22 171**	20 991	6
Headline earnings (Rm)	**4 270**	9 510	(55)
Credit loss ratio (%)	**2.64**	1.18	
Cost-to-income ratio (%)	**54.4**	57.7	
RoRWA (%)	**1.11**	2.54	
RoA (%)	**0.46**	1.08	
RoRC (%)	**9.4**	21.4	

Headline earnings by segment	2020 Rm	2019 Rm	Change %
RBB South Africa	**4 270**	9 510	(55)
Home Loans	**453**	1 588	(71)
Vehicle and Asset Finance	**(993)**	299	<(100)
Everyday Banking	**1 967**	3 500	(44)
Relationship Banking	**2 522**	3 672	(31)
Insurance Cluster	**1 114**	1 273	(12)
Retail and Business Banking Other	**(793)**	(822)	4

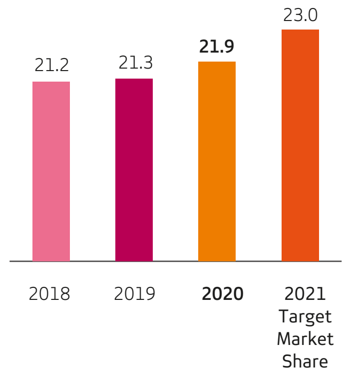
RBB South Africa

for the reporting period ended 31 December

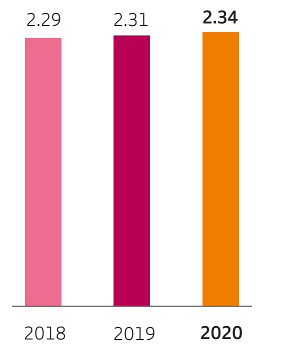
Retail Deposits market share (%)[1]



Retail Banking Advances market share (%)[1]

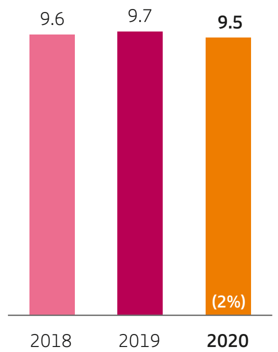


Retail and Business Banking Average product holding per customer (average number)

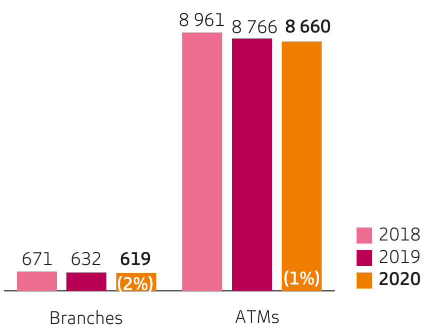


Average number of products per customer increased marginally

Customer numbers (millions and % change)

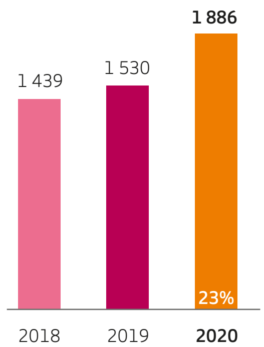


Physical footprint (number and change %)



Physical footprint reduced but continued to maintain optimal scale

Number of digitally active customers (thousands and change %)



[1] Source: SARB BA900.

RBB South Africa

for the reporting period ended 31 December

Business profile

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

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking** – offers day-to-day banking services to the retail customer and includes:
  - **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings. Included in this portfolio is a partnership with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products. Edcon has been sold effective 1 February 2020.
  - **Personal Loans** – offers unsecured instalment loans through face-to-face engagements and digital channels.
  - Transactional and Deposits – offers a full range of transactional banking, savings and investment products, a rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.
- **Relationship Banking** – consists of the Business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm body' relationship manager rather than multiple touch points with the Group. The businesses consolidated into Relationship Banking includes Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth, Financial Advisory as well as the Trust and Fiduciary offering.

  Relationship Banking also includes an Equity portfolio, which is being reduced in an orderly manner.
- **Insurance Cluster** consists of Life Insurance and Short-term Insurance, including Absa Regional Insurance Operations:
  - **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is also available to the retail market.
- **Retail and Business Banking Other** – includes investment spend, holding companies and related consolidation entries and allocated shareholder overhead expenses.
  - **Customer Value Management** (not reported separately) - supports the businesses to provide a singular view of the customer across RBB SA whilst ensuring alignment of the customer value propositions and a consistent voice in the market.

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RBB South Africa

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance			Everyday Banking		
	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %
Statement of comprehensive income (Rm)									
Net interest income	**4 478**	4 072	10	**2 604**	2 320	12	**12 621**	12 872	(2)
Non-interest income	**457**	467	(2)	**540**	530	2	**11 332**	12 241	(7)
Total income	**4 935**	4 539	9	**3 144**	2 850	10	**23 953**	25 113	(5)
Impairment losses	**(2 189)**	(182)	>100	**(3 062)**	(1 099)	>100	**(7 337)**	(4 653)	58
Operating expenses	**(1 940)**	(1 979)	(2)	**(1 339)**	(1 493)	(10)	**(13 415)**	(14 867)	(10)
Other expenses	**(46)**	(38)	21	**(46)**	149	<(100)	**(120)**	(173)	(31)
Operating profit/(loss) before income tax	**760**	2 340	(68)	**(1 303)**	407	<(100)	**3 081**	5 420	(43)
Tax expenses	**(173)**	(636)	(73)	**372**	(55)	<(100)	**(852)**	(1 503)	(43)
Profit/(loss) for the reporting period	**587**	1 704	(66)	**(931)**	352	<(100)	**2 229**	3 917	(43)
Profit attributable to:									
Ordinary equity holders	**453**	1 588	(71)	**(995)**	296	<(100)	**1 953**	3 489	(44)
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—	**152**	299	(49)
Non-controlling interest – preference shares	**46**	52	(12)	**22**	25	(12)	**43**	58	(26)
Non-controlling interest – additional Tier 1	**88**	64	38	**42**	31	35	**81**	71	14
	587	1 704	(66)	**(931)**	352	<(100)	**2 229**	3 917	(43)
Headline earnings	**453**	1 588	(71)	**(993)**	299	<(100)	**1 967**	3 500	(44)
Operating performance (%)									
Net interest margin on average interest-bearing assets	**1.74**	1.69		**2.91**	2.82		**4.10**	4.55	
Credit loss ratio	**0.88**	0.08		**3.45**	1.34		**8.42**	5.50	
Non-interest income as % of income	**9.3**	10.3		**17.2**	18.6		**47.3**	48.7	
Income growth	**9**	4		**10**	6		**(5)**	7	
Operating expenses growth	**(2)**	3		**(10)**	1		**(10)**	5	
Cost-to-income ratio	**39.3**	43.6		**42.6**	52.3		**56.0**	59.2	
Statement of financial position (Rm)									
Loans and advances to customers	**247 679**	237 391	4	**89 129**	83 740	6	**58 022**	61 386	(5)
Loans and advances to banks	**641**	417	54	**—**	—	—	**12 720**	12 044	6
Investment securities	**12 369**	12 311	0	**4 284**	4 267	0	**3 395**	3 714	(9)
Other assets	**20 214**	12 576	61	**3 438**	3 218	7	**247 280**	231 330	7
Total assets	**280 903**	262 695	7	**96 851**	91 225	6	**321 417**	308 474	4
Deposits due to customers	**1 833**	1 508	22	**—**	—	—	**247 328**	227 212	9
Other liabilities	**277 781**	259 113	7	**96 770**	90 027	7	**70 837**	76 735	(8)
Total liabilities	**279 614**	260 621	7	**96 770**	90 027	7	**318 165**	303 947	5
Financial performance (%)									
RoRWA	**0.53**	2.00		**(2.04)**	0.65		**2.06**	3.36	
RoA	**0.17**	0.62		**(1.08)**	0.35		**0.64**	1.22	

Relationship Banking			Insurance Cluster			Retail and Business Banking Other			Retail and Business Banking South Africa		
2020	2019	Change %	**2020**	2019	Change %	**2020**	2019	Change %	**2020**	2019	Change %
8 058	7 538	7	**9**	27	(67)	**(588)**	(638)	(8)	**27 182**	26 191	4
5 588	6 349	(12)	**2 917**	3 208	(9)	**561**	586	(4)	**21 395**	23 381	(8)
13 646	13 887	(2)	**2 926**	3 235	(10)	**(27)**	(52)	(48)	**48 577**	49 572	(2)
(2 032)	(322)	>100	**—**	—	—	**(1)**	3	<(100)	**(14 621)**	(6 253)	>100
(7 717)	(8 175)	(6)	**(1 179)**	(1 224)	(4)	**(816)**	(843)	(3)	**(26 406)**	(28 581)	(8)
(160)	(85)	88	**(142)**	(134)	6	**(244)**	(337)	(28)	**(758)**	(618)	23
3 737	5 305	(30)	**1 605**	1 877	(14)	**(1 088)**	(1 229)	(11)	**6 792**	14 120	(52)
(1 079)	(1 460)	(26)	**(474)**	(598)	(21)	**299**	330	(9)	**(1 907)**	(3 922)	(51)
2 658	3 845	(31)	**1 131**	1 279	(12)	**(789)**	(899)	(12)	**4 885**	10 198	(52)
2 452	3 673	(33)	**1 111**	1 272	(13)	**(801)**	(902)	(11)	**4 173**	9 416	(56)
—	—	—	**20**	7	>100	**—**	—	—	**172**	306	(44)
71	76	(7)	**—**	—	—	**4**	1	>100	**186**	212	(12)
135	96	41	**—**	—	—	**8**	2	>100	**354**	264	34
2 658	3 845	(31)	**1 131**	1 279	(12)	**(789)**	(899)	(12)	**4 885**	10 198	(52)
2 522	3 672	(31)	**1 114**	1 273	(12)	**(793)**	(822)	(4)	**4 270**	9 510	(55)
4.13	4.40		**n/a**	n/a		**n/a**	n/a		**3.19**	3.38	
1.59	0.26		**n/a**	n/a		**n/a**	n/a		**2.64**	1.18	
41.0	45.7		**n/a**	n/a		**n/a**	n/a		**44.0**	47.2	
(2)	4		**(10)**	6		**n/a**	n/a		**(2)**	5	
(6)	2		**(4)**	10		**n/a**	n/a		**(8)**	4	
56.6	58.9		**40.3**	37.8		**n/a**	n/a		**54.4**	57.7	
122 422	123 960	(1)	**—**	—	—	**1**	1	—	**517 253**	506 478	2
401	170	>100	**1 025**	1 326	(23)	**671**	454	48	**15 458**	14 411	7
6 241	6 615	(6)	**4 705**	3 460	36	**218**	1 069	(80)	**31 212**	31 436	(1)
89 494	68 048	32	**27 915**	32 003	(13)	**15 828**	17 564	(10)	**404 169**	364 739	11
218 558	198 793	10	**33 645**	36 789	(9)	**16 718**	19 088	(12)	**968 092**	917 064	6
167 223	143 833	16	**—**	—	—	**11**	11	—	**416 395**	372 564	12
47 502	49 728	(4)	**30 752**	33 515	(8)	**16 604**	18 896	(12)	**540 246**	528 014	2
214 725	193 561	11	**30 752**	33 515	(8)	**16 615**	18 907	(12)	**956 641**	900 578	6
1.81	2.82		**n/a**	n/a			n/a		**1.11**	2.54	
1.19	1.91		**3.13**	3.39			n/a		**0.46**	1.08	

RBB South Africa

for the reporting period ended 31 December

Business performance

RBB entered the year with momentum from the consistent execution of the strategic transformation journey as performance in the first quarter continued to show improvement across the leading performance indicators. The sudden onset of the Covid-19 pandemic required a significant shift in focus, specifically in the second quarter, to prioritise the health and safety of employees, assist customers and mitigate the financial consequences on the business. As lockdown conditions were eased and economic activity improved in the second half of the year, execution against the strategic transformation plan was reinvigorated whilst continuing to emphasise the wellbeing of the employees, customers and the future sustainability of the business. Despite the significant impact of low interest rates and the challenging operating environment brought on by the Covid-19 pandemic, business continues to make progress against leading indicators reflecting strength within the customer franchise.

- Home loans registrations increased by **1%** while the market contracted by **9%** (Deeds office);
- VAF production decreased **1%** in a market that shrunk by **28%** (TransUnion);
- Personal loans production contracted **42%** as risk appetite was reviewed to limit adverse selection;
- Credit card limits in issue increased by **4%**;
- Deposits grew **12%**, supported by transactional deposits;
- Relationship Banking advances declined by **1%**;
- Turnover volumes for debit and credit card decreased by **4%** and **12%** respectively;
- Physical cash volumes declined **20%**;
- Merchant acquiring turnover grew **7%**;
- Embedded value of new business decreased **42%** to **R429m** given the lower business volumes;
- Insurance lapse rates remained resilient at **2.6%** per month;
- Claims reduced by **6%** in the short-term insurance business;
- Product holding increased to **2.34**; and
- Digitally active customers grew by **23%** to **1.9m**, primarily driven by increased app users.

The wellbeing of employees remained the primary focus of the business through these uncertain times and required a significant shift in operations across all areas of the business. Call centres have been de-densified in line with regulations and selective branch closures were implemented after due consideration of employee safety requirements and transactional patterns. The business continues to encourage staff to work remotely, where possible, and overall employees have adapted well. Relief measures were implemented for commission based staff that couldn't work in lockdown whilst a once off incentive payment was made to the frontline in recognition of their efforts during lockdown. The business continues to respond dynamically to safeguard the wellbeing of employees while still providing uninterrupted service to customers.

The economic impact of the pandemic required a comprehensive and empathetic approach, across the franchise to customers' circumstances. The accelerated investment in digital, data and risk management capabilities have underpinned the business ability to support customers and manage with operational resilience. Relief measures provided included:

- Credit payment relief;
- Insurance premium relief;
- The temporary expansion of credit life to cover a wider definition of loss of income;
- The waiving of Saswitch fees; and
- Supporting SASSA processes.

Given that the majority of customers' credit profiles were strong, at the onset of the pandemic, a comprehensive programme comprising, a 3-month payment deferral and insurance premium relief, was implemented on 30 March 2020 to work alongside existing relief mechanisms. The key features of the programme included:

- Easy to understand for customers;
- Simplified, opt-in process; and
- Accessible to customers in good standing.

Given the uncertainty in the economy at the time, the programme was well received, with 538 000 customers taking up R8.7bn of payment relief, representing R154bn in exposure. Given the prolonged impact on the economy, further payment relief was provided to customers through the launch of the 'Siyasizana' programme, with a key requirement that customers make partial payment on any further payment deferrals. Overall the take up of further relief was subdued with an additional R1bn in relief provided to customers.

RBB SA has continuously engaged with customers, since the onset of the pandemic, to proactively offer support to those that may be facing difficulty as they navigate the uncertain environment. This support is now offered through the 'Siyasizana' programme and includes:

- payment relief extensions;
- debt restructuring;
- debt consolidation; and
- asset realisation.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

The majority of payment relief expired by 31 December 2020 and 8% of these customers have missed a payment subsequent to the relief expiring. Delinquencies within the unsecured portfolios, namely card and personal loans, are higher than the secured portfolios and this is reflected in the increased expected credit loss allowances as disclosed on page 46.

As at 31 December 2020 payment relief was still being provided to customers with outstanding exposures of R1.6bn. The majority of this relief is in Relationship Banking and Home Loans and customers are required to make partial payment as part of the relief agreement.

RBB SA continues to be part of the government loan guarantee scheme that was established to provide financial support to businesses affected by the lockdown. As at 31 December 2020 a total of **R2.3bn** in funding under the scheme had been approved, in conjunction with the payment relief granted by Relationship Banking on **R27bn** in exposures.

RBB SA has dynamically managed its credit lifecycle discipline in response to the ever changing economic environment. Credit and pricing strategies have been realigned to limit adverse selection and ensure appropriate returns on new business whilst the frequency and granularity of risk and impairment monitoring has been enhanced. Additionally, the delivery of digital collection capabilities was accelerated to bolster capacity and enrich collection strategies.

The scale of payment relief and the severity of the rapidly deteriorating macroeconomic outlook required RBB SA to amend its forbearance policies and revisit its expected credit loss estimation process. The application of the IFRS 9 standard required that the business use significant judgement in its approach to determining expected credit losses which were influenced by circumstances and conditions around loan losses.

The impairment assessment of payment relief differentiated between customers experiencing temporary and permanent stress. Prudential Authority ('PA') directive 3 of 2020 has been applied in classifying and calculating the capital impacts of customers that are still receiving payment relief whilst PA directive 7 of 2015 is applied in determining the capital impact of customers that have missed a payment subsequent to the expiry of their payment relief.

The determination of expected credit losses is heavily dependent on macroeconomic forecasts that are predominantly based on historical information. The fact that the pandemic is an unprecedented event, falling outside the boundaries of our historical data, required RBB SA to apply an increased level of judgement. RBB SA's macroeconomic variable framework was augmented with additional modelling on the relationship of credit losses and large GDP contractions, and supplemented with expert review and challenge of the judgmental adjustments. Despite recent macro forecasts being less severe than initially expected, the onset of the second wave in late December and the resultant lockdown regulations are expected to add pressure to already constrained consumers.

	Base ECL allowance Rm	Covid-19 Management adjustment Rm	Total ECL allowance Rm
Home Loans	6 500	950	7 450
Vehicle and Asset Finance	4 821	926	5 747
Everyday Banking	14 534	1 177	15 711
Card	8 842	628	9 470
Personal Loans	4 910	466	5 376
Transactional and Deposits	782	83	865
Relationship Banking	4 979	471	5 450
RBB Other	52	0	52
RBB Total	30 886	3 524	34 410

As expected, the underlying construct of the book has deteriorated since the end of the first quarter, however this deterioration is less than initially anticipated. The deterioration of the delinquency profile as well as a prudent approach to assessing significant increase in credit risk across the portfolio, given the level of relief provided to customers, resulted in stage 2 exposures increasing by **R20.5bn** to **10.8%** of total exposure (2019: 7.4%). Stage 3 exposures increased by **R13.7bn** to **9.7%** of total exposures (2019: 7.5%) driven by the increased customer delinquencies and constrained asset realisations, specifically in Home Loans. Stage 3 exposures remain elevated relative to the industry given the treatment of forbearance accounts as Stage 3 exposures.

The expected credit loss allowance has been strengthened across all three stages in line with the need to build balance sheet resiliency given the impact of the weakened economic environment on customers. The overall expected credit loss allowance increased by R10.6bn to **R34.4bn** (2019: 23.8bn) resulting in the overall expected credit loss allowance coverage increasing to **6.24%** from 4.49% in 2019. This resulted in the credit loss ratio increasing to **2.64%** from 1.18% in 2019 and this is above the through the cycle credit loss rate range.

Balance sheet resilience in the Insurance business was strengthened with additional reserves to allow for the expected impact of the pandemic on mortality, retrenchment incident rates and policy lapses. The business provided strong diversification benefits to the credit risk in the banking business.

The strengthening of the balance sheet affords the business the flexibility to not only manage the uncertainty ahead, but allows the business to continue supporting its customers as well as spur growth.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

The rebound in secured production levels in the second half of the year cushioned advances growth against the impact of the pandemic as well as changes in credit strategies to reduce adverse selection in the unsecured portfolios resulting in gross advances increasing by **4%** to **R552bn** (2019: 530bn). Market share of Retail advances per the BA 900 increased to **21.9%** (2019: 21.3%).

Deposit growth remained resilient through the year with growth of **12%** reflecting the strength of the customer franchise. This was driven by 11% growth in investment deposits and 13% in transactional deposits as consumption based expenditure was persistently subdued through the year. Cheque accounts are key to deepening our relationships with customers and expanding digital capabilities in this area is critical to leverage the reach of the franchise. Retail deposit market share per the BA 900 declined marginally to **21.7%** (2019: 21.8%).

The insurance in-force book grew by 6% reflecting improved bancassurance volumes, related to the introduction of the expense protector product, whilst lapse rates have decreased marginally given the premium relief to policyholders.

Customer numbers have declined to **9.5m** specifically in the entry level banking segment where the weakened economic environment has been felt the most, while the rest of the segments have reported growth. Subdued transactional activity and lower customer income resulted in the primary customer numbers declining to **2.9m** (2019: 3.1m). Continued leveraging of the product ecosystem improved the product holding per customer to **2.34** from 2.31 in 2019.

RBB SA has continued to deliver against the multi-year cost transformation programme announced in 2018, with a focus on improving operating efficiencies and customer experience by leveraging digitisation. Actions taken over the past 2 years have reset the cost base and together with lower volume related costs, specifically in the second quarter, and lower incentive costs delivered positive JAWS of 6% and reduced cost to income to **54.4%** (2019: 57.7%). This concerted cost containment effort created sufficient capacity for the business to continue investing in the next stage of the strategic execution journey. The business is cognisant that some of these costs could start to increase as economic activity rebounds and will continue to balance investment in key growth areas such as technology and digitisation, with project prioritisation in other areas.

Re-engaging with the customer base and focusing on risk management and relationships as a core has been a key feature of the strategic transformation journey. Product propositions have been improved across the business by means of core feature enhancements, the integration of insurance products and a focus on creating one customer journey, supported by the recently launched marketing campaign. The Absa Rewards programme continues to be refreshed with introduction of new partners, including Dischem and Bolt, as well as improved value propositions such as the recently launched Absa Advantage.

Improvements in customer experience across the franchise have been an essential element of the transformation journey. The recent Best Bank award by the Ombudsman for Banking Services, for the noticeable decline in customer complaints, and accolades awarded to the insurance business by the South African Customer Satisfaction Index and the Ask Africa Orange Index are a testament to the progress that has been made.

Being 'digitally first in everything we do' is critical to the delivery of the transformation journey and accordingly, this permeates all of the business unit execution plans. The journey to date has focused on improving the stability and resilience of the estate to ensure consistent digital platform availability and improve customer experience. A **23%** increase in digitally active customers, together with the Absa Banking app being consistently rated the highest by customers, is testament to the enhancements that have been made to the estate. Process digitisation and automation has accelerated across the businesses with deployment of digital sales processes in Vehicle and Asset Finance and Home Loans revolutionising customer journeys down to minutes. In addition, a fully end to end digital short-term insurance product – Activate – was launched.

Risk weighted assets increased to **R400bn** (2019: R392bn) driven by the growth in the advances book and increased intensity levels although partially offset by the disposal of the Edcon portfolio during the year.

RORC declined to **9.4%** (2019: 21.4%) as a result of the increased impairment charge and is below the group's cost of equity.

Looking forward RBB SA will focus on:

- Further digitisation of collection capabilities;
- Targeted balance sheet acquisition to support return enhancement;
- Leveraging the ecosystem to continuously create value for customers;
- Maturing the go to market capability with focus on primacy and digital adoption;
- Strengthening resilience in critical areas of operations; and
- Accelerating the development of the bank of the future.

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RBB South Africa

for the reporting period ended 31 December

Everyday Banking

	Card			Personal Loans		
	2020	2019	Change %	2020	2019	Change %
Statement of comprehensive income (Rm)						
Net interest income	4 462	4 857	(8)	2 887	2 862	1
Non-interest income	2 399	2 951	(19)	392	379	3
Total income	6 861	7 808	(12)	3 279	3 241	1
Impairment losses	(3 883)	(2 536)	53	(2 893)	(1 610)	80
Operating expenses	(2 656)	(3 454)	(23)	(1 052)	(1 075)	(2)
Other expenses	(45)	(104)	(57)	(2)	(4)	(50)
Operating profit/(loss) before income tax	277	1 714	(84)	(668)	552	<(100)
Tax expenses	(76)	(474)	(84)	195	(148)	<(100)
Profit/(loss) for the reporting period	201	1 240	(84)	(473)	404	<(100)
Profit attributable to:						
Ordinary equity holders	5	883	(99)	(516)	364	<(100)
Non-controlling interest – ordinary shares	152	299	(49)	—	—	—
Non-controlling interest – preference shares	15	26	(42)	15	18	(17)
Non-controlling interest – additional Tier 1	29	32	(9)	28	22	27
	201	1 240	(84)	(473)	404	<(100)
Headline earnings	5	894	(99)	(516)	364	<(100)
Operating performance (%)						
Pre-provision profit	4 205	4 354	(3)	2 227	2 166	3
Credit loss ratio	8.49	5.46		11.87	7.16	
Non-interest income as % of income	35.0	37.8		12.0	11.7	
Income growth	(12)	6		1	16	
Operating expenses growth	(23)	6		(2)	10	
Cost-to-income ratio	38.7	44.2		32.1	33.2	
Statement of financial position (Rm)						
Loans and advances to customers	36 405	37 054	(2)	18 410	20 857	(12)
Loans and advances to banks	266	89	>100	—	—	—
Investment securities	1 855	2 117	(12)	996	1 053	(5)
Other assets	9 878	14 341	(31)	487	484	1
Total assets	48 404	53 601	(10)	19 893	22 394	(11)
Deposits due to customers	1 952	1 778	10	16	14	14
Debt securities in issue	—	—	—	—	—	—
Other liabilities	45 155	49 924	(10)	20 393	22 016	(7)
Total liabilities	47 107	51 702	(9)	20 409	22 030	(7)
Financial performance (%)						
RoRWA	0.01	1.59		(1.97)	1.37	
RoA	0.01	1.71		(2.39)	1.71	

Transactional and Deposits 2020	2019	Change %	Everyday Banking 2020	2019	Change %
5 272	5 153	2	**12 621**	12 872	(2)
8 541	8 911	(4)	**11 332**	12 241	(7)
13 813	14 064	(2)	**23 953**	25 113	(5)
(561)	(507)	11	**(7 337)**	(4 653)	58
(9 707)	(10 338)	(6)	**(13 415)**	(14 867)	(10)
(73)	(65)	12	**(120)**	(173)	(31)
3 472	3 154	10	**3 081**	5 420	(43)
(971)	(881)	10	**(852)**	(1 503)	(43)
2 501	2 273	10	**2 229**	3 917	(43)
2 464	2 242	10	**1 953**	3 489	(44)
—	—	—	**152**	299	(49)
13	14	(7)	**43**	58	(26)
24	17	41	**81**	71	14
2 501	2 273	10	**2 229**	3 917	(43)
2 478	2 242	11	**1 967**	3 500	(44)
4 106	3 726	10	**10 538**	10 246	3
3.28	3.25		**8.42**	5.50	
61.8	63.4		**47.3**	48.7	
(2)	5		**(5)**	7	
(6)	4		**(10)**	5	
70.3	73.5		**56.0**	59.2	
3 207	3 475	(8)	**58 022**	61 386	(5)
12 454	11 955	4	**12 720**	12 044	6
544	544	—	**3 395**	3 714	(9)
236 915	216 505	9	**247 280**	231 330	7
253 120	232 479	9	**321 417**	308 474	4
245 360	225 420	9	**247 328**	227 212	9
—	—	—	**—**	—	—
5 289	4 795	10	**70 837**	76 735	(8)
250 649	230 215	9	**318 165**	303 947	5
10.31	10.45		**2.06**	3.36	
1.05	1.06		**0.64**	1.22	

RBB South Africa

for the reporting period ended 31 December

Business unit performance

Home Loans

Business performance

During the first half of 2020, the South African housing market was severely impacted by the hard lockdown as a result of the Covid-19 pandemic and the regular closure of Deeds offices. In the second half of the year, the market showed a resilient recovery with the business' applications significantly exceeding pre lockdown levels and up 32% from the second half of 2019. This increase in volumes was driven by first time home buyers and particularly by the under 35 age group as prospective buyers looked to take advantage of the financial stimulus in the market from reduced interest rates. There was renewed positive sentiment to buying and investing in property and this started to bring sellers back to the market.

- National house price inflation index increased by **0.3** percentage points to **2.7%** (2019: 2.4%); and
- Absa homeowner sentiment index increased by **4** percentage points to **80%** in Q4 2020 (Q4 2019: 76%)

As a result of a consistent execution against its strategy Home Loans managed to grow its market share for new business from 21.2% to 21.7%. The response to the pandemic led to a number of actions which enabled the business to assist customers in their time of need, strengthen relationships across the ecosystem and create long-term sustainable value including:

- A comprehensive payment relief programme providing R3.4bn of cash flow relief to 136 000 customers with initial payment relief efforts in response to lockdown restrictions, while subsequent phases included more sustainable solutions to manage financial distress.
- Protecting the value chain by providing support to business partners whilst maintaining a consistent market presence, and promoting responsible lending to support changes in the market;
- Dynamic responses to market shifts in pricing and acquisition strategies, balancing risk appetite and profitability to create sustainable balance sheet growth;
- Deploying interactive digital channels in the application and collection environments to improve access to customers, while continuing to invest in improving core capabilities;
- Multi-skilling and repurposing our colleagues on the frontline in response to shifting focuses in the wake of the pandemic;
  Investing in data assets and insights to remain relevant and aligned with changes in the market and customer behaviour; and
- Continued focus on improving Bancassurance integration through our propositions with Short term and Life insurance for our key market segments.

The financial performance was driven by:

- New mortgages registered increased by 1%, against a market decline of 9%, with registrations in the second half increasing by 27% in value against the second half in 2019;
- Mortgages originated by mortgage originators as % of business increased to **57.5%** (2019: 51.1%);
- Average LTV on new mortgages registered increased to **88.4%** (2019: 85.5%);
- An 5bps improvement in average concessions;
- Turnaround time increased 17% from 2019, from increased application volumes in the second half of the year and staffing constraints as a result of lockdown protocols; and
- Deterioration in delinquency profile in line with the weakened economic environment.

Financial performance

Gross loans and advances increased by 5% to R255bn (2019: R243bn) supported by strong production growth in the first quarter and the second half of the year and the slower run-off of the back book as a result of the payment relief programme. Market share increased to 23.4% from 23.3% in 2019 (BA900).

Headline earnings decreased by 71% to R453m as pre-provision profit growth of 17% from higher revenues and continued cost containment was offset by increased impairments.

Net interest income increased 10% to R4 478m (2019: R 4 072m), driven by the growth in the loans book and increased client margin from pricing actions taken during the year and lower cost of funding.

Impairments increased to R2 189m (2019: R182m) given the balance sheet resilience built in response to the uncertainty in the forecasted economic outlook as well as increased arrears in late stages and legal portfolio as the pandemic limited asset realisation activities. Coverage increased across all expected credit loss stages resulting in the credit loss ratio increasing to 0.88% (2019: 0.08%).

Looking ahead Home Loans will focus on:

- Providing solutions for customers as they navigate difficult times;
- Equipping staff to thrive in the new normal;
- Broadening franchise value by providing integrated customer solutions;
- Delivering a superior home loan experience for customers through end to end digital; and
- Leveraging data insight to identify focused growth opportunities.

RBB South Africa

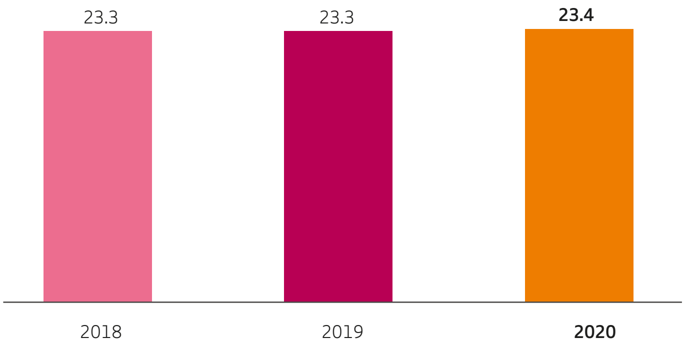
for the reporting period ended 31 December

Business unit performance (continued)

Home Loans (continued)

Mortgage market share

Mortgages market share (%)



RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

The year was characterised by an already strained domestic vehicle market exacerbated further by an economic downturn with:

- New vehicle sales declining **29.1%** for the twelve-month period ending December 2020 (NAAMSA)[1];
- New vehicle price inflation averaging **4.9%** for the period ending December 2020 (StatsSA); and
- The combined New and Used Financed vehicle market decreasing by **27.8%** in 2020 with a 14.4% contraction in the second half of the year (TransUnion)[2].

VAF remained committed to achieving its growth objectives by regaining pre-lockdown momentum in the second half of the year through:

- Purposefully providing support, in conjunction with Relationship Banking, to vehicle dealers while further deepening their relationships;
- Proactively engaging with customers that were provided payment relief;
- Continued focus on the collections and customer assistance strategy by strengthening capacity and digitally enabling asset realisation processes to assist both customers and dealers; and
- Continuing the delivery of new and enhanced consumer and dealer digital experiences.

The above has resulted in:

- Achieving full year production levels consistent with 2019, particularly in the second half of the year where production increased by **14%**; and
- Used and New vehicle market share on new business improving to **23.2%** (2019: 17.7%) and **28.5%** (2019: 21.9%) respectively (TransUnion).
- Delinquency profiles have deteriorated since the first quarter, reflective of the impact of the weakened economic environment

Financial performance

Gross loans and advances to customers grew **9%** to **R95bn** (2019: R87bn) supported by increased production, notably during the latter half of the year, as well as slower run-off of the back book related to the payment relief offering and reduced settlements.

Headline earnings decreased by R1 292m to a loss of **R993m** mainly reflecting an increase in impairments of R2bn, with pre-provision profit growth of **33%** driven by 10% growth in revenue and a reduced cost base.

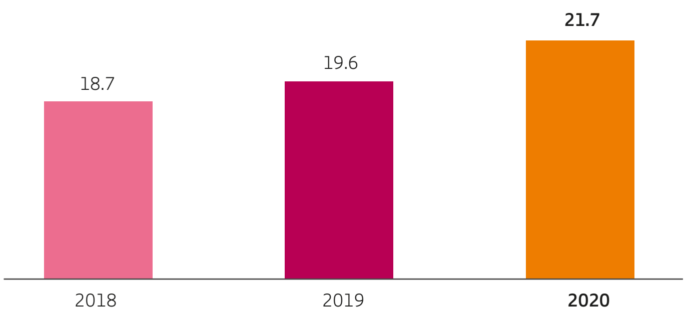
Net interest income grew by **12%** to **R2 604m** (2019: R2 320m) underpinned by book growth as well as improvements in risk adjusted margins.

Impairments increased to **R3 062m** (2019: R1 099m) driven by the impact of the weakened economic environment that resulted in an increase in the credit loss ratio to **3.45%** (2019: 1.34%). The deterioration in the delinquency profile and the NPL ratio to **8.1%** (2019: 6.0%), together with the adjustment to account for the weakened economy, drove an increase in the total impairment coverage to **6.1%** (2019: 3.6%). Stage 3 coverage increased to **46.3%** (2019: 37.4%), largely attributable to an increase in the legal book.

Looking ahead, VAF will focus on:

- Improving returns though the quality of new production, diversifying revenue streams and efficient use of financial resources;
- Enhancing collection capabilities and capacity, with a bias for digital;
- Embedment of customer on boarding solution and implementation of digital self-service;
- Deepening and expanding relationships with industry stakeholders.

VAF market share (%)



[1] NAAMSA stats for new vehicles
[2] TransUnion stats for new and used vehicles

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Everyday Banking

Business performance

The business remains committed to its long-term strategy and has made significant progress in rebuilding momentum in the second half of the year following the national lockdown in the second quarter. Production and usage were severely affected, and had not fully recovered to 2019 levels by year end, as demonstrated by the following:

- Personal Loans production decreased 42%;
- Credit card limit production to new and existing customers fell over 40%, resulting in limits in issue increasing by 4% (2019: 17%);
- Sales of new credit card accounts fell 43%;
- New cheque and savings account sales fell 28% and 31% respectively;
- Card turnover declined 6%; and
- Cash usage continued to decline, falling 13% in 2020 as customer behaviour shifts toward using online and point-of-sale transactions.

The business continued to advance its long term strategic goals and objectives and this was evident in the following:

- Growth in primacy– Core Middle Market was stable and Retail Affluent grew 2%;
- The number of digitally active customers increased 23%;
- Introduced a number of new features to the banking app where customers adopted them at scale, including the ability to dispute debit orders, credit limit increases and in-app arrears messaging amongst others;
- Improved productivity in the branch network and call centres benefitting from increased digital investment;
- Strong risk awareness culture and disciplined approach to underwriting;
- Improved the customer onboarding experience – reduced the average onboarding time from 40 minutes to 8 minutes; and
- Enhanced the switching process which reduced customer effort and switching time from 60 days to 27 days.

The deposits portfolio maintained a strong market presence throughout the year, while the lending portfolios improved market share and maintained a positive growth trajectory despite the headwinds in the last three quarters of the year. Leveraging the cheque account product remains core to the growth of the business through deepening customer relationships and attracting new customers.

Annuity based fees benefitted from the migration of customers to bundled products over the past few years, as well as a significant increase in digital usage, particularly in the last three quarters, which helped cushion the revenue against the impact of the reduced economic activity. eCommerce (Card Not Present) transaction value grew 84% in the Debit card portfolio, further accelerating from 76% at half year.

Financial performance

Gross loans and advances grew **1%** to **R74bn** (2019: R73bn) despite a contraction in loan production in the last three quarters of 2020. The growth of 1% was, in part, attained through strong production momentum in the first quarter as well as the slower run off of the back book as a result of the payment relief programme.

Deposits grew by **9%** to **R247bn** (2019: R227bn) underpinned by transactional deposits which grew by **13%** as economic activity remained subdued. Investment deposits grew **8%** supported by customer preference for low risk cash products in the uncertain economic environment. Market pressures have increased in the fourth quarter as economic activity improved. The 34% growth in deposits since 2017 is not only reflective of the scale of this business, but also the continued investment in technology and customer facing colleagues thereby, bolstering the strength of the customer franchise.

Headline earnings decreased **44%** as the increase in impairments offset pre-provision profit growth of **3%**. Pre-provision profit growth was largely attributable to a reduction in operating expenses notwithstanding the additional costs incurred in response to the pandemic. Normalising for the disposal of Edcon, headline earnings declined **41%** whilst pre-provision profit grew **5%**.

Total income declined **5%** to **R23 953m** (2019: R25 113) impacted by the lower economic activity and consumption given lockdown restrictions, lower interest rates as well as the disposal of the Edcon book. Normalised for the disposal of Edcon, total income declined **1%**.

Net interest income declined **2%** to **R12 621m** (2019: R12 872m), normalising for the Edcon disposal growth was **2%,** driven by growth in both advances and deposits as margin contracted across the portfolio:

- Net interest income on advances, normalised for Edcon, grew by **1%** as average balances increased by **9%**, and margins contracted given the reduction in interest rates as well as the reduced risk appetite in the portfolio; and
- Net interest income on deposits grew **4%** as an **11%** increase in average balances was offset by an adverse portfolio mix and the reduction in interest rates.

Non-interest income decreased **7%** to **R11 332m** (2019: R12 241m) reflective of the sharp reduction in transactional activity in the second and third quarters, although this was cushioned by the resiliency in annuity based fees revenue. Normalised for the disposal of Edcon, non-interest income declined **5%.**

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Everyday Banking (continued)

Financial performance (continued)

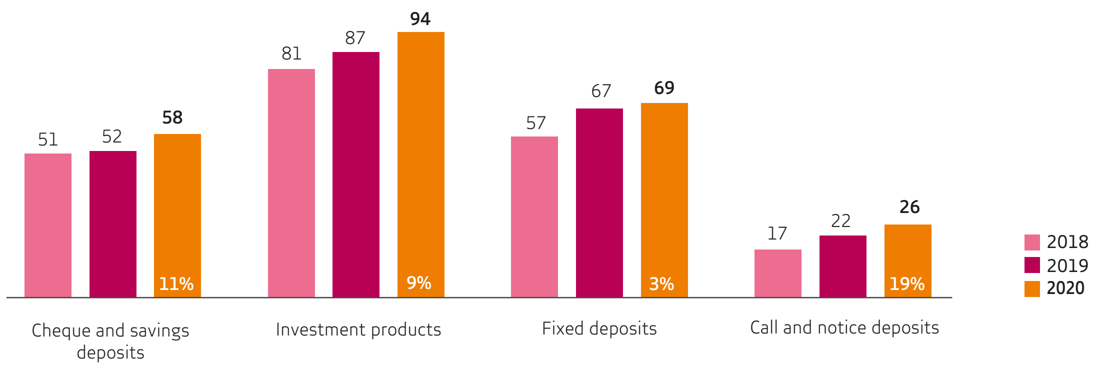
Impairment losses increased **58%** to **R7 337m** (2019: R4 653m) as expected credit loss allowances were prudently increased given the uncertain economic environment, customer strain and the impact of the lockdowns on collections operations. The expected credit loss allowance was increased by **40%** to **R15 710m** (2019: R11 210m) with increases across all stages to strengthen the balance sheet resiliency given the unsecured nature of the products and the increased uncertainty. Overall expected loss allowance coverage increased to **21.3%** (2019: 15.4%), resulting in the credit loss ratio increasing to **8.42%** (2019: 5.50%).

Operating expenses reduced **10%** to **R13 415m** (2019: R14 867m) reflecting lower customer activity and volumes, specifically in the second and third quarters, and focused cost containment initiatives. Notwithstanding the focus on cost containment, the business accelerated investment on digital, data and risk management capabilities, given the required changes in customer interactions, with a focus on improving customer experience and enabling employees to operate remotely and in line with social distancing requirements. Normalised for the disposal of Edcon, operating expenses decreased **6%**.

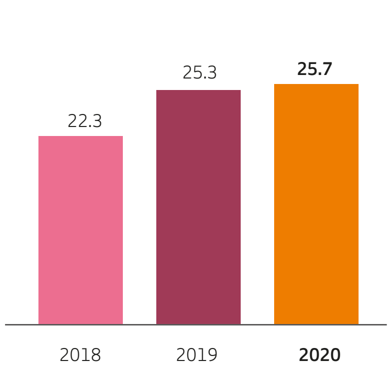
Looking ahead, Everyday Banking will focus on:

- Continuing to support customers as they navigate the effects of the pandemic;
- Accelerating the rate of customer acquisitions and conversion into primary relationship through differentiated offerings;
- Strengthening the risk awareness culture and disciplined approach to underwriting whilst improving collections capabilities;
- Accelerating the digital transformation journey, widening digital adoption across the customer base and improving productivity;
- Refining propositions, including those targeted at growing the youth customer segment; and
- Retaining leading market positions in Retail Deposits and responsibly growing our share in the Personal Loans and Card over time.

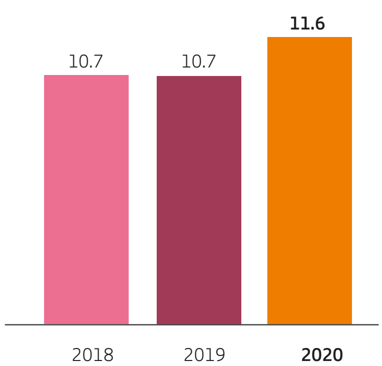
Deposits (Rbn and change %)



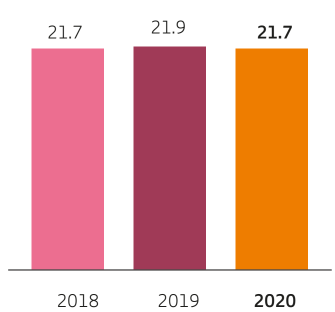
Card market share stock (%)[1]



Personal loans market share (%)[1]



Deposits market share (%)[1]



[1] SARB BA900.

RBB South Africa

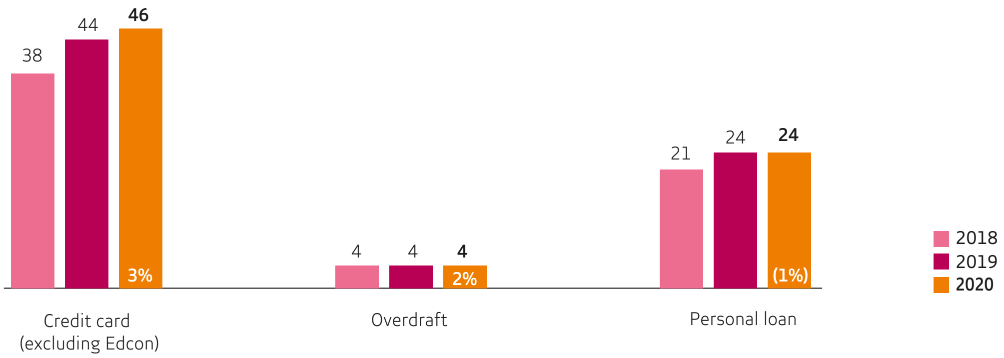
for the reporting period ended 31 December

Business unit performance (continued)

Everyday Banking (continued)

Financial performance (continued)

Gross loans and advances (Rbn and change %)



RBB South Africa

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Business unit performance (continued)

Relationship Banking

Business performance

Relationship Banking continued to execute on the key initiatives underpinning its growth strategy – to this extent the roll-out of the CustomerOne (Salesforce) CRM tool is progressing well and is expected to conclude by the end of the year. The CustomerOne journey will not only address previously identified challenges in the existing fragmented service model but through systematic automation and digitisation of back-office process and services extract additional operational efficiencies. The continued focus on improved customer experience through leveraging our voice channels and the digitisation of non-empathetic service jobs has resulted in bankers increasingly focusing on sales and value add services. Whilst not yet fully embedded, in areas where the new ways of work have been successfully adopted a marked improvement in customer satisfaction scores is evident. Furthermore, the overall customer proposition has been enhanced by fully integrating the services and products in the Fiduciary and Advisory businesses covering the full spectrum of customer segment needs. The gains made in sales and service delivery have further been supported by new product developments as evidenced by the launch of the Business Evolve Zero transactional offering – a zero monthly fee transactional account that incorporates a cashflow management tool for entrepreneurs, and healthy deposit growth on the Third Party Fund Management deposit platforms. The business has also continued to invest in new capabilities in the Acquiring business in alignment with the digital agenda, launching Tap2Pay, Absa Merchant Access Online and an e-Commerce Gateway during the year.

Financial performance

Gross loans and advances to customers remained flat at **R128bn** (2019: R128bn) as contraction in the Commercial Asset and Property Finance portfolios, as a result of the weakened economic environment and tighter lending criteria, was offset by momentum in the term lending portfolio across both Enterprise and Commercial segments and the resilient Agri sector.

Deposits increased by **16%** to **R167bn** (2019: R144bn) reflecting the continued health of the customer franchise as growth was driven by both transactional and saving and investments products, which increased by 13% and 19% respectively. At a segment level, growth in both the Enterprise and Commercial segments offset a contraction in the Local and Provincial Government portfolio.

Headline Earnings decreased **31%** to **R2 522m** (2019: R3 672m) reflecting increased impairments partially offset by pre-provision profit growth of 4% that was supported by a 6% decrease in operating costs.

Net Interest Income increased by **7%** to **R8 058m** (2019: R7 538m) driven by the increase in the deposit book partially offset by margin compression from the faster growth in low margin savings and investment products and lower interest rates.

Non-Interest Income decreased by **12%** to **R5 588m** (2019: R6 349m) reflective of the lower transactional activity across the product set. The continued migration of customers to bundled products tempered the core transactional revenues against the lower transactional activity. Acquiring turnover volumes increased by 7% from customer acquisition and resilient performance from the large retailers. The stronger performance of the large retailers together with a decline in SME and Commercial turnover volumes resulted in average margins contracting. Non-Interest Income in the Financial Advisory & Fiduciary operations was negatively impacted by lower volumes and operational challenges as a result of the hard lockdown as well as the intermittent closures at municipal and master of the high court offices in the second half of the year.

Impairments increased by **R1 710m** to **R2 032m** (2019: R322m) as the expected credit loss allowance was increased due to of the weakened economic outlook, in addition to increased delinquencies specifically in the Commercial Asset Finance and SME portfolios. The credit loss ratio increased to **1.59**% (2019: 0.26%) as a result of the **R1 539m** increase in the expected credit loss allowance.

Operating expenditure contracted **6%** reflecting the benefits of the operational redesign in 2019, volume related savings from cash operations and prudent discretionary cost management partially offset by the continued investments in improving and automating service delivery and self-service channels.

Looking ahead, Relationship Banking will continue to focus on:

- Commercialising key initiatives across the Relationship Banking ecosystem;
- Growing its presence in the young and self-employed professional segments;
- Redefining the value proposition for entrepreneurs;
- Diversifying the premium segment into key growth sectors and products; and
- Optimising cash and other payment offerings.

RBB South Africa

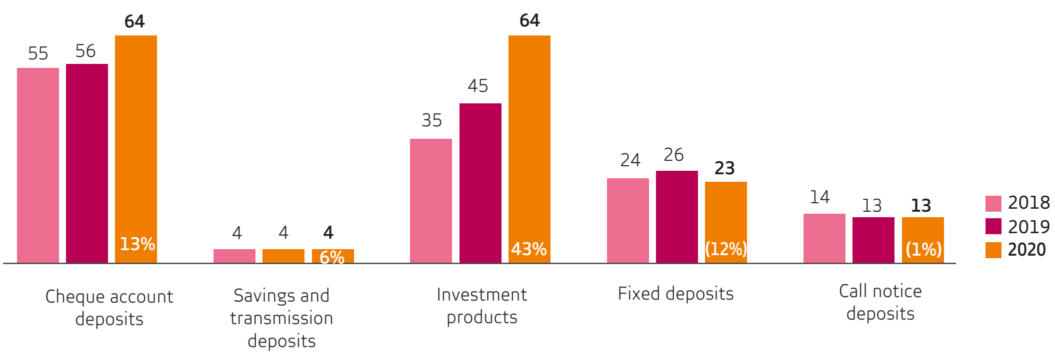
for the reporting period ended 31 December

Business unit performance (continued)

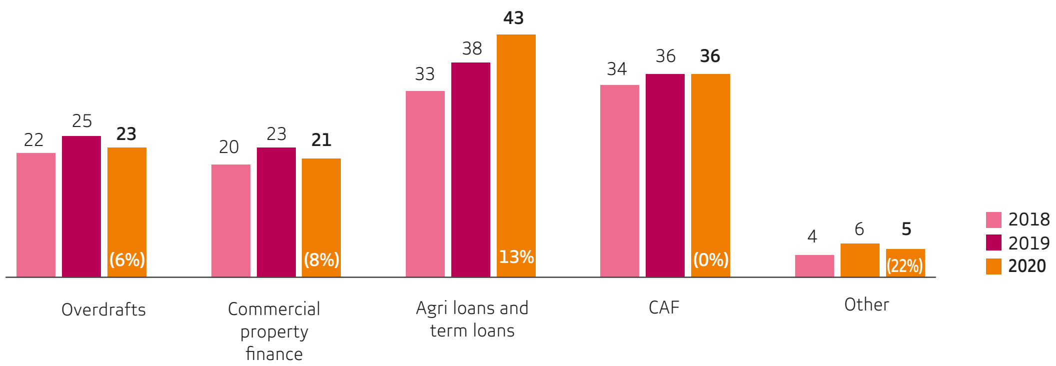
Relationship Banking (continued)

Financial performance (continued)

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



RBB South Africa

for the reporting period ended 31 December

	Life Insurance		
	2020 Rm	2019 Rm	Change %
Statement of comprehensive income (Rm)			
Net insurance premium income	4 506	4 095	10
Net insurance claims and benefits paid	(1 984)	(1 500)	32
Investment income			
Policyholder investment contracts	1 329	1 832	(27)
Policyholder insurance contracts	155	214	(28)
Changes in investment and insurance contract liabilities			
Policyholder investment contracts	(1 264)	(1 702)	(26)
Policyholder insurance contracts	(94)	(13)	>100
Other income	5	76	(93)
Gross operating income	2 653	3 002	(12)
Net commission paid by insurance companies	(983)	(881)	12
Operating expenses	(638)	(676)	(6)
Other expenses	(134)	(125)	7
Net operating income	898	1 320	(32)
Investment income on shareholders' funds	81	108	(25)
Taxation expense	(291)	(461)	(37)
Profit for the period	688	967	(29)
Headline earnings	675	963	(30)
Note (Rm)			
Investment income			
Policyholder investment contracts	1 329	1 832	(27)
Net interest income	1 025	1 157	(11)
Dividend income	224	319	(30)
Fair-value gains/(losses)	80	356	(78)
Policyholder insurance contracts	155	214	(28)
Net interest income	147	131	12
Dividend income	17	17	—
Fair-value gains/(losses)	(9)	66	<(100)
Shareholder funds	81	108	(25)
Net interest income	73	105	(30)
Dividend income	—	1	—
Fair-value gains/(losses)	8	2	>100
Total	1 565	2 154	(27)
Net interest income	1 245	1 393	(11)
Dividend income	241	336	(28)
Fair-value gains/(losses)	79	425	(81)

Insurance Cluster per geographical segment	South Africa		
	2020 Rm	2019 Rm	Change %
Statement of comprehensive income (Rm)			
Net insurance premium income	6 698	6 450	4
Net insurance claims and benefits	(3 639)	(3 285)	11
Gross operating income	3 395	3 655	(7)
Operating expenses	(778)	(815)	(5)
Net operating income	1 276	1 602	(20)
Profit for the reporting period	996	1 243	(20)
Headline earnings	993	1 244	(20)

Short-term Insurance 2020 Rm	Short-term Insurance 2019 Rm	Short-term Insurance Change %	Insurance Cluster 2020 Rm	Insurance Cluster 2019 Rm	Insurance Cluster Change %
3 528	3 458	2	8 034	7 553	6
(2 110)	(2 246)	(6)	(4 094)	(3 746)	9
—	—	—	1 329	1 832	(27)
75	61	23	230	275	(16)
—	—	—	(1 264)	(1 702)	(26)
—	—	—	(94)	(13)	>100
57	64	(11)	62	140	(56)
1 550	1 337	16	4 203	4 339	(3)
(481)	(480)	(0)	(1 464)	(1 361)	8
(540)	(548)	(1)	(1 178)	(1 224)	(4)
(8)	(9)	(11)	(142)	(134)	6
521	300	74	1 419	1 620	(12)
105	149	(30)	186	257	(28)
(183)	(137)	34	(474)	(598)	(21)
443	312	42	1 131	1 279	(12)
439	310	42	1 114	1 273	(12)
—	—	—	1 329	1 832	(27)
—	—	—	1 025	1 157	(11)
—	—	—	224	319	(30)
—	—	—	80	356	(78)
75	61	23	230	275	(16)
75	61	23	222	192	16
—	—	—	17	17	—
—	—	—	(9)	66	<(100)
105	149	(30)	186	257	(28)
106	141	(25)	179	246	(27)
2	4	(50)	2	4	(50)
(3)	4	<(100)	5	7	(29)
180	210	(14)	1 745	2 364	(26)
181	202	(10)	1 426	1 595	(11)
2	4	(50)	243	340	(29)
(3)	4	<(100)	76	429	(82)

Africa regions 2020 Rm	Africa regions 2019 Rm	Africa regions Change %	Insurance Cluster 2020 Rm	Insurance Cluster 2019 Rm	Insurance Cluster Change %
1 336	1 103	21	8 034	7 553	6
(455)	(461)	(1)	(4 094)	(3 746)	9
808	684	18	4 203	4 339	(3)
(400)	(409)	(2)	(1 178)	(1 224)	(4)
143	18	>100	1 419	1 620	(12)
135	36	>100	1 131	1 279	(12)
121	29	>100	1 114	1 273	(12)

RBB South Africa

for the reporting period ended 31 December

	Insurance Cluster		
	2020 Rm	2019 Rm	Change %
Statement of financial position			
Assets			
Cash balances and loans and advances to banks	—	20	(100)
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	**24 823**	27 556	(10)
Cash balances and loans and advances to banks	**1 202**	2 215	(46)
Investment securities	**23 621**	25 341	(7)
Policyholder insurance contracts	**3 839**	4 069	(6)
Cash balances and loans and advances to banks	**810**	1 112	(27)
Investment securities	**2 408**	2 121	14
Reinsurance assets	**621**	836	(26)
Shareholder funds	**3 742**	3 694	1
Cash balances and loans and advances to banks	**1 441**	2 351	(39)
Investment securities	**2 301**	1 343	71
Other assets	**924**	1 122	(18)
Property and equipment	**317**	328	(3)
Total assets	**33 645**	36 789	(9)
Liabilities			
Liabilities under investment contracts	**24 740**	27 492	(10)
Policyholder liabilities under insurance contracts	**4 157**	4 298	(3)
Other liabilities	**1 561**	1 584	(1)
Other liabilities	**1 448**	1 495	(3)
Other liabilities relating to investment contracts	**113**	89	27
Deferred tax liabilities	**294**	141	>100
Total liabilities	**30 752**	33 515	(8)
Equity			
Capital and reserves	**2 729**	3 109	(12)
Non-controlling interest	**164**	165	(1)
Total equity	**2 893**	3 274	(12)
Total liabilities and equity	**33 645**	36 789	(9)

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster

Business performance

The Insurance Cluster started 2020 continuing the momentum built over the course of 2019 through the execution of the strategy to deliver value from the complete bancassurance business, with key metrics highlighting the benefits of the integration including:

- Integration of the Instant Life digital onboarding and claims process into the branches assisting in growth of 27.5% in this product;
- Improved Vehicle and Asset Finance Value Added Product volumes of 5.8% through optimisation of the sales processes;
- Proactive identification of customers who qualify for Covid-19 related premium relief and claims; and
- Integration of the Activate digital platform into the Vehicle and Asset Finance dealer network.

The onset of the Covid-19 pandemic and the implementation of lockdown restrictions resulted in a significantly weaker operating environment:

- New business volumes reduced by 31% year on year due to the lockdown regulations;
- Policy losses within the Life business reduced marginally in 2020 with the implementation of the premium relief to policyholders, reducing to 2.6% (2019: 3.1%) per month; and
- Overall claims have increased by 9% year on year due to Covid-19 related mortality and retrenchment claims in the Life business partly offset by lower motor claims, as a result of lockdown restrictions, and no catastrophe losses for the year in the Short term business.

The impact of the pandemic on customers has been significant and the following steps were taken during the year to alleviate customer strain:

- Implemented enhanced retrenchment benefits to Credit Life customers as part of the customer Covid-19 relief programme;
- Extended the grace period offered to Standalone customers by an additional 2 months; and
- Provided a motor premium discount to compensate customers for reduced motor exposure as a result of the lockdown conditions.

The Short Term business successfully launched its end-to-end digital insurance product 'Activate' to customers at the end of July, which includes a full motor telematics offering. The development of a cost effective digital platform provides a further channel with which to reach and leverage the scale of the business to deepen relationships with customers.

Reserves were strengthened in response to the impact of the pandemic through increasing the expected retrenchment incidence rate, establishing a specific provision for the expected impact of Covid-19 on mortality and lapses as well as providing for the premium relief granted to customers.

Capital continues to be managed prudently with the Solvency Capital Requirement cover remaining healthy at levels well above the regulatory minimum of 1 times in the South African Life and Short-term businesses.

Life Insurance

Pan Africa Life Insurance headline earnings decreased by **30%** to **R675m** (2019: R963m) mainly due to a **32%** growth in claims and the raising of Covid-19 specific reserves, this was partially offset by a **10%** increase in premium income and a **3%** reduction in expenses.

Embedded Value has reduced by **13%**, primarily due to lower new business volumes and an increase in the retrenchment incidence rate. Embedded Value of New Business (EVNB) declined **42%** due to the allowance for increased retrenchment claims as well as a decline in new business volumes due to reduced business activity achieved during the lockdown. The Life Insurance in-force book has increased by **6%** in 2020 primarily due to the introduction of the expense protector product (a retrenchment cover product offered as part of transactional accounts) during the year.

The business continues to provide attractive returns and a diversification benefit to the credit risk within the banking business.

Salient features – Life Insurance	**2020**	2019	Change %
Shareholders' net assets (Rm)	**1 560**	1 844	(15)
Cost of solvency capital (Rm)	**(204)**	(203)	(0)
Value of business in-force (Rm)	**4 339**	4 850	(11)
Embedded value (Rm)	**5 675**	6 491	(13)
Embedded value earnings (Rm)	**218**	1 058	(79)
Return on embedded value (%)	**3**	16	(82)
EVNB (Rm)	**429**	734	(42)
Value of new business as a percentage of the present value of future premiums (%) (gross)	**7**	11	(37)

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster (continued)

South Africa Life

Headline earnings reduced by **31%** to **R621m** (2019: R904m) mainly due to a **34%** increase in claims, as well as the raising of specific Life reserves related to the pandemic, this was partly offset by a **7%** growth in net premiums and a **4%** reduction in expenses.

Net premium increased by **7%** to **R3 695m** (2019: R3 460m) driven by growth in the funeral business, credit life business and continued growth in Instant Life. The life business has through further integration into the bank sales process made significant improvements in the credit life strike rates. The business has continued to integrate the Instant Life online insurance platform into the bank channels allowing customers to take out an underwritten life policy through the branch network. Additionally, a provision for unrecoverable premium debtors has been raised as a result of premium relief granted to customers.

Claims growth of **34%** to **R1 788m** (2019: R1 329m) was primarily due to an increase in retrenchment and mortality claims as well as a 59% increase in uninitiated claims as the business proactively sought to pay beneficiaries.

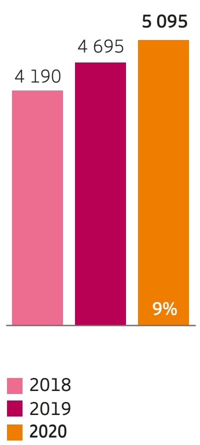
Reserving has been strengthened to take into account increased mortality assumptions, lapse expectations as well as an increased retrenchments incidence rate.

Africa Life

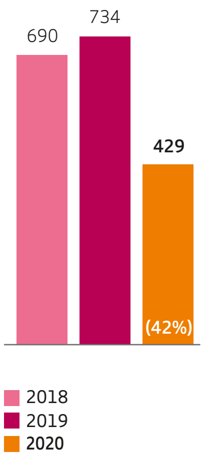
Headline earnings declined **9%** to **R54m** primarily due to new business strain given the growth in the in force book. Net premium income grew **28%** to **R811m** (2019: R635m) driven by growth from the Group Risk and Education business whilst claims increased by **15%**.

New business volumes have reduced by **22%** from the slowdown in economic activity as a result of the pandemic however this has been offset by growth in the higher value Group Scheme business.

Gross premium income
(Rm and change %)



Value of new business
(Rm and change %)



RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster (continued)

Short-term Insurance

Pan Africa Short-term insurance headline earnings increased by **42%** to **R439m** (2019: R310m) as net insurance premium income grew by **2%** and underwriting margin increased to **12.3%** (2019: 6.1%). The improvement in underwriting margins and headline earnings was largely attributed to an improved claims experience and improved performance in the ARO operations.

Salient features – Short-term Insurance	2020	2019
Underwriting margin (%) – SA	**13.7**	9.0
Underwriting margin (%) – ARO	**4.2**	(13.6)
Underwriting margin (%) – Pan Africa	**12.3**	6.1
Loss ratio (%)	**61**	65

South Africa Short-term Insurance

Headline earnings increased **9%** to **R372m** (2019: R340m) largely driven by improved underwriting performance. The underwriting margin improved to **13.7%** (2019: 9.0%) primarily as a result of improved claims experience.

Net insurance premium income was flat at **R3 003m** (2019: R2 991m). Premium income was impacted by customer concessions granted to compensate customers for reduced motor exposures as a result of lockdown conditions, as well as reduced sales through the hard lockdown period. This has been offset by 2% growth in the core homeowners' product from the improved momentum in the Home Loans business in the second half of the year.

Claims decreased by **5%** primarily due to a lower frequency of motor claims because of the lockdown, fewer weather related events and ongoing portfolio management actions.

Africa Short-term insurance

Headline earnings increased to **R67m** (2019: R30m loss) as a result of improved profitability in both Kenya and Mozambique. Underwriting margin improved to **4.2%** (2019: -13.6%) mainly due to increased new business and renewals and improvements in the claims experience both in Kenya and Mozambique.

During the 2020 year the business successfully completed the sale of the First Assurance Tanzania business.

Looking ahead

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

- Enhancing digital insurance capabilities and offerings through seamless integration into bank platforms and processes;
- Improving product propositions and diversifying distribution channels;
- Improving retention and collections through the utilisation of data science; and
- Increasing self-service functionality through the digital automation of claims and underwriting functionality.

CIB

for the reporting period ended 31 December

Headline earnings declined by 17% to **R4 945m** (31 December 2019: R5 946m, down 20% in constant currency) mainly from materially higher impairments in the first half of the year. Excluding credit impairments, pre-provision profits increased by 22% to **R10 758m** (31 December 2019: R8 818m, up 18% in constant currency), reflecting strong underlying business performance, with income growth of 14% (up 11% in constant currency) and containment of operating expenses growth to 7% (up 5% in constant currency). The Investment Bank headline earnings was largely unchanged from prior year despite taking material impairments and the Corporate Bank decreased by 35% adversely impacted by higher impairments, volumes and margin pressure.

Key performance highlights for the period include the following:

Improved headline earnings performance
in the second half of the year, particularly in SA, with SA headline earnings growth of 32% in contrast to a decline of 47% in the first half.

US office operational
with all regulatory approvals and licenses secured.

Pre-provision profits growth
of 22% to **R10 758m** (31 December 2019: R8 818m, up 18% in constant currency).

Credit loss ratio deteriorated
to **0.76%** from 0.14%.

Income growth
of 14%, with all core operating business units delivering solid revenue growth on the prior year.

Net interest margin decreased
to 255bps from 270bps mainly from a contraction in Deposit margin as a result of the low interest rate environment and growth in lower margin deposits.

Cost to income ratio improved
to 48.8% from 52.1%.

Non-interest income
as a proportion of total income of 36.2% below our target of 40%.

Customer deposit growth
of 27% was faster than loans.

Transactional volumes continue to be under pressure
as a result of a decline in economic activity.

Successfully integrated
the custody and trustee business (Absa Investor Services) from Societe Generale.

Customer advances largely unchanged,
with muted growth of 2% in SA and ARO declining by 11% (down 8% in constant currency).

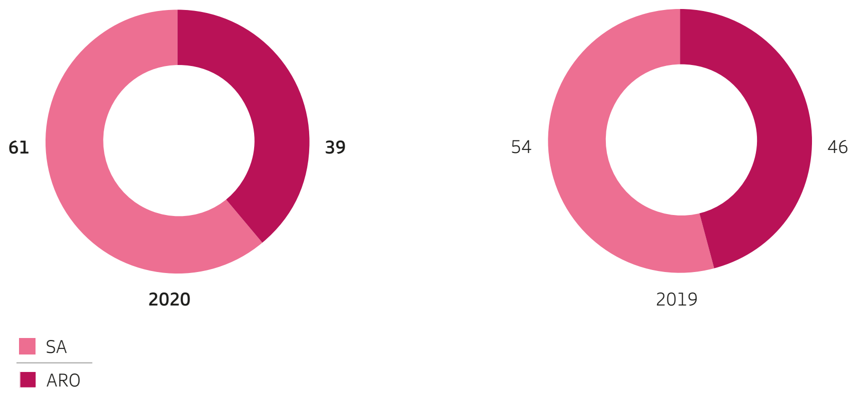
Fully separated
from Barclays PLC within time and budget.

Return on Regulatory Capital declined
to **13.3%** from 18.2%.

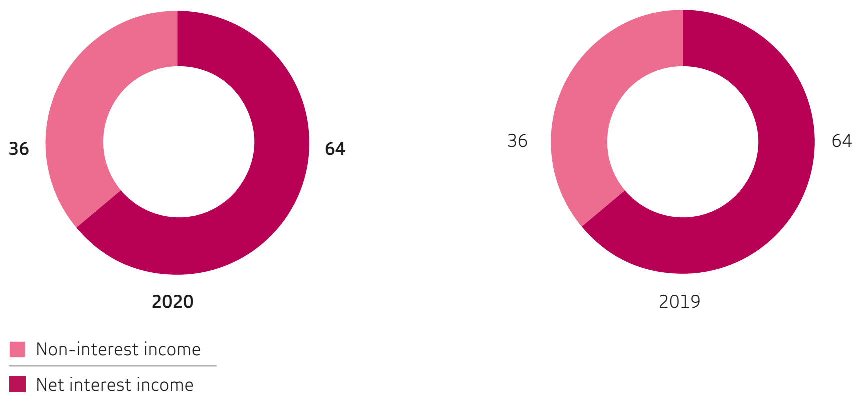
CIB

for the reporting period ended 31 December

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	2020	2019	CCY%	Change %
Income (Rm)	**20 997**	18 408	11	14
Headline earnings (Rm)	**4 945**	5 946	(20)	(17)
Pre-provision profit (Rm)	**10 758**	8 818	18	22
Cost-to-income ratio (%)	**(48.8)**	(52.1)		
Credit loss ratio (%)	**0.76**	0.14		
RoRC (%)	**13.3**	18.2		
RoRWA (%)	**1.47**	2.02		
RoA (%)	**0.57**	0.83		

CIB

for the reporting period ended 31 December

	CIB South Africa		
	2020	2019[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	8 276	7 278	14
Non-interest income	4 258	3 762	13
Total income	12 534	11 040	14
Impairment losses	(1 951)	(367)	>100
Operating expenses	(6 490)	(6 503)	0
Other expenses	(121)	(100)	21
Operating profit before income tax	3 972	4 070	(2)
Tax expenses	(495)	(534)	(7)
Profit for the reporting period	3 477	3 536	(2)
Profit attributable to:			
Ordinary equity holders	3 121	3 225	(3)
Non-controlling interest – ordinary shares	—	—	—
Non-controlling interest – preference shares	121	140	(14)
Non-controlling interest – additional Tier 1	235	171	37
	3 477	3 536	(2)
Headline earnings	3 035	3 230	(6)
Operating performance (%)			
Net interest margin on average interest-bearing assets	1.90	2.02	
Credit loss ratio	0.54	0.11	
Non-interest income as % of income	34.0	34.1	
Income growth	14	(4)	
Operating expenses growth	(0)	6	
Cost-to-income ratio	51.8	58.9	
Statement of financial position (Rm)			
Loans and advances to customers	303 402	298 229	2
Loans and advances to banks	58 203	41 881	39
Investment securities	43 122	42 382	2
Other assets	408 004	278 320	47
Total assets	812 731	660 812	23
Deposits due to customers	282 771	207 461	36
Debt securities in issue	18 276	16 612	10
Other liabilities	506 309	430 658	18
Total liabilities	807 356	654 731	23
Financial performance (%)			
RoRWA	1.24	1.48	
RoA	0.40	0.52	
RoRC	11.1	13.3	

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

CIB ARO				Total CIB			
2020	2019	CCY%	Change %	**2020**	2019[1]	CCY%	Change %
5 119	4 494	7	14	**13 395**	11 772	11	14
3 344	2 874	11	16	**7 602**	6 636	12	15
8 463	7 368	8	15	**20 997**	18 408	11	14
(1 340)	(173)	>100	>100	**(3 291)**	(540)	>100	>100
(3 749)	(3 087)	17	21	**(10 239)**	(9 590)	5	7
(129)	(71)	75	82	**(250)**	(171)	43	46
3 245	4 037	(27)	(20)	**7 217**	8 107	(14)	(11)
(1 065)	(966)	4	10	**(1 560)**	(1 500)	(0)	4
2 180	3 071	(36)	(29)	**5 657**	6 607	(17)	(14)
1 916	2 716	(37)	(29)	**5 037**	5 941	(18)	(15)
264	355	(31)	(26)	**264**	355	(31)	(26)
—	—	—	—	**121**	140	(13)	(14)
—	—	—	—	**235**	171	38	37
2 180	3 071	(36)	(29)	**5 657**	6 607	(17)	(14)
1 910	2 716	(37)	(30)	**4 945**	5 946	(20)	(17)
5.70	5.88			**2.55**	2.70		
1.85	0.30			**0.76**	0.14		
39.5	39.0			**36.2**	36.0		
15	15			**14**	3		
21	20			**7**	10		
44.3	41.9			**48.8**	52.1		
52 928	59 439	(8)	(11)	**356 330**	357 668	1	(0)
7 554	726	>100	>100	**65 757**	42 607	54	54
1 112	786	45	41	**44 234**	43 168	3	2
32 962	36 762	(8)	(10)	**440 966**	315 082	40	40
94 556	97 713	(1)	(3)	**907 287**	758 525	21	20
70 922	71 814	1	(1)	**353 693**	279 275	27	27
—	—	—	—	**18 276**	16 612	10	10
24 625	24 864	1	(1)	**530 934**	455 522	17	17
95 547	96 678	1	(1)	**902 903**	751 409	21	20
2.09	3.53			**1.47**	2.02		
1.82	3.01			**0.57**	0.83		
19.0	32.3			**13.3**	18.2		

CIB

for the reporting period ended 31 December

	Corporate			
	2020	2019[1]	CCY%	Change %
Statement of comprehensive income (Rm)				
Net interest income	**8 517**	7 732	6	10
Non-interest income	**2 262**	2 170	2	4
Total income	**10 779**	9 902	5	9
Impairment losses	**(1 901)**	(333)	>100	>100
Operating expenses	**(5 750)**	(5 386)	5	7
Other expenses	**(105)**	(56)	84	88
Operating profit before income tax	**3 023**	4 127	(31)	(27)
Tax expenses	**(841)**	(894)	(9)	(6)
Profit for the reporting period	**2 182**	3 233	(37)	(33)
Profit attributable to:				
Ordinary equity holders	**1 991**	2 930	(36)	(32)
Non-controlling interest – ordinary shares	**98**	224	(59)	(56)
Non-controlling interest – preference shares	**31**	35	(14)	(11)
Non-controlling interest – additional Tier 1	**62**	44	40	41
	2 182	3 233	(37)	(33)
Headline earnings	**1 900**	2 930	(40)	(35)
Operating performance (%)				
Net interest margin on average interest-bearing assets	**2.94**	3.43		
Credit loss ratio	**1.62**	0.31		
Non-interest income as % of income	**21.0**	21.9		
Income growth	**9**	9		
Operating expenses growth	**7**	12		
Cost-to-income ratio	**53.3**	54.4		
Statement of financial position (Rm)				
Loans and advances to customers	**94 805**	102 829	(6)	(8)
Loans and advances to banks	**11 169**	3 431	>100	>100
Investment securities	**3 672**	3 078	20	19
Other assets	**215 207**	138 466	56	55
Total assets	**324 853**	247 804	32	31
Deposits due to customers	**306 209**	229 636	34	33
Debt securities in issue	**—**	—	—	—
Other liabilities	**18 254**	16 707	11	9
Total liabilities	**324 463**	246 343	33	32
Financial performance (%)				
RoRWA	**1.44**	2.51		
RoA	**0.64**	1.26		
RoRC	**13.1**	22.9		

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

Investment Bank 2020	Investment Bank 2019[1]	Investment Bank Change CCY%	Investment Bank Change %	Total CIB 2020	Total CIB 2019[1]	Total CIB Change CCY%	Total CIB Change %
4 878	4 040	21	21	**13 395**	11 772	11	14
5 340	4 466	17	20	**7 602**	6 636	12	15
10 218	8 506	19	20	**20 997**	18 408	11	14
(1 390)	(207)	>100	>100	**(3 291)**	(540)	>100	>100
(4 489)	(4 204)	6	7	**(10 239)**	(9 590)	5	7
(145)	(115)	24	26	**(250)**	(171)	43	46
4 194	3 980	3	5	**7 217**	8 107	(14)	(11)
(719)	(606)	13	19	**(1 560)**	(1 500)	(0)	4
3 475	3 374	1	3	**5 657**	6 607	(17)	(14)
3 046	3 011	(1)	1	**5 037**	5 941	(18)	(15)
166	131	18	27	**264**	355	(31)	(26)
90	105	(13)	(14)	**121**	140	(13)	(14)
173	127	37	36	**235**	171	38	37
3 475	3 374	1	3	**5 657**	6 607	(17)	(14)
3 045	3 016	(1)	1	**4 945**	5 946	(20)	(17)
2.08	1.92			**2.55**	2.70		
0.44	0.07			**0.76**	0.14		
52.3	52.5			**36.2**	36.0		
20	(3)			**14**	3		
7	8			**7**	10		
43.9	49.4			**48.8**	52.1		
261 525	254 839	4	3	**356 330**	357 668	1	(0)
54 588	39 176	40	39	**65 757**	42 607	54	54
40 562	40 090	1	1	**44 234**	43 168	3	2
225 759	176 616	28	28	**440 966**	315 082	40	40
582 434	510 721	15	14	**907 287**	758 525	21	20
47 484	49 639	(4)	(4)	**353 693**	279 275	27	27
18 276	16 612	10	10	**18 276**	16 612	10	10
512 680	438 815	17	17	**530 934**	455 522	17	17
578 440	505 066	16	15	**902 903**	751 409	21	20
1.49	1.69			**1.47**	2.02		
0.53	0.63			**0.57**	0.83		
13.4	15.2			**13.3**	18.2		

CIB

for the reporting period ended 31 December

Business profile

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

Key business areas

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

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

Financial performance

Headline earnings declined by 17% to **R4 945m** (31 December 2019: R5 946m, down 20% in constant currency); SA down 6% to **R3 035m** (31 December 2019: R3 230m) and ARO down 30% to **R1 910m** (31 December 2019: R2 716m, down 37% in constant currency). The performance was adversely impacted by high impairments which contributed towards the lower Return on Regulatory Capital of 13.3% from 18.2%. Headline earnings improved in the second half of the year growing by 6% (SA up 32% and ARO down 23%) as impairments slowed and revenue momentum continued from the first half.

Total income increased by 14% to R20 997m (31 December 2019: R18 408m, up 11% in constant currency), driven by continued momentum across the franchise, with all core operating business units delivering growth. SA increased by 14% and ARO increased by 15%. The performance was achieved despite the stressed operating environment following the impact of the Covid-19 pandemic. Corporate Bank increased income by 9% while Investment Bank income increased by 20%.

- The Corporate Bank income increased by 9% to **R10 779m** (31 December 2019: R9 902m, up 5% in constant currency) with SA up 6% to **R4 960m** (31 December 2019: R4 665m) and ARO up 11% to **R5 819m** (31 December 2019: R5 237m, up 4% in constant currency). The overall performance was supported by Working Capital growth of 19% in constant currency from increased demand in short term funding observed in the first half of the year, growth of 6% in constant currency in Trade due to increased trade loans in ARO and improved documentary product performance in SA. Cash management business benefitted from strong average deposit growth, partially offset by margin pressure as well as lower transactional volumes due to a decline in economic activity.
- The Investment Bank income increased by 20% to **R10 218m** (31 December 2019: R8 506m, up 19% in constant currency). The performance was driven mainly by a strong Markets performance up 33% (Markets SA up 41% and Markets ARO up 24%) as a result of improved client facilitation risk in SA, increased execution and monetisation of client flows driven by market volatility. Furthermore, the Investment Bank benefitted from continued growth momentum in the Commercial Property Finance business, up 37%, driven by a combination of average portfolio growth and modest margin expansion; as well as improved advisory fee income and margin expansion in the Banking business, up 10%. This was partially offset by negative fair value adjustments in the non-core Private Equity business.

Credit Impairments increased sixfold to **R3 291m** (31 December 2019: R540m, up >100%), mainly driven by increased single name charges as well as judgmental macro-economic overlays of R 1.2bn taken in the first half. Impairments slowed in the second half. Credit loss ratio remained above the targeted through the cycle range of 20-30bps at 76bps (from 14bps), reflecting the challenging macroeconomic environment.

Operating expenses increased by 7% to **R10 239m** (31 December 2019: R9 590m, up 5% in constant currency) reflecting increased post separation incremental run costs and restructuring costs particularly in ARO. These were partially offset by structural efficiency savings as well as management intervention to contain costs in response to Covid-19.

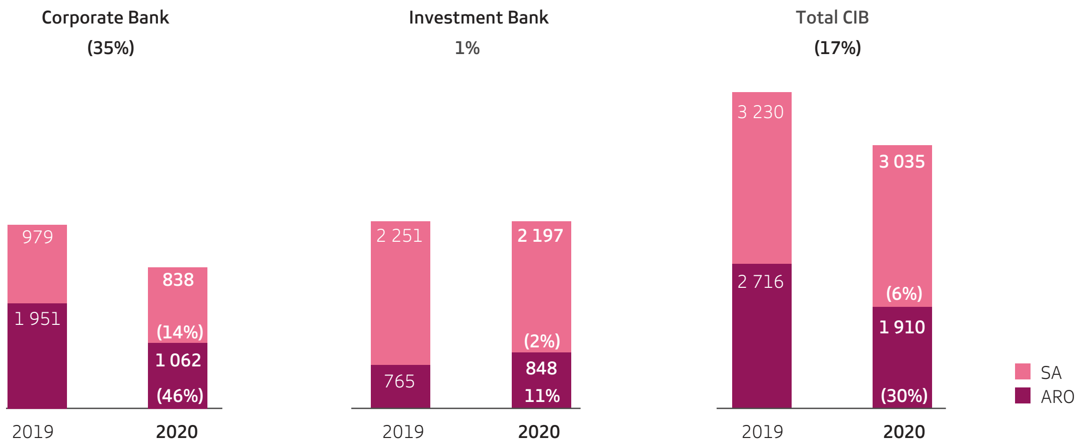
Average customer deposits increased by 22% to **R320.0bn** (31 December 2019: R262.3bn, 20% in constant currency), supported by strong growth across all deposit classes, with average SA cheque deposit growth of 26%. Average customer loans increased by 10% to R368.7bn (31 December 2019: R336.1bn, up 8% in constant currency), while closing customer loans balances remained largely unchanged from prior year.

CIB

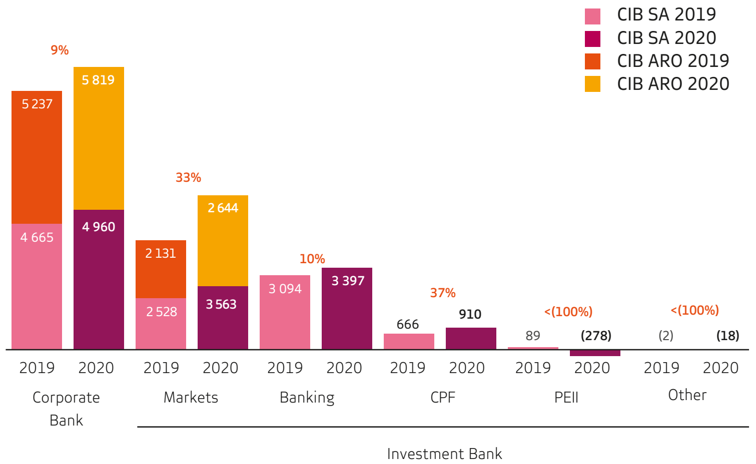
for the reporting period ended 31 December

Financial performance (continued)

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



CIB

for the reporting period ended 31 December

Business performance

The Corporate and Investment Bank delivered satisfactory results in a year characterized by uncertainty across global markets. At the onset of the Covid-19 pandemic, the business set up clear over-arching response protocols to maintain operational stability, manage firm resources optimally and to support and stay close to our clients. In addition, the business channelled efforts at reviewing its strategy to emerge with a robust and resilient strategy geared for the new normal.

The financial performance was adversely impacted by impairments materialising quickly, particularly in the first half of the year. This necessitated a shift in focus from growth to preservation of capital.

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

- CIB celebrated the successful separation from Barclays PLC, comprising 44 key projects with five platinum projects, delivered by more than 200 colleagues within budget and agreed timelines.
- Approximately c.R54.4bn in payment relief was extended to CIB clients during the year under review, with R6.1bn granted in second half of the year. This included interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.
- The business migrated a significant number of the African Regional Operations client base onto strategic channels.
- We successfully integrated Absa Investor Services, the custody and trustee business acquired from Societe Generale, bringing on board a rich network of local and global clients.
- The US office secured all regulatory approvals and licenses, establishing both our presence in the US and our ability to intermediate global trade and investment via the SEC registered broker dealer.
- In addition, CIB contributed to support prevention efforts, looking at innovative and impactful response actions that would aid government's prevention, detection and relief efforts against Covid-19.

The following accolades were received, amongst others during the period:

- Financial Mail – 1st place in Research in Fixed Income Securities
- African Banking Awards by EMEA Finance- Best Investment Bank in Botswana and Mozambique, Best Local Investment Bank, Equity House and Loan House in South Africa
- Euromoney – Excellence in Leadership in Africa
- Asian Banker Transactional Banking Awards-Best Trade Finance Bank in Africa, Best Cash Management Bank in Mauritius, Best Cash Management and Transaction Bank in Kenya
- Euromoney Cash Management Survey 2020- Market Leader in Botswana, Ghana, Kenya, Uganda, Zambia
- Euromoney Cash Management Survey 2020- Best Service in Africa
- EMEA Finance Treasury Service Awards 2020-Best Cash Management Service in Africa & Best Payment Service in Africa
- Global Finance Award 2020 World's Best Corporate/Institutional Digital Banks in Africa 2020-Best Trade Finance Services and Best Online Portal

Corporate Bank

The Corporate Bank franchise increased income by 9% to **R10 779m** (31 December 2019: R9 902m, up 5% in constant currency), with SA up 6% and ARO up 11%. The custody and trustee business (Absa Investor Services) was successfully integrated, expanding the non-banking client value proposition.

Net interest income growth of 10% to **R8 517m** (31 December 2019: R7 732m, up 6% in constant currency) supported by a strong growth in customer deposits, which remained elevated throughout the period. Average customer deposits increased by 27% to **R273.7bn** (31 December 2019: R216.2bn, up 24% in constant currency), however, this benefit was partially offset by margin pressure across multiple jurisdictions. Furthermore, the business benefitted from increased demand for short term funding which contributed to an average customer loan growth of 10% to **R104.4bn** (31 December 2019: R95.2bn, up 3% in constant currency).

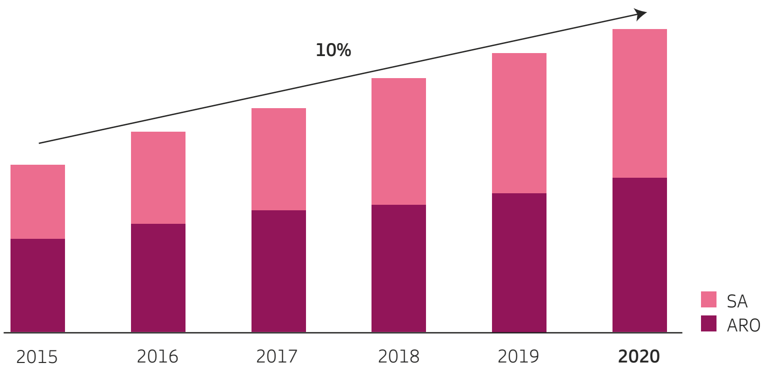
Non-interest income growth of 4% to **R2 262m** (31 December 2019: R2 170m, up 2% in constant currency) was largely driven by increased documentary trade activity, partially offset by lower Transactions and Trade volumes due to subdued economic activity.

CIB

for the reporting period ended 31 December

Business performance (continued)

Corporate Bank income growth trend (CAGR)



Corporate SA income was driven by the following:

- Working Capital up 17% supported by improved margins as a result of changes in the underlying client mix. Average advances remained flat, with the demand for short term funding observed in H1 declining in H2 as customers delayed investment decisions and held cash in deposit accounts.
- Deposits up 10% driven by strong growth in average customer deposits of 32% to **R199.4bn** (31 December 2019: R150.9bn), with continued momentum in Money Market Deposits and Cheque Deposits. This was however offset by an adverse margin impact due to declining interest rates, as well as the impact of growth in lower yielding money market deposits.
- Trade up 2% as the fee business increased by 12% from a strong performance in documentary trade products, while net interest income was down 7% driven by both margins and balances trending down on prior year.

This was partially offset by:

- Transactional income down 1% driven by the decline in economic activity, which adversely impacted transactional volumes.

Corporate ARO income[1]

The underlying business performed well over the period, increasing revenue by 11% (up 4% in constant currency), with double-digit income growth achieved in the Trade and Working Capital businesses:

- Trade up 12% year-on-year due to a combination of improved average balance sheet performance (up 14%) and margins;
- Working Capital up 27% from increased utilisation driving growth in average balance sheet (up 8%) and improved margins (up 50 bps) in certain markets;
- Cash management up 1% year-on-year largely due to a strategic focus on maintaining and growing average customer deposits (up 5%), partly offset by margin compression in low interest rate environments across the markets. Transactional volumes declined in most jurisdictions owing to Covid-19 lockdowns; and
- Term debt declined 2% year-on-year due to a slowdown in economic activity and margin compression as a result of interest rate cuts aimed at stimulating the local economy following the impacts of Covid-19.

Corporate Bank salient features	2020 SA	2020 ARO	2020 Total	2019 SA[2]	2019 ARO	2019 Total[2]	CCY%	Change %
Gross income (Rm)	**4 960**	**5 819**	**10 779**	4 665	5 237	9 902	5	9
Credit impairments (Rm)	**(573)**	**(1 328)**	**(1 901)**	(162)	(171)	(333)	>100	>100
Net income (Rm)	**4 387**	**4 491**	**8 878**	4 503	5 066	9 569	(10)	(7)
Average loans and advances to customers (Rbn)	**40.5**	**63.9**	**104.4**	41.3	53.9	95.2	3	10
Average deposits due to customers (Rbn)	**199.4**	**74.3**	**273.7**	150.9	65.4	216.3	24	27

[1] % are quoted in constant currency.
[2] These numbers have been restated, refer to the report overview on the inside front cover.

CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank

Total Investment Bank income increased by 20% to **R10 218m** (31 December 2019: R8 506m, 19% in constant currency), with SA up 19% to **R7 574m** (31 December 2019: R6 375m), and ARO up 24% to **R2 644m** (31 December 2019: R2 131m, 18% in constant currency). The performance was supported by double-digit growth across all core business units, with Markets up 33%, CPF up 37% and Banking up 10%.

The performance by business unit is detailed below:

Global Markets

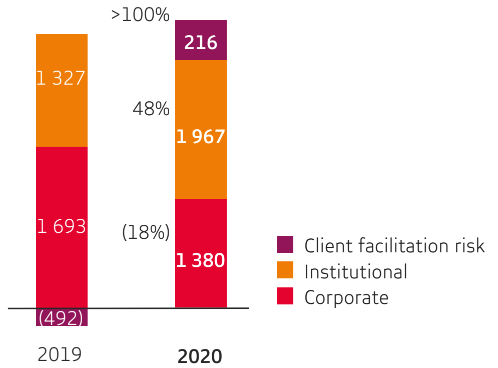
Global Markets income increased by 33% to **R6 207m** (31 December 2019: R4 659m, 31% in constant currency), with Markets SA up 41% to **R3 563m** (31 December 2019: R2 528m) and Markets ARO up 24% to **R2 644m** (31 December 2019: R2 131m, 18% in constant currency).

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

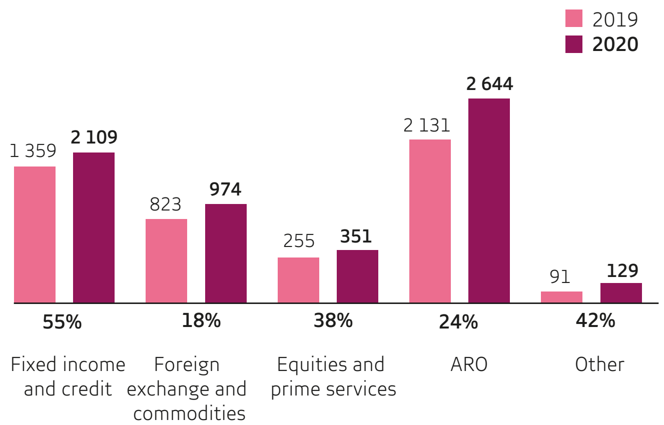
- **Fixed Income and Credit** increased by 55% to **R2 109m** (31 December 2019: R1 359m) due to a consistent increase in institutional client and market making activity. Increased volatility led to wider bid offer spreads which benefitted the market making desks. Partially offset by subdued corporate activity, as any consequent hedging activity was marginal due to clients focusing on short-term liquidity, with the view that rates globally would remain lower for longer.
- **Foreign Exchange and Commodities** increased by 18% to **R974m** (31 December 2019: R823m) supported by increased client flows driven by robust risk management support and execution capabilities during volatile market conditions. Furthermore, benefitted from the successful implementation of the strategy to grow product revenue through a holistic client centred strategy.
- **Equities and Prime Services** increased by 38% to **R351m** (31 December 2019: R255m) driven by Prime Services due to a significant focus on balance sheet optimisation and increased counterparty trading. The Equities business was adversely impacted by market volatility and a difficult equities trading environment. Cash equities continued to leverage the Africa footprint and were successful in on-boarding new clients.

Markets ARO performance was driven by higher net revenues in government bonds, derivatives and interbank FX swaps trading amidst favourable interest rate environments. The business benefitted from significant gains and volatility on the fixed income trading books, driven by rate cuts in H1 in response to the impact of Covid-19. Income slowed slightly in H2 due to lower corporate activity across markets, which adversely impacted FX activity. In spite of the economic downturn, client FX turnover was up year on year as a result of collaboration with Coverage and Transactional Banking teams leading to higher cross sell.

Markets SA revenue: client vs risk (Rm and change %)



Global markets gross income split (Rm and change %)



CIB

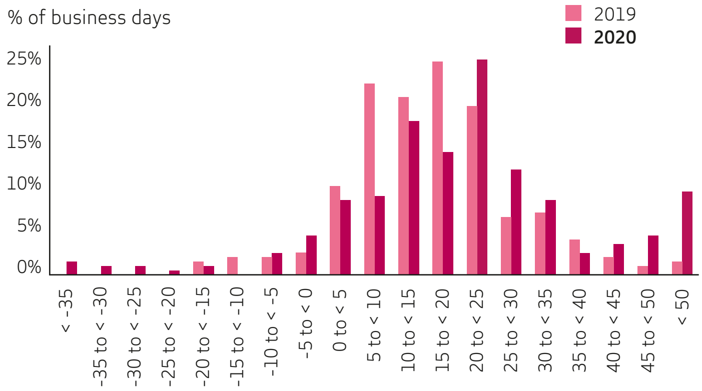
for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Global Markets (continued)

Daily markets income distribution (Rm)



Banking SA

Banking SA income increased by 10% to **R3 397m** (31 December 2019: R3 094m), driven by growth in average customer loans, improved advisory fee income and margin expansion. The performance was achieved despite the negative fair value adjustments taken on a legacy portfolio in the first half of the year (growth excluding fair value adjustments was 17%).

The underlying business performance was supported by strong growth in the financing business driven by improved margins across the majority of the product lines and an average customer loans growth of 8%, with more pronounced growth in the Resource and Project Finance book, up 19%, the Preference share book, up 13% contributing positively towards overall returns. The underwriting book increased by more than 100%, off a low base, from effective use of balance sheet in support of client's long-term strategic objectives. Furthermore, the business benefitted from increased fee income from the Advisory business locking in a number of large buy and sell side mandates for strategic clients. Equity Capital Markets led three of the largest capital raisings on the JSE in 2020 in the Mining, Property and Retail sectors.

Salient features	2020	2019[1]	Change %[1]
Gross income (Rm)	**3 397**	3 094	10
Credit impairment (Rm)	**(1 239)**	(163)	>100
Net income (Rm)	**2 158**	2 931	(26)
Average loans and advances to customers (Rbn)	**162.6**	149.9	8

Commercial Property Finance SA (CPF)

CPF SA income increased by 37% to **R910m** (31 December 2019: R666m) driven by a combination of average portfolio asset growth of 25% to **R55.8bn** (31 December 2019: R44.6bn), as well as modest margin expansion. The business continues to grow in a sustainable manner whilst maintaining a well-diversified portfolio in terms of key concentration metrics across counterparties, geographies and sectors. The business continued the pro-active steps taken in the first half to manage risk relating to the Covid-19 pandemic, including monitoring clients closely and restructuring as the need arose.

Salient features	2020	2019	Change %
Gross income (Rm)	**910**	666	37
Credit impairment (Rm)	**(116)**	(40)	>100
Net income (Rm)	**794**	626	27
Average portfolio assets (Rbn)	**55.8**	44.6	25

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported negative income of **R278m** (31 December 2019: R89m) mainly due to net negative revaluations.

Salient features	2020	2019	Change %
Revaluations (Rm)	**(328)**	9	<(100)
Realisations, dividends, interest and fees (Rm)	**57**	107	(47)
Funding (Rm)	**(7)**	(27)	(74)
Net income (Rm)	**(278)**	89	<(100)
Total portfolio size (Rbn)	**1.7**	1.9	(11)

Looking ahead

The complexities presented by the rapidly evolving world highlights that the CIB franchise continues to deliver on client centricity, through adaptability, collaboration and strategic system approach. 2020 presented us with many lessons which will inform the way we navigate the uncertainties to create possibilities that will propel us to greater heights, as we pursue our ambition of becoming a leading Pan-African Corporate and Investment Bank.

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

- Investing in strategic platforms and channels to better serve clients and increase primacy;
- Digitisation as a key lever to drive change within the organisation;
- Expanding the product offering across the African footprint to deliver a robust solution to clients;
- Staying close to clients in each relevant geography and building connectivity for global clients, while creating and leveraging strategic partnerships; and
- Continuing to drive an entrepreneurial culture that nurtures excellence and collaboration.

We will continue to invest in talent to execute the strategy successfully and remain steadfast in shared value creation.

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CIB South Africa

for the reporting period ended 31 December

	Corporate		
	2020	2019[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**3 398**	3 233	5
Non-interest income	**1 562**	1 432	9
Total income	**4 960**	4 665	6
Impairment losses	**(573)**	(162)	>100
Operating expenses	**(3 002)**	(3 057)	(2)
Other expenses	**(31)**	(2)	>100
Operating profit before income tax	**1 354**	1 444	(6)
Tax expenses	**(339)**	(386)	(12)
Profit for the reporting period	**1 015**	1 058	(4)
Profit attributable to:			
Ordinary equity holders	**922**	979	(6)
Non-controlling interest – preference shares	**31**	35	(11)
Non-controlling interest – additional Tier 1	**62**	44	41
	1 015	1 058	(4)
Headline earnings	**838**	979	(14)
Operating performance (%)			
Net interest margin on average interest-bearing assets	**1.66**	2.14	
Credit loss ratio	**1.16**	0.32	
Non-interest income as % of income	**31.5**	30.7	
Income growth	**6**	6	
Operating expenses growth	**(2)**	6	
Cost-to-income ratio	**60.5**	65.5	
Statement of financial position (Rm)			
Loans and advances to customers	**41 877**	43 390	(3)
Loans and advances to banks	**6 926**	3 431	>100
Investment securities	**2 682**	2 407	11
Other assets	**195 258**	118 618	65
Total assets	**246 743**	167 846	47
Deposits due to customers	**235 287**	158 083	49
Debt securities in issue	**—**	—	—
Other liabilities	**10 336**	9 229	12
Total liabilities	**245 623**	167 312	47
Financial performance (%)			
RoRWA	**1.38**	1.75	
RoA	**0.39**	0.62	
RoRC	**12.5**	15.9	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

	Investment Bank			Total CIB		
	2020	2019[1]	Change %	2020	2019[1]	Change %
	4 878	4 045	21	**8 276**	7 278	14
	2 696	2 330	16	**4 258**	3 762	13
	7 574	6 375	19	**12 534**	11 040	14
	(1 378)	(205)	>100	**(1 951)**	(367)	>100
	(3 488)	(3 446)	1	**(6 490)**	(6 503)	0
	(90)	(98)	(8)	**(121)**	(100)	21
	2 618	2 626	(0)	**3 972**	4 070	(2)
	(156)	(148)	5	**(495)**	(534)	(7)
	2 462	2 478	(1)	**3 477**	3 536	(2)
	2 199	2 246	(2)	**3 121**	3 225	(3)
	90	105	(14)	**121**	140	(14)
	173	127	36	**235**	171	37
	2 462	2 478	(1)	**3 477**	3 536	(2)
	2 197	2 251	(2)	**3 035**	3 230	(6)
	2.12	1.94		**1.90**	2.02	
	0.44	0.07		**0.54**	0.11	
	35.6	36.5		**34.0**	34.1	
	19	(10)		**14**	(4)	
	1	7		**(0)**	6	
	46.1	54.1		**51.8**	58.9	
	261 525	254 839	3	**303 402**	298 229	2
	51 277	38 450	33	**58 203**	41 881	39
	40 440	39 975	1	**43 122**	42 382	2
	212 746	159 702	33	**408 004**	278 320	47
	565 988	492 966	15	**812 731**	660 812	23
	47 484	49 378	(4)	**282 771**	207 461	36
	18 276	16 612	10	**18 276**	16 612	10
	495 973	421 429	18	**506 309**	430 658	18
	561 733	487 419	15	**807 356**	654 731	23
	1.20	1.39		**1.24**	1.48	
	0.40	0.48		**0.40**	0.52	
	10.7	12.5		**11.1**	13.3	

Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the reporting period include:

Revenue growth
of **8%** (CCY: 2%) was supported by growth in all businesses. The Investment Banking business grew revenue by **24%** (CCY: 18%), Corporate grew revenue by **11%** (CCY: 4%) and RBB grew revenue by **8%** (CCY: 2%).

Impairments grew
by **229%** (CCY: 222%) resulting in a higher credit loss ratio of **2.66%** (2019: 0.98%) driven by increased coverage and customer delinquency levels because of the global pandemic. RBB impairments grew by **124%** (CCY: 119%) to **R2 507m** (2019: R1 120m) resulting in a higher credit loss ratio of **3.90%** (2019: 2.10%) and CIB impairments increased almost tenfold to **R1 340m** (2019: R173m) resulting in an increase in the credit loss ratio to **1.85%** 2019: 0.30%).

Successful completion of separation,
including brand and name change.

Headline earnings decreased
by **56%** (CCY: 65%) resulting in a return on equity of **7.4%** (2019: 19.0%).

Deposits due to customers grew
by **6%** (CCY: 11%) driven by growth in both RBB and Corporate Banking.

Margins decreased
to **6.64%** (2019: 7.39%) due to interest rate cuts in the current year across most markets in response to the global pandemic.

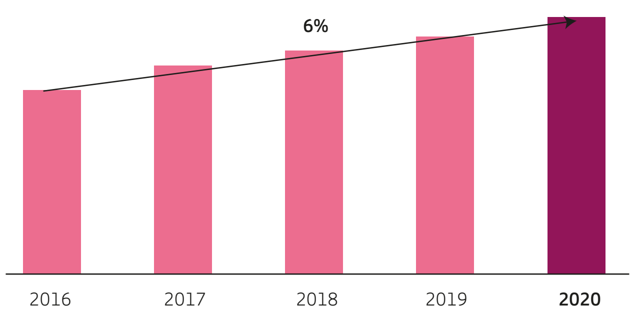
Loans and advances to customers declined
by **3%** (CCY: 0%), despite a **6%** (CCY: 11%) growth in RBB loans and advances to customers, given a decline of **11%** (CCY: 8%) in Corporate loans and advances to customers.

Cost-to-income ratio increased
to **60.0%** (2019: 57.8%) as cost growth of **12%** (CCY: 8%) exceeded revenue growth of **8%** (CCY: 2%). Operating cost growth was impacted by restructuring costs, incremental run post separation and investment in technology.

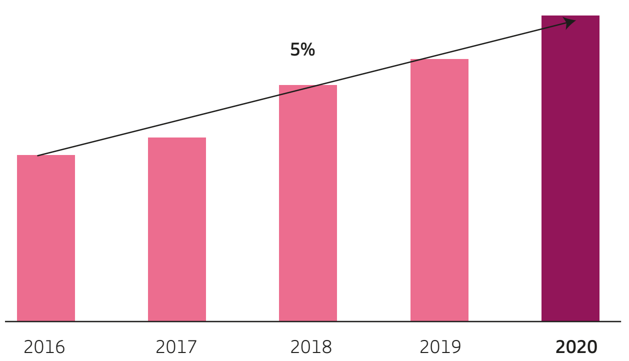
Pre-provision profit growth
of **3%** (CCY: decrease of 5%).

Salient features	2020	2019	CCY %	Change %
Income (Rm)	**20 149**	18 605	2	8
Attributable earnings (Rm)	**1 595**	3 661	(66)	(56)
Headline earnings (Rm)	**1 589**	3 635	(65)	(56)
Credit loss ratio (%)	**2.66**	0.98		
Cost-to-income ratio (%)	**60.0**	57.8		
Return on equity	**7.4**	19.0		
RoRWA (%)	**0.61**	1.63		
RoA (%)	**0.64**	1.77		
RoRC (%)	**6.4**	17.2		

ARO Income growth trend CCY (CAGR)



ARO Pre-provision profit growth trend CCY (CAGR)



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Absa Regional Operations

for the reporting period ended 31 December

	RBB				CIB			
	2020	2019	CCY%	Change %	2020	2019	CCY%	Change %
Statement of comprehensive income (Rm)								
Net interest income	**8 893**	7 816	8	14	**5 119**	4 494	7	14
Non-interest income	**2 897**	3 105	(11)	(7)	**3 344**	2 874	11	16
Total income	**11 790**	10 921	2	8	**8 463**	7 368	8	15
Impairment losses	**(2 507)**	(1 120)	>100	>100	**(1 340)**	(173)	>100	>100
Operating expenses	**(8 345)**	(7 665)	4	9	**(3 749)**	(3 087)	17	21
Other expenses	**(407)**	(293)	33	39	**(129)**	(71)	75	82
Operating profit/(loss) before income tax	**531**	1 843	(81)	(71)	**3 245**	4 037	(27)	(20)
Tax expenses	**(492)**	(662)	(34)	(26)	**(1 065)**	(966)	4	10
Profit/(loss) for the reporting period	**39**	1 181	<(100)	(97)	**2 180**	3 071	(36)	(29)
Profit attributable to:								
Ordinary equity holders	**(160)**	823	<(100)	<(100)	**1 916**	2 716	(37)	(29)
Non-controlling interest – ordinary shares	**199**	358	(47)	(44)	**264**	355	(31)	(26)
	39	1 181	<(100)	(97)	**2 180**	3 071	(36)	(29)
Headline earnings	**(161)**	798	<(100)	<(100)	**1 910**	2 716	(37)	(30)
Operating performance (%)								
Net interest margin on average interest-bearing assets	**9.46**	10.62			**5.70**	5.88		
Credit loss ratio	**3.90**	2.10			**1.85**	0.30		
Non-interest income as % of income	**24.6**	28.4			**39.5**	39.0		
Income growth	**8**	13			**15**	15		
Operating expenses growth	**9**	9			**21**	20		
Cost-to-income ratio	**70.8**	70.2			**44.3**	41.9		
Statement of financial position (Rm)								
Loans and advances to customers	**55 321**	52 026	11	6	**52 928**	59 439	(8)	(11)
Loans and advances to banks	**1**	2	(20)	(50)	**7 554**	726	>100	>100
Investment securities	**4**	9	(55)	(56)	**1 112**	786	45	41
Other assets	**39 705**	34 532	24	15	**32 962**	36 762	(8)	(10)
Total assets	**95 031**	86 569	16	10	**94 556**	97 713	(1)	(3)
Deposits due to customers	**83 947**	75 670	18	11	**70 922**	71 814	1	(1)
Debt securities in issue	**77**	74	(0)	4	**—**	—	—	—
Other liabilities	**14 114**	12 607	13	12	**24 625**	24 864	1	(1)
Total liabilities	**98 138**	88 351	17	11	**95 547**	96 678	1	(1)
Financial performance (%)								
RoRWA	**(0.17)**	1.04			**2.09**	3.53		
RoA	**(0.16)**	0.95			**1.82**	3.01		
RoRC	**(1.5)**	9.3			**19.0**	32.3		

Key closing exchange rates in ZAR terms		2020	2019	Change %
Botswana	ZAR/BWP	**1.36**	1.33	2
Ghana	ZAR/GHS	**2.50**	2.48	1
Kenya	ZAR/KES	**0.13**	0.14	(3)
Mauritius Onshore	ZAR/MUR	**0.37**	0.39	(5)
Mauritius Offshore	ZAR/USD	**14.66**	14.02	5
Mozambique	ZAR/MZN	**0.20**	0.22	(12)
Seychelles	ZAR/SCR	**0.69**	1.02	(32)
Tanzania	ZAR/TZS	**0.01**	0.01	5
Uganda	ZAR/UGX	**0.00**	0.00	5
Zambia	ZAR/ZMW	**0.69**	1.00	(30)

Head Office, Treasury and other operations in Absa Regional Operations				Absa Regional Operations			
2020	2019	CCY%	Change %	2020	2019	CCY%	Change %
(133)	254	<(100)	<(100)	**13 879**	12 564	4	10
29	62	(57)	(53)	**6 270**	6 041	(1)	4
(104)	316	<(100)	<(100)	**20 149**	18 605	2	8
(148)	80	<(100)	<(100)	**(3 995)**	(1 213)	>100	>100
9	(1)	<(100)	<(100)	**(12 085)**	(10 753)	8	12
(1)	(3)	(76)	(67)	**(537)**	(367)	40	46
(244)	392	<(100)	<(100)	**3 532**	6 272	(51)	(44)
1	(275)	(99)	<(100)	**(1 556)**	(1 903)	(25)	(18)
(243)	117	<(100)	<(100)	**1 976**	4 369	(63)	(55)
(161)	122	<(100)	<(100)	**1 595**	3 661	(66)	(56)
(82)	(5)	>100	>100	**381**	708	(49)	(46)
(243)	117	<(100)	<(100)	**1 976**	4 369	(63)	(55)
(160)	121	<(100)	<(100)	**1 589**	3 635	(65)	(56)
n/a	n/a			**6.64**	7.39		
n/a	n/a			**2.66**	0.98		
n/a	n/a			**31.1**	32.5		
n/a	n/a			**8**	14		
n/a	n/a			**12**	12		
n/a	n/a			**60.0**	57.8		
—	—	—	—	**108 249**	111 465	0	(3)
11 355	14 119	(13)	(20)	**18 910**	14 847	34	27
46 049	34 880	37	32	**47 165**	35 675	37	32
(21 753)	(15 294)	33	42	**50 914**	56 000	1	(9)
35 651	33 705	18	6	**225 238**	217 987	9	3
4 364	2 904	46	50	**159 233**	150 388	11	6
2 028	2 781	(28)	(27)	**2 105**	2 855	(27)	(26)
3 846	4 777	57	(19)	**42 585**	42 248	11	1
10 238	10 462	31	(2)	**203 923**	195 491	10	4
n/a	n/a			**0.61**	1.63		
n/a	n/a			**0.64**	1.77		
n/a	n/a			**6.4**	17.2		

Absa Regional Operations

for the reporting period ended 31 December

Business profile

ARO operates in 10 jurisdictions across the African continent outside of South Africa through 10 legal entities and 1 representative office. ARO offers a comprehensive suite of banking products and services in our main market segments being Retail and Business Bank and Corporate and Investment Banking.

Key segments

- Retail and Business Bank (RBB)
- Corporate and Investment Bank (CIB)
  - Corporate
  - Investment Bank
- Head Office, Treasury and other operations

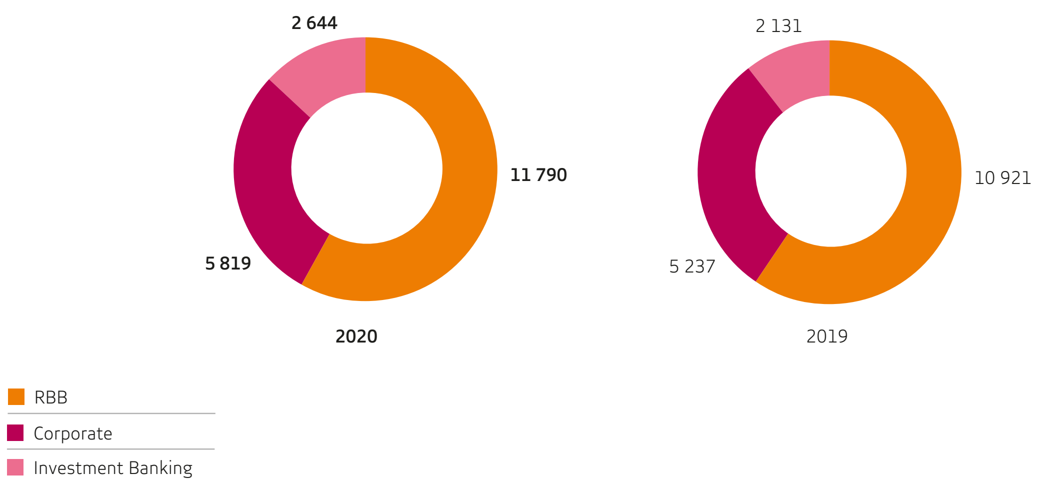
Customers and clients across the continent are served through the following key business entities[1]:

- Absa Bank Kenya Plc
- Absa Bank Botswana Ltd
- Absa Bank Ghana Ltd
- Absa Bank Zambia Plc
- The National Bank of Commerce in Tanzania
- Absa Bank Moçambique, SA
- Absa Bank Uganda Ltd
- Absa Bank (Mauritius) Ltd
- Absa Bank Tanzania Ltd
- Absa Bank (Seychelles) Ltd
- Nigeria – Representative office

Financial performance

ARO's headline earnings declined by **56%** (CCY: 65%) to **R1 589m** (2019: R3 635m) resulting in a return on equity of **7.4%** (2019: 19.0%). This result mainly reflects impairments which increased by **229%** (CCY: 222%) resulting in a higher credit loss ratio of **2.66%** (2019: 0.98%) driven by elevated customer stress levels in both the wholesale and retail portfolios. Pre-provision profit grew by **3%** (CCY: decline by 5%), characterised by lower volumes, a decrease in margins from interest rate cuts and restructuring costs to right size the business in response to the effects of the pandemic. Deposits due to customers remained resilient and grew by **6%** (CCY: 11%) with loans and advances to customers having decreased by **3%** (CCY: increased 0%). Headline earnings in Retail and Business Banking and Corporate Banking declined by **120%** (CCY: 135%) and **46%** (CCY: 53%) respectively whilst the Investment Banking business was able to grow headline earnings by **11%** (CCY: 4%). The Rand was weaker on average compared to the prior year against the basket of currencies in the countries in which we operate which had a positive impact on translated earnings, however stronger on a year-end spot basis which had a negative impact on balance sheet growth.

Income contribution by segment excluding Head Office, Treasury and other operations (Rm)

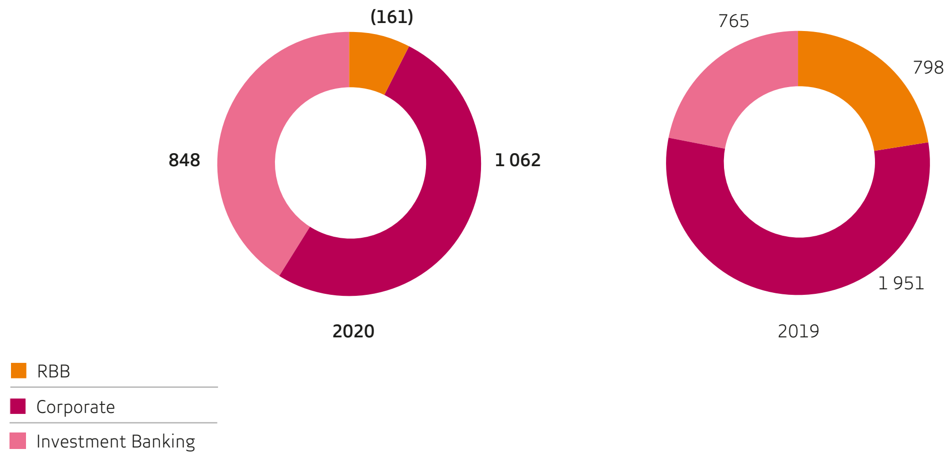


Absa Regional Operations

for the reporting period ended 31 December

Financial performance (continued)

Headline earnings contribution by segment excluding Head Office, Treasury and other operations (Rm)



Net interest income increased by **10%** (CCY: 4%) to **R13 879m** (2019: R12 564m) with RBB's net interest income increasing by **14%** (CCY: 8%) to **R8 893m** (2019: R7 816m) and CIB's net interest income increasing by **14%** (CCY: 7%) to **R5 119m** (2019: R4 494m), despite decreasing interest rates and lower margins mainly from competitive pricing, largely on the back of a resilient performance from deposits due to customers. Policy interest rate reductions were observed in all of the markets in which we operate, ranging from 100 basis points in Botswana to 350 basis points in Zambia, impacting negatively on net interest income.

Non-interest income grew by **4%** (CCY: decline by 1%) to **R6 270m** (2019: R6 041m). The Investment Banking business grew non-interest income by **24%** (CCY: 18%) to **R2 644m** (2019: R2 136m) driven by increased Bond and Swap trading with increased client activities in hedging products. RBB's non-interest income decreased by **7%** (CCY: 11%) to **R2 897m** (2019: R3 105m) and Corporate Banking's non-interest income decreased by **5%** (CCY: 12%) to **R700m** (2019: R738m) reflecting reduced client activity given the global pandemic. Portfolios mostly impacted include Cards and Cash Management fees, whilst Trade fees and FX sales showed resilience.

Impairments increased by **229%** (CCY: 222%) to **R3 995m** (2019: R1 213m) resulting in a higher credit loss ratio of **2.66%** (2019: 0.98%) driven by elevated customer stress levels in both the wholesale and retail portfolios. Despite several payment relief initiatives put in place to assist customers predominantly during the second and third quarter of the year, delinquency profiles still deteriorated. Payment relief was granted to qualifying customers totalling 24% of the total ARO gross loan book. In addition to payment relief, debt restructuring, rate revisions and fee waivers were also implemented to support customers. However, an improvement was seen during the second half of the year with a much improved loan loss rate and lower impairments than the first half of the year.

	December 2020		June 2020		December 2019
	Macroeconomic variables management adjustments Rm	Total impairment losses including management adjustments Rm	Macroeconomic variables management adjustments Rm	Total impairment losses including management adjustments Rm	Total impairment losses including management adjustments Rm
ARO	**1 057**	**3 995**	1 176	2 672	1 213
RBB ARO	**570**	**2 507**	634	1 455	1 120
CIB ARO	**441**	**1 340**	483	1 140	173
Head Office, Treasury and other operations	**46**	**148**	59	77	(80)

Absa Regional Operations

for the reporting period ended 31 December

Financial performance (continued)

Given the dependency of macroeconomic forecasts based on historical information and the unprecedented situation we find ourselves in due to the pandemic, additional judgement was applied in determining expected credit losses. This is due to historical data not including an event such as Covid-19. Additionally, increased levels of modelling and reviews were implemented to support the quantification of the macroeconomic impact on expected credit losses, which included an assessment of significant increases in credit risk in the portfolio, which also took into account the impact of payment relief measures.

Operating expenses increased by **12%** (CCY: 8%) to **R12 085m** (2019: R10 753m). Operating expenses include restructuring costs to right size the business for future growth, investment in technology as well as incremental run costs post separation from Barclays PLC. Underlying cost growth has been contained to well below inflationary increases through various efficiency and cost reduction programs. These initiatives delivered a reduction of over 500 full time employees during the year. Process optimisation, automation and cost efficiencies creating headroom for investment in growth initiatives continues to remain an area of focus as the journey of separating from Barclays PLC concluded. Cost-to-income ratio increased to **60.0%** (2019: 57.8%).

Loans and advances to customers declined by **3%** (CCY: 0%) to **R108.2bn** (2019: R111.5bn). RBB's loans and advances grew by **6%** (CCY: 11%) to **R55.3bn** (2019: R52.0bn) off the back of growth in Commercial Lending, Mortgages and Personal Lending, whilst Card debt declined. CIB's loans and advances to customers decreased by **11%** (CCY: 8%) to **R52.9bn** (2019: R59.4bn), however, average loans and advances to customers grew by **18%** (CCY: 7%) driven by growth in targeted sectors, including natural resources, agriculture, public sector, construction and telecommunications.

Deposits due to customers grew by **6%** (CCY: 11%) to **R159.2bn** (2019: R150.4bn). RBB's deposits due to customers increased by **11%** (CCY: 18%) to **R83.9bn** (2019: R75.7bn). CIB's deposits due to customers decreased by **1%** (CCY: increased by 1%) to **R70.9bn** (2019: R71.8bn) due to outflows in call accounts impacting spot balances.

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RBB Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the reporting period include:

Revenue growth

trajectory maintained despite challenges around the Covid-19 impact on transactional activity, with revenue increasing by **8%** (CCY: 2%), driven by balance sheet growth.

Credit loss ratio increased

to **3.90%** (2019: 2.10%) mainly due to increased coverage and elevated customer delinquency levels given the current global economic downturn. Social distancing measures, curfews, lockdowns and reduced branch operating hours, further caused disruptions to collection activities.

Loans and advances to customers grew

by **6%** (CCY: 11%) and deposits due to customers increased by **11%** (CCY: 18%), mainly driven by transactional deposit growth.

Non-interest income

as a percentage of total income declined to **24.6%** (2019: 28.4%) as a result of reduced economic activities from the impact of Covid-19.

Successful rebranding

of Branches, ATM's, banking platforms and applications to the Absa brand.

Operating expenses grew

faster than income, resulting in a negative Jaws ratio of **1%** and an increase in the cost-to-income ratio to **70.8%** (2019: 70.2%).

Successful separation

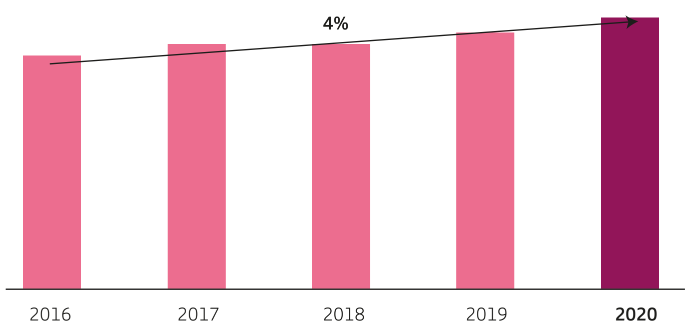
of all banking platforms and applications from Barclays PLC achieved.

Headline earnings declined

by **120%** (CCY: 135%) to a loss of **R161m** as a result of higher impairments.

Salient features	2020	2019	CCY%	Change %
Income (Rm)	**11 790**	10 921	2	8
Attributable earnings (Rm)	**(160)**	823	<(100)	<(100)
Headline earnings (Rm)	**(161)**	798	<(100)	<(100)
Credit loss ratio (%)	**3.90**	2.10		
Cost-to-income ratio (%)	**70.8**	70.2		
RoRWA (%)	**(0.17)**	1.04		
RoA (%)	**(0.16)**	0.95		
RoRC (%)	**(1.5)**	9.3		

RBB Income growth trend CCY (CAGR)



RBB Absa Regional Operations

for the reporting period ended 31 December

Business profile

RBB offers a comprehensive suite of retail and business banking products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions.

Key product/segment areas

- **Premier banking:** Represents the affluent retail segment in each market. Clients are offered exclusive banking with tailor-made solutions from dedicated relationship managers and through our Premier suites.
- **Prestige banking:** Represents the emerging affluent retail segment in each market. Clients are serviced through dedicated banking teams and offered affordable products and solutions.
- **Personal banking:** Represents the middle-market segment. Clients are serviced via direct channels, including the branch network.
- **Small and Medium Enterprise (SME) banking:** Represents business clients with an annual turnover of up to R50m. Clients are serviced using a direct coverage model with a predominantly branch-based interface.
- **Commercial banking:** Represents business clients with an annual turnover of between R50m and R250m. Clients are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. Commercial and SME banking includes sector overlays focusing on the primary sectors of agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.

Financial performance

RBB's headline earnings declined by **120%** (CCY: 135%) to a loss of **R161m** (2019: profit of R798m) underpinned by the impact of the Covid-19 pandemic driving increased impairments and subdued transactional activity across all markets.

Revenue growth of **8%** (CCY: 2%) to **R11 790m** (2019: R10 921m) was achieved predominantly due to growth in net interest income.

Net interest income grew by **14%** (CCY: 8%) to **R8 893m** (2019: R7 816m) as a result of solid balance sheet growth but was partly offset by declining net interest margins.

Net interest margin on average interest bearing assets declined by **116 bps** to **9.46%** (2019: 10.62%) as a result of falling interest rates across all markets, increased levels of competitor deposit pricing, a reduction in consumer lending margins driven by aggressive competitor pricing and an increased focus on growing the secured portfolio in relation to the unsecured portfolio to minimise the impact on impairments.

Non-interest income declined by **7%** (CCY: 11%) to **R2 897m** (2019: R3 105m) due to a decline in transactional activities as a result of stringent lockdown and social distancing measures instituted in markets which resulted in a number of temporary branch closures, as well as an overall decline in market economic activity as a result of the Covid-19 pandemic.

Impairments increased by **124%** (CCY: 119%) to **R2 507m** (2019: R1 120m) resulting in a credit loss ratio of **3.90%** (2019: 2.10%), however this is an improvement of 73bps from the credit loss ratio of 4.63% observed in the first half of the year. The year-on-year increase in impairments is predominantly due to worsening macroeconomic environments and additional forward-looking impairments because of the Covid-19 pandemic. The majority of the increase in the Retail charge compared to the prior year is due to the adjustments for the forward-looking macroeconomic variables. Absa was the first bank in most ARO jurisdictions to offer support to customers through payment relief measures. Approximately sixty thousand Retail customers representing more than **R6.8bn** in balances and 1,200 Business Banking clients, with a total limit allocation of **R5.7bn** were granted payment holidays. In H2 2020, further extensions were granted to over twelve thousand customers.

RBB non-performing loans increased to **6.6%** of loans and advances (2019: 5.8%), with Consumer non-performing loans having increased to 4.8% of loans and advances (2019: 4.3%) and Commercial segment non-performing loans ratio has increased to 11.2% of loans and advances (2019: 9.9%). This increase was as a result of worsening macroeconomic environments and additional forward-looking impairments because of the Covid-19 pandemic. Social distancing measures, curfews, lockdowns and reduced branch operating hours, further caused disruptions in collection activities during the year.

Operating costs increased by **9%** (CCY: 4%) to **R8 345m** (2019: R7 665m) resulting in an increase in the cost-to-income ratio to **70.8%** (2019: 70.2%).

Loans and advances to customers grew by **6%** (CCY: 11%) to **R55.3bn** (2019: R52.0bn). Commercial lending grew by 14% predominantly in Debt and Trade as a result of a greater focus on specific sectors and clients. Personal loans and mortgages grew by 7% and 8%, respectively, excluding the impact of foreign currency translation differences.

Deposits due to customers grew by **11%** (CCY: 18%) to **R84.0bn** (2019: R75.7bn) despite aggressive competitor deposit pricing. To reduce the cost of funding, specific measures, such as enhanced transactional offering, has resulted in growth in transactional deposits of 18% excluding the impact of foreign currency translation differences.

RBB Absa Regional Operations

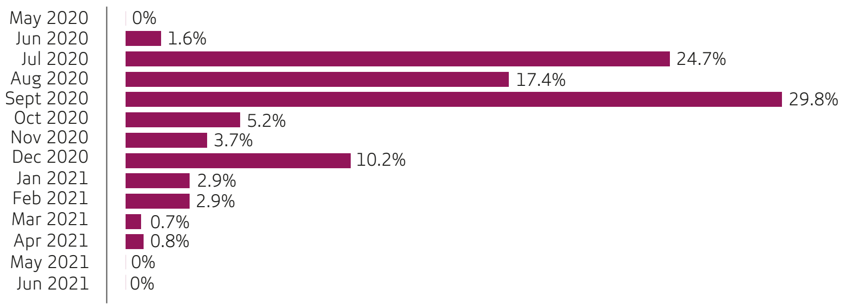
for the reporting period ended 31 December

Business performance

As the ARO markets anticipated the spread of the Covid-19 virus it became imperative to prepare for the impact that this would have on customers and colleagues. In most of the markets, banking was deemed an essential service throughout lockdown restrictions. The team focused on branch protocols to firstly ensure the safety of customers and colleagues accessing the branch network and secondly to ensure that the operations of the Branch and ATM network remained running steadily throughout this period. Protocols covered the required social distancing, wearing of masks, where possible screens between customers and employees, access limitation to branches, cleaning protocols and in specific cases the closure of branches due to exposure to the virus or where the population of the surrounding branch suffered a surge in Covid-19 cases. Approximately 68 branches had to be closed at different times during this period to ensure safety of customers and colleagues and these were only implemented where absolutely necessary, for the majority of the branches however, operations were kept running with reduced operating hours or colleague rotation to reduce risk in need. Protocols were reviewed regularly and monitoring the market response to ensure we proactively ensured that operations were continuing for the benefit of customers. These protocols were monitored through the course of the year as the virus spread differently in different markets. Relief measures offered to customers included credit payment relief and the waiving of certain transactional fees. Payment relief was given to customers alongside other relief mechanisms for a period up to 6 months, although a longer period was granted in exceptional circumstances. Payment relief in the form of payment holidays were granted to qualifying customers in all of our markets with most payment holidays having expired at the end of the year with the exception of a few in Kenya, Mauritius, Mozambique and Uganda. Despite all of these challenges, RBB's strategic goals remain intact, with consistent performance reflective of a business that is positioned to achieve long-term sustainable growth.

Payment relief accounts expired concentration

The graph below depicts the maturity of payment relief granted to customers with most having matured by 31 December 2020.



Business achievements:

- Absa Regional Operations data team awarded the 'Best use of Data Analytics' at the Retail Banker International awards.
- Absa Bank awarded 'Best Bank in Mozambique' in 2020 by the Euromoney Awards for Excellence.
- Bancassurance System and Application awarded the silver medal in the Efma–Accenture Innovation in Insurance award.
- Absa Regional Operations awarded 'Best Retail Bank in Africa', 'Best IT Transformation' and 'Best Microfinance Product' at The Digital Banker Online Awards.
- Absa Bank Seychelles awarded the best SME Bank in Seychelles by the Global Banking and Finance Awards.
- Absa Bank Mauritius awarded 'Best Retail Bank in Mauritius' in 2020 by the Asian Banker.
- Absa Bank Zambia awarded 'Best Retail Bank in Zambia' in 2020 by International Business Magazine.
- Absa Bank Ghana awarded:
  - 'Best Bank for Development and Growth of Global Practices in Retail Banking' at the Ghana Development Awards;
  - 'Best Retail Bank in Ghana' at the Global Banking and Finance Awards;
  - 'Best in ATM solution' at the Ghana Information Technology & Telecoms Awards;
  - 'SME Bank of the Year' at the Ghana National Customers' Choice Awards; and
  - 'Best Bank in Supporting SMEs & Start-ups' at the Ghana Sustainability and Social Investment Awards.

RBB Absa Regional Operations

for the reporting period ended 31 December

Business performance (continued)

- The mobile lending proposition in partnership with Jumo in Zambia (Kongola) and Ghana (Ahomka) continued to grow with 1.9 million loans disbursed (2019: 1.8 million) with a disbursement value of over R1.1 billion (2019: R706 million);
- Launched NovoFX in the majority of our markets giving customers the ability to send money across borders for immediate payment into recipients' accounts;
- Launched ChatBot capability in all markets, which assisted with client engagement, as well as providing an additional transaction channel. By enabling this capability on social media channels, such as WhatsApp, reaching a wider customer base and offering more convenient banking;
- Launched a business mobile banking application leveraging off the existing mobile platform, enabling business customers to fulfil their day-to-day banking needs on the go. A first for Absa across ARO; and
- Launched a more responsive and rejuvenated mobile banking platform across markets, enabling the bank to vastly improve ability to enhance user experience and ramp-up on new features to support customers transacting via mobile.

Efficiency was supported by:

- Continued growth in digital adoption by customers across a number of channels including iATM (withdrawal and deposits), Mobile Banking, POS and internet banking. The number of digitally active customers grew by 34%, driving a growth in digital transactional volumes of 51% and transaction values by 118%;
- Reengineering, digitisation and automation of key operational processes resulting in a reduction of manual interventions leading to cost reductions as well as a 33% reduction in turnaround time to fulfil customer transactions; and
- Continued optimisation of the branch network to serve customers more economically and efficiently which resulted in the rationalisation of 8 branches and outlets.

Looking ahead, the focus remains on combatting the effects of the global Covid-19 pandemic by ensuring that banking services go on uninterrupted whilst ensuring the safety of customers and colleagues. There is further potential to extract greater value from the existing franchise. Embedding customer-centricity, delivering customer value propositions that serve business needs throughout the business lifecycle and personal needs throughout their life stages, as well as enhancing customers' multiple-channel experience with a focus on becoming a digitally-led bank remained key focus areas. The strategy focuses on:

- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisitions and deepening of customer relationships;
- Optimised branch operating model to build fit-for-purpose branches;
- Leveraging off commercial partnerships to enhance business and customer value;
- Roll out of an enhanced Digital capability and further deepen our Commercial product offer; and
- Upskilling Relationship Managers and Bankers.

CIB Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the reporting period include:

Pre-provision profit growth

of **10%** (CCY: 2%) with the Investment Bank up **20%** (CCY: 13%) and Corporate up **6%** (CCY: down 3%).

Headline earnings decreased

by **30%** (CCY: 37%) with the Investment Bank up **11%** (CCY: 4%) and Corporate down **46%** (CCY: 52%).

Revenue growth

of **15%** (CCY: 8%), with Investment Banking up **24%** (CCY: 18%) and the Corporate business up **11%** (CCY: 4%).

Impairments increased

almost tenfold to **R1 340m** (2019: R173m) resulting in an increase in the credit loss ratio to **1.85%** (2019: 0.30%).

Corporate net interest income grew

by **14%** (CCY: 7%) while non-interest income decreased by **5%** (CCY: 12%).

Operating expenses growth

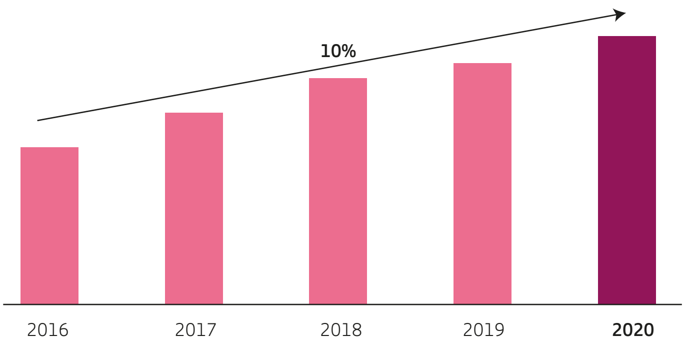
of **21%** (CCY: 17%) mainly reflecting incremental run costs following separation of systems and international coverage from Barclays PLC, resulting in an increase in the cost-to-income ratio to **44.3%** (2019: 41.9%).

Loans and advances to customers reduced

by **11%** (CCY: 8%) and deposits due to customers reduced by **1%** (CCY: increased by 1%).

Salient features	2020	2019	CCY%	Change %
Income (Rm)	**8 463**	7 368	8	15
Attributable earnings (Rm)	**1 916**	2 716	(37)	(29)
Headline earnings (Rm)	**1 910**	2 716	(37)	(30)
Credit loss ratio (%)	**1.85**	0.30		
Cost-to-income ratio (%)	**44.3**	41.9		
RoRWA (%)	**2.09**	3.53		
RoA (%)	**1.82**	3.01		
RoRC (%)	**19.0**	32.3		

CIB Income growth trend CCY (CAGR)



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CIB Absa Regional Operations

for the reporting period ended 31 December

	Corporate			
	2020	2019	CCY%	Change %
Statement of comprehensive income (Rm)				
Net interest income	**5 119**	4 499	7	14
Non-interest income	**700**	738	(12)	(5)
Total income	**5 819**	5 237	4	11
Impairment losses	**(1 328)**	(171)	>100	>100
Operating expenses	**(2 748)**	(2 329)	13	18
Other expenses	**(74)**	(54)	30	37
Operating profit before income tax	**1 669**	2 683	(45)	(38)
Tax expenses	**(502)**	(508)	(7)	(1)
Profit for the reporting period	**1 167**	2 175	(53)	(46)
Profit attributable to:				
Ordinary equity holders	**1 069**	1 951	(52)	(45)
Non-controlling interest – ordinary shares	**98**	224	(59)	(56)
	1 167	2 175	(53)	(46)
Headline earnings	**1 062**	1 951	(53)	(46)
Operating performance (%)				
Net interest margin on average interest-bearing assets	**6.02**	6.06		
Credit loss ratio	**1.95**	0.31		
Non-interest income as % of income	**12.0**	14.1		
Income growth	**11**	12		
Operating expenses growth	**18**	22		
Cost-to-income ratio	**47.2**	44.5		
Statement of financial position (Rm)				
Loans and advances to customers	**52 928**	59 439	(8)	(11)
Loans and advances to banks	**4 243**	—	>100	100
Investment securities	**990**	671	51	48
Other assets	**19 949**	19 848	4	1
Total assets	**78 110**	79 958	0	(2)
Deposits due to customers	**70 922**	71 553	2	(1)
Other liabilities	**7 918**	7 478	9	6
Total liabilities	**78 840**	79 031	2	(0)
Financial performance (%)				
RoRWA	**1.50**	3.22		
RoA	**1.26**	2.63		
RoRC	**13.6**	29.4		

Investment Bank				CIB			
2020	2019	CCY%	Change %	**2020**	2019	CCY%	Change %
—	(5)	<(100)	(100)	**5 119**	4 494	7	14
2 644	2 136	18	24	**3 344**	2 874	11	16
2 644	2 131	18	24	**8 463**	7 368	8	15
(12)	(2)	>100	>100	**(1 340)**	(173)	>100	>100
(1 001)	(758)	29	32	**(3 749)**	(3 087)	17	21
(55)	(17)	>100	>100	**(129)**	(71)	75	82
1 576	1 354	9	16	**3 245**	4 037	(27)	(20)
(563)	(458)	16	23	**(1 065)**	(966)	4	10
1 013	896	6	13	**2 180**	3 071	(36)	(29)
847	765	4	11	**1 916**	2 716	(37)	(29)
166	131	18	27	**264**	355	(31)	(26)
1 013	896	6	13	**2 180**	3 071	(36)	(29)
848	765	4	11	**1 910**	2 716	(37)	(30)
n/a	n/a			**5.70**	5.88		
n/a	n/a			**1.85**	0.30		
100.0	100.2			**39.5**	39.0		
24	25			**15**	15		
32	14			**21**	20		
37.9	35.6			**44.3**	41.9		
—	—	—	—	**52 928**	59 439	(8)	(11)
3 311	726	>100	>100	**7 554**	726	>100	>100
122	115	11	6	**1 112**	786	45	41
13 013	16 914	(22)	(23)	**32 962**	36 762	(8)	(10)
16 446	17 755	(6)	(7)	**94 556**	97 713	(1)	(3)
—	261	(100)	(100)	**70 922**	71 814	1	(1)
16 707	17 386	(3)	(4)	**24 625**	24 864	1	(1)
16 707	17 647	(4)	(5)	**95 547**	96 678	1	(1)
4.12	4.71			**2.09**	3.53		
4.09	4.76			**1.82**	3.01		
37.7	42.7			**19.0**	32.3		

CIB Absa Regional Operations

for the reporting period ended 31 December

Business profile

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

Key business areas

Client engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

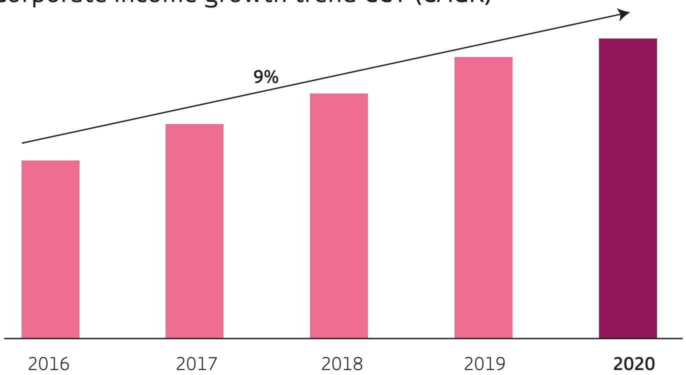
- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base.
- **Investment Bank** – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.

Financial performance

Corporate

Salient features	2020	2019	CCY%	Change %
Income (Rm)	**5 819**	5 237	4	11
Attributable earnings (Rm)	**1 069**	1 951	(52)	(45)
Headline earnings (Rm)	**1 062**	1 951	(53)	(46)
Credit loss ratio (%)	**1.95**	0.31		
Cost-to-income ratio (%)	**47.2**	44.5		
RoRWA (%)	**1.50**	3.22		
RoA (%)	**1.26**	2.63		
RoRC (%)	**13.6**	29.4		

Corporate income growth trend CCY (CAGR)



Pre-provision profit increased by **6%** (CCY: declined by 3%) to **R3 072m** (2019: R2 908m) on the back of strong revenue growth, offset by higher costs.

Revenue was up **11%** (CCY: 4%) to **R5 819m** (2019: R5 237m), with net interest income up **14%** (CCY: 7%) to **R5 119m** (2019: R4 499m) supported by growth in the average balance sheet from closure of key transactions in target sectors. The lower interest rate environment in the markets resulted in a marginally lower deposit margin.

Non-interest income decreased by **5%** (CCY: 12%) to **R700m** (2019: R738m) as a result of reduced economic activities due to the impact of Covid-19.

Impairments on loans and advances grew almost tenfold to **R1 328m** (2019: R171m) and the credit loss ratio increased from 0.31% to 1.95% as a result of single-name defaults and adjustments for the forward-looking macroeconomic variables (R441m).

Operating expenses grew by **18%** (CCY: 13%) to **R2 748m** (2019: R2 329m) reflecting incremental run costs following separation of systems and international coverage from Barclays PLC, resulting in negative Jaws of **7%** (2019: 10%) and an increase in the cost-to-income ratio to **47.2%** (2019: 44.5%).

CIB Absa Regional Operations

for the reporting period ended 31 December

Financial performance (continued)

Loans and advances to customers declined by **11%** (CCY: 8%) to **R52.9bn** (2019: R59.4bn). However, average loans and advances to customers grew by **18%** (CCY: 7%) driven by growth in targeted sectors, including natural resources, agriculture, public sector, construction and telecommunications.

Deposits due to customers declined by **1%** (CCY: increased by 1%) to **R70.9bn** (2019: R71.8bn) as a result of outflows in call accounts impacting spot balances. However, average deposits due to customers grew by **14%** (CCY: 5%) due to improved product offerings and platforms, increased focus on relationships with key clients in telecommunications, non-banking financial institutions, fast-moving consumer goods and public sector.

Business performance

Achievements included the following:

- Received the following Awards from Global Banking and Finance Review:
  - Best Bank for Corporate Investment Management Services Mozambique 2020;
  - Best Forex Bank Mozambique 2020;
  - Best Corporate Bank Zambia 2020; and
  - Best Corporate Social Responsibility Bank Zambia 2020;
- Best Banking Technology Overhaul in Mozambique – Global Banking and Finance Awards;
- Best Corporate Bank in Zambia – International Business Magazine;
- Best Corporate Social Responsibility in Zambia - International Business Magazine.
- Awarded Excellence in Leadership in Africa 2020 from Euromoney; and
- Awarded Best Bank in Mozambique 2020 from Euromoney.
- Received the following Awards from 2020 Euromoney Cash Management Non-Financial Institutions Survey:
  - Overall Market Leader in Botswana, Ghana, Kenya, Uganda and Zambia;
  - Overall Best Service in Botswana, Ghana, Kenya and Uganda;
  - Overall Best Service for Financial Facilities in Africa; and
  - Overall Best Service in Africa.
- Best Trade Finance Bank in Botswana from World's Trade Finance Providers Survey.

Corporate

The underlying business performed well over the period, with revenue up **11%** (CCY: 4%) to **R5 819m** (2019: R5 237m) driven by double-digit growth from the trade and working capital businesses. Revenue performance from underlying products, excluding the impact of foreign currency translation differences, were as follows:

- Trade up 12% year-on-year due to a combination of improved average balance sheet performance (up 14%) and margins;
- Working Capital up 27% from increased utilisation driving growth in average balance sheet (up 8%) and improved margins in some markets;
- Cash management up 1% year-on-year largely due to a strategic focus on maintaining and growing average customer deposits (up 5%), partly offset by margin compression in low interest rate environments across the markets. Transactional volumes declined in most jurisdictions owing to Covid-19 lockdowns; and
- Term debt declined 2% year-on-year due to a slowdown in economic activity and margin compression as a result of interest rate cuts aimed at stimulating the local economy following the impacts of Covid-19.

Contributors to revenue growth included the following:

- Delivery of automated capability in documentary trade across key markets enabling clients to self-initiate and track trade transactions online;
- Closure of key pipeline deals due to continued focus on the target sectors and origination;
- Critical focus on delivery of separation objectives and the launch of new strategic platforms such as Absa Access host-to-host and online, with functionality including mobile and tax payments; and
- Continued client engagement as business actively assisted clients with Covid-19 related requests. This was supported by constant business model innovation accommodating increased restructuring volumes.

Factors that adversely affected the business during the period included:

- Economic slowdown on the back of Covid-19 lockdowns and supressed economic activity;
- Margin compression in most of the business in response to Monetary policy changes and steep interest rate reductions in jurisdictions we operate in with a notable impact on the foreign currency book; and
- Re-prioritisation of key projects and financing opportunities due to Covid-19 lockdowns.

CIB Absa Regional Operations

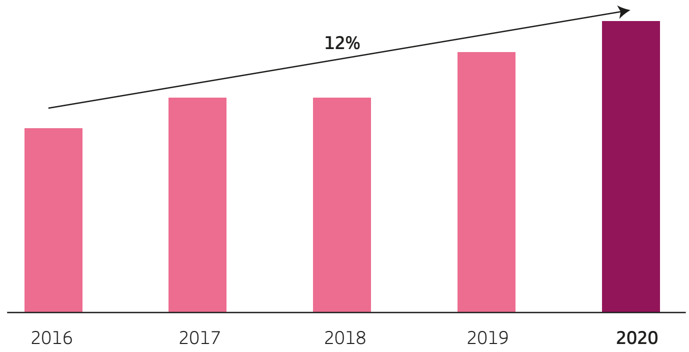
for the reporting period ended 31 December

Financial performance

Investment Banking

Salient features	2020	2019	CCY%	Change %
Income (Rm)	**2 644**	2 131	18	24
Attributable earnings (Rm)	**847**	765	4	11
Headline earnings (Rm)	**848**	765	4	11
Cost-to-income ratio (%)	**37.9**	35.6		
RoRWA (%)	**4.12**	4.71		
RoA (%)	**4.09**	4.76		
RoRC (%)	**37.7**	42.7		

Investment Banking income growth trend CCY (CAGR)



Headline earnings grew by **11%** (CCY: 4%) to **R848m** (2019: R765m) with revenue up **24%** (CCY: 18%) to **R2 644m** (2019: R2 131m) and operating expenses up by **32%** (CCY: 29%) to **R1 001m** (2019: R758m).

Revenue growth of **24%** (CCY: 18%) resulted from strong performance due to higher revenues in government bonds, derivatives and interbank FX swaps trading amidst favourable interest rate environments. The business benefitted from significant gains and volatility on the fixed income trading books, driven by rate cuts in H1 in response to the impact of Covid-19. Income slowed slightly in H2 due to lower corporate activity across markets, which adversely impacted FX activity. In spite of the economic downturn, client FX turnover was up year-on-year as a result of collaboration with Coverage and Transactional Banking teams leading to higher cross-sell.

The **32%** (CCY: 29%) increase in operating expenses was largely due to incremental run costs following separation of systems and international coverage from Barclays PLC resulting in negative Jaws of **8%** (2019: positive 11%) and an increase in the cost-to-income ratio to **37.9%** (2019: 35.6%).

CIB Absa Regional Operations

for the reporting period ended 31 December

Business performance

Investment Banking

Markets ARO delivered a strong performance across the portfolio with increased sales activity on account of broad-based FX market share gains as well as servicing of the new institutional client base, while the business also reported positive risk management revenue.

Year-on-year growth was driven by:

- An increased customer base as a result of continued focus on cross-selling, new client acquisitions and diversification of product offerings, leading to product market share gains particularly;
- Growth in FX flows driven collaboration with Coverage and Transactional Banking teams leading to higher cross-sell;
- Government Bonds, and interbank FX swaps trading amidst favourable interest rate volatilities; and
- Effective risk management resulting in preservation of client margins.

This was partly offset by the following factors:

- Funding pressure in key markets impacting ability to price derivatives;
- Highly competitive environment from local banks; and
- Changes in liquidity across the continent providing fewer revenue opportunities.

Looking ahead

The complexities presented by the rapidly evolving world highlights that the CIB franchise continues to deliver on client centricity, through adaptability, collaboration and strategic system approach. 2020 presented us with many lessons, which will inform the way we navigate the uncertainties to create possibilities that will propel us to greater heights, as we pursue our ambition of becoming a leading Pan-African Corporate and Investment Bank.

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

- Investing in strategic platforms and channels to better serve clients and increase primacy;
- Implementing key innovation projects and solutions as we deliver digitisation and refine product offering to suit business needs;
- Staying close to clients in each relevant geography and building connectivity for global clients, while creating and leveraging strategic partnerships;
- Continuing to support clients as they navigate through unprecedented challenges facing the business through funding and restructuring solutions;
- Continued focus on e-commerce strategy to improve client service and experience; and
- Continuing to drive an entrepreneurial culture that nurtures excellence and collaboration. We will continue to invest in talent to execute on the strategy successfully and remain steadfast in shared value creation.

Head Office, Treasury and other operations in South Africa

for the reporting period ended 31 December

Financial performance

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

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

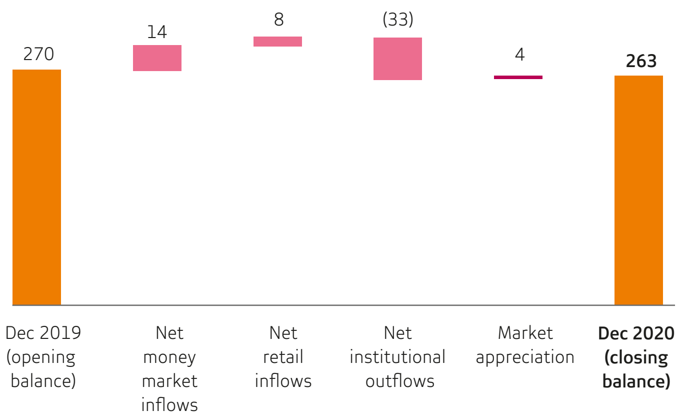
Investment Management headline earnings declined by **19%** to **R308m** (31 December 2019: R379m). The decrease in headline earnings was driven by a decline in revenue of **13%** to **R1.004bn** (31 December 2019: R1.156bn) and a decrease in operating expenses of **8%**. Revenue margin on assets under management declined as a result of a change in the assets mix.

Investment Management – Assets under management and administration

	2020 Rbn	2019 Rbn	Change %
Assets under management and administration	**263**	270	(3)
Money market	**85**	70	21
Non-money market	**178**	200	(11)

Movement in assets under management and administration (Rbn)

Assets under management decreased by **3%** to **R263bn** (2019: R270bn).



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended 31 December

	2020	2019	Change %
Statement of comprehensive income (Rm)			
Income	**81 593**	80 120	2
Operating expenses	**48 111**	48 767	(1)
Profit attributable to ordinary equity holders	**5 880**	14 256	(59)
Headline earnings	**6 038**	14 526	(58)
Statement of financial position			
Total assets (Rm)	**1 531 120**	1 399 175	9
Financial performance (%)			
Return on equity (RoE)	**5.2**	13.1	
Return on average assets (RoA)	**0.40**	1.07	
Return on risk-weighted assets (RoRWA)	**0.66**	1.71	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.17**	4.50	
Non-interest income as percentage of total income	**40.1**	42.0	
Cost-to-income ratio	**59.0**	60.9	
Jaws	**3**	1	
Effective tax rate	**30.4**	26.5	
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	
Number of ordinary shares in issue (excluding treasury shares)	**828.8**	828.7	
Weighted average number of ordinary shares in issue	**826.1**	830.0	
Diluted weighted average number of ordinary shares in issue	**826.6**	831.2	
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	**730.9**	1 750.1	(58)
Diluted headline earnings per ordinary share (DHEPS)	**730.5**	1 747.6	(58)
Basic earnings per ordinary share (EPS)	**711.8**	1 717.6	(59)
Diluted basic earnings per ordinary share (DEPS)	**711.3**	1 715.1	(59)
Dividend per ordinary share relating to income for the reporting period	**—**	1 125	(100)
Dividend cover (times)	**—**	1.6	(100)
NAV per ordinary share	**13 957**	13 669	2
Tangible NAV per ordinary share	**12 623**	12 426	2
Capital adequacy (%)			
Absa Group Limited	**15.0**	15.8	
Absa Bank Limited	**15.6**	16.7	
Common Equity Tier 1 (%)			
Absa Group Limited	**11.2**	12.1	
Absa Bank Limited	**10.6**	11.9	

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	Note	2020 Rm	2019 Rm	Change %
Net interest income	2	**48 857**	46 501	5
Interest and similar income		**93 051**	97 838	(5)
Effective interest income		**91 264**	96 040	(5)
Other interest income		**1 787**	1 798	(1)
Interest expense and similar charges		**(44 194)**	(51 337)	(14)
Non-interest income	3	**32 736**	33 619	(3)
Net fee and commission income		**21 597**	23 606	(9)
Fee and commission income	3.1	**25 120**	26 759	(6)
Fee and commission expense	3.1	**(3 523)**	(3 153)	12
Net insurance premium income	3.2	**8 286**	7 830	6
Net claims and benefits incurred on insurance contracts	3.3	**(4 205)**	(3 747)	12
Changes in investment and insurance contract liabilities	3.4	**(2 262)**	(1 589)	42
Gains from banking and trading activities	3.5	**6 379**	5 408	18
Gains and losses from investment activities	3.6	**2 199**	1 600	37
Other operating income	3.7	**742**	511	45
Total income		**81 593**	80 120	2
Impairment losses	4	**(20 569)**	(7 816)	>100
Operating income before operating expenses		**61 024**	72 304	(16)
Operating expenses	5	**(48 111)**	(48 767)	(1)
Other expenses		**(2 508)**	(2 006)	25
Other impairments		**(464)**	(330)	41
Indirect taxation	6	**(2 044)**	(1 676)	22
Share of post-tax results of associates and joint ventures		**(36)**	221	<(100)
Operating profit before income tax		**10 369**	21 752	(52)
Taxation expense	7	**(3 156)**	(5 772)	(45)
Profit for the reporting period		**7 213**	15 980	(55)
Profit attributable to:				
Ordinary equity holders		**5 880**	14 256	(59)
Non-controlling interest – ordinary shares		**437**	937	(53)
Non-controlling interest – preference shares		**307**	352	(13)
Non-controlling interest – additional Tier 1 capital		**589**	435	35
		7 213	15 980	(55)
Earnings per share:				
Basic earnings per share (cents)	1	**711.8**	1 717.6	(59)
Diluted earnings per share (cents)	1	**711.3**	1 715.1	(59)

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	2020 Rm	2019 Rm	Change %
Profit for the reporting period	**7 213**	15 980	(55)
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(578)**	(112)	>100
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	60	<(100)
Fair-value (losses)/gains	**(7)**	77	<(100)
Deferred tax	**2**	(17)	<(100)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(82)**	(44)	86
Fair-value movement	**(116)**	(61)	90
Deferred tax	**34**	17	100
Movement in retirement benefit fund assets and liabilities	**(491)**	(128)	>100
Decrease in retirement benefit surplus	**(100)**	(38)	>100
Increase in retirement benefit deficit	**(433)**	(104)	>100
Deferred tax	**42**	14	>100
Items that are or may be subsequently reclassified to profit or loss	**2 646**	(1 034)	<(100)
Movement in foreign currency translation reserve	**(808)**	(1 387)	(42)
Differences in translation of foreign operations	**(690)**	(1 505)	(54)
Release to profit or loss	**(118)**	118	<(100)
Movement in cash flow hedging reserve	**3 997**	913	>100
Fair-value gains	**9 034**	2 081	>100
Amounts transferred within other comprehensive income	**5**	(7)	<(100)
Amount removed from other comprehensive income and recognised in profit or loss	**(3 488)**	(806)	>100
Deferred tax	**(1 554)**	(355)	>100
Movement in fair value of debt instruments measured at FVOCI	**(543)**	(560)	(3)
Fair-value losses	**(773)**	(811)	(5)
Release to profit or loss	**(32)**	(20)	60
Deferred tax	**262**	271	(3)
Total comprehensive income for the reporting period	**9 281**	14 834	(37)
Total comprehensive income attributable to:			
Ordinary equity holders	**7 877**	13 202	(40)
Non-controlling interest – ordinary shares	**508**	845	(40)
Non-controlling interest – preference shares	**307**	352	(13)
Non-controlling interest – additional Tier 1 capital	**589**	435	35
	9 281	14 834	(37)

Consolidated IFRS statement of financial position

as at 31 December

	Note	2020 Rm	2019 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**60 682**	52 532	16
Investment securities		**153 504**	116 747	31
Loans and advances to banks		**84 538**	59 745	41
Trading portfolio assets		**213 521**	158 348	35
Hedging portfolio assets		**11 000**	3 358	>100
Other assets		**20 417**	30 343	(33)
Current tax assets		**865**	1 682	(49)
Non-current assets held for sale		**144**	3 992	(96)
Loans and advances to customers	8	**929 969**	916 978	1
Reinsurance assets		**680**	886	(23)
Investments linked to investment contracts		**21 273**	20 042	6
Investments in associates and joint ventures		**1 601**	1 648	(3)
Investment properties		**496**	513	(3)
Property and equipment		**17 094**	18 620	(8)
Goodwill and intangible assets		**11 050**	10 300	7
Deferred tax assets		**4 286**	3 441	25
Total assets		**1 531 120**	1 399 175	9
Liabilities				
Deposits from banks		**96 106**	117 423	(18)
Trading portfolio liabilities		**108 976**	59 224	84
Hedging portfolio liabilities		**4 868**	1 379	>100
Other liabilities		**33 905**	46 355	(27)
Provisions		**3 959**	4 064	(3)
Current tax liabilities		**290**	172	69
Non-current liabilities held for sale		**—**	112	(100)
Deposits due to customers	9	**951 894**	826 293	15
Debt securities in issue	10	**145 740**	159 794	(9)
Liabilities under investment contracts		**27 533**	29 700	(7)
Policyholder liabilities under insurance contracts		**4 198**	4 331	(3)
Borrowed funds	11	**20 761**	21 418	(3)
Deferred tax liabilities		**587**	227	>100
Total liabilities		**1 398 817**	1 270 492	10
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 657**	1 657	—
Share premium	11	**10 561**	10 428	1
Retained earnings		**95 345**	95 386	(0)
Other reserves		**8 108**	5 807	40
		115 671	113 278	2
Non-controlling interest – ordinary shares		**4 984**	4 966	0
Non-controlling interest – preference shares		**4 644**	4 644	—
Non-controlling interest – additional Tier 1 capital		**7 004**	5 795	21
Total equity		**132 303**	128 683	3
Total liabilities and equity		**1 531 120**	1 399 175	9

Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

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

[1] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania, which was housed in Absa Regional Operations.
[2] On 15 December 2020, Absa acquired the remaining minority interest of Instant Life Proprietary Limited, increasing its shareholding in this entity to 100%.

2020

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

Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the end of the previous reporting period	827 477	1 655	10 205	91 237	6 387	823
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	(243)	—	—
Adjusted balance at the beginning of the reporting period	827 477	1 655	10 205	90 994	6 387	823
Total comprehensive income	—	—	—	14 147	(945)	—
Profit for the period	—	—	—	14 256	—	—
Other comprehensive income	—	—	—	(109)	(945)	—
Dividends paid during the reporting period	—	—	—	(9 377)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(400)	(62)	—	—
Elimination of the movement in Treasury shares held by Group entities	1 151	2	223	—	—	—
Movement in share-based payment reserve	—	—	400	—	49	—
Transfer from share-based payment reserve	—	—	400	—	(400)	—
Value of employee services	—	—	—	—	470	—
Deferred tax	—	—	—	—	(21)	—
Movement in general credit risk reserve	—	—	—	(89)	89	89
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(6)	6	—
Share of post-tax results of associates and joint ventures	—	—	—	(221)	221	—
Balance at the end of the reporting period	828 628	1 657	10 428	95 386	5 807	912

2019

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(80)	403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606
—	—	—	—	—	—	(243)	(13)	—	—	(256)
(80)	403	3 060	7	877	1 297	109 241	4 724	4 644	2 741	121 350
(548)	913	(1 310)	—	—	—	13 202	845	352	435	14 834
—	—	—	—	—	—	14 256	937	352	435	15 980
(548)	913	(1 310)	—	—	—	(1 054)	(92)	—	—	(1 146)
—	—	—	—	—	—	(9 377)	(613)	(352)	—	(10 342)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(435)	(435)
—	—	—	—	—	—	—	—	—	3 054	3 054
—	—	—	—	—	—	(462)	—	—	—	(462)
—	—	—	—	—	—	225	—	—	—	225
—	—	—	—	49	—	449	—	—	—	449
—	—	—	—	(400)	—	—	—	—	—	—
—	—	—	—	470	—	470	—	—	—	470
—	—	—	—	(21)	—	(21)	—	—	—	(21)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	6	—	—	—	—	—	—	—
—	—	—	—	—	221	—	—	—	—	—
(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683

Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

	Note	2020 Rm	Restated 2019[1] Rm	Change %
Net cash generated from operating activities		**6 967**	13 709	(49)
Net cash utilised in investing activities		**(718)**	(6 273)	(89)
Net cash utilised in financing activities		**(8 259)**	(8 021)	3
Net (decrease)/increase in cash and cash equivalents		**(2 010)**	(585)	>(100)
Cash and cash equivalents at the beginning of the reporting period	1	**18 288**	18 494	(1)
Effect of foreign exchange rate movements on cash and cash equivalents		**518**	379	37
Cash and cash equivalents at the end of the reporting period	2	**16 796**	18 288	(8)

Notes to the condensed consolidated statement of cash flows

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

	2020 Rm	Restated 2019 Rm	Change %
Cash, cash balances and balances with central banks[2]	**14 033**	14 252	(2)
Loans and advances to banks[3]	**4 255**	4 242	0
	18 288	18 494	(1)

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

	2020 Rm	Restated 2019 Rm	Change %
Cash, cash balances and balances with central banks[2]	**14 403**	14 033	3
Loans and advances to banks[3]	**2 393**	4 255	(44)
	16 796	18 288	(8)

[1] The Group has voluntarily amended the basis on which the statement of cash flows is presented, from the direct to the indirect method. As part of the implementation of the cash flow statement on the indirect basis, the cash movements relating to investments linked to investment contracts have been moved from investing activities to operating activities as this relates to a principal revenue-producing activity.

[2] Includes coins and bank notes.

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings	2020 Gross Rm	2020 Net Rm	2019 Gross Rm	2019 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		**5 880**		14 256	(59)
Total headline earnings adjustment		**158**		270	(41)
IFRS 3 – Goodwill impairment	**2**	**2**	—	—	100
IFRS 3 – Gain on bargain purchase	**(86)**	**(86)**	—	—	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	**(1)**	**1**	(19)	(15)	>100
IFRS 5 – Re-measurement of non-current assets held for sale	**33**	**29**	(9)	(6)	>100
IAS 16 – Profit on disposal of property and equipment	**(65)**	**(49)**	(27)	(21)	>100
IAS 21 – Recycled foreign currency translation reserve	**(118)**	**(92)**	118	81	<(100)
IAS 28 – Impairment of investments in associates and joint ventures	**11**	**11**	—	—	100
IAS 36 – Impairment of property and equipment	**223**	**162**	208	153	6
IAS 36 – Impairment of intangible assets	**195**	**176**	122	88	100
IAS 40 – Change in fair value of investment properties	**5**	**4**	(12)	(9)	>100
IAS 40 – Profit on disposal of investment property	**—**	**—**	(1)	(1)	100
		6 038		14 526	(58)

	2020 Rm	2019 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**5 880**	14 256	(59)
Weighted average number of ordinary shares in issue (million)	**826.1**	830.0	(3.9)
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—
Treasury shares held by Group entities (million)	**(21.7)**	(17.8)	(3.9)
Basic earnings per ordinary share (cents)	**711.8**	1 717.6	(59)
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**5 880**	14 256	(59)
Diluted weighted average number of ordinary shares in issue (million)	**826.6**	831.2	(4.6)
Weighted average number of ordinary shares in issue (million)	**826.1**	830.0	(3.9)
Adjustments for share options issued at no value (million)	**0.5**	1.2	(0.7)
Diluted basic earnings per ordinary share (cents)	**711.3**	1 715.1	(59)
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**6 038**	14 526	(58)
Weighted average number of ordinary shares in issue (million)	**826.1**	830.0	(3.9)
Headline earnings per ordinary share (cents)	**730.9**	1 750.1	(58)
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**6 038**	14 526	(58)
Diluted weighted average number of ordinary shares in issue (million)	**826.6**	831.2	(4.6)
Diluted headline earnings per ordinary share (cents)	**730.5**	1 747.6	(58)

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	2020 Rm	2019 Rm	Change %
Net (losses)/gains on investments	**(77)**	297	<(100)
Debt instruments designated at fair value through profit or loss	**179**	117	53
Equity instruments at fair value through profit or loss	**(288)**	160	<(100)
Unwind from reserves for debt instruments at FVOCI	**32**	20	60
Net trading result	**6 593**	5 221	26
Net trading income excluding the impact of hedge accounting	**6 016**	4 980	21
Ineffective portion of hedges	**577**	241	>100
Cash flow hedges	**566**	225	>100
Fair-value hedges	**11**	16	(31)
Other losses	**(137)**	(110)	25
	6 379	5 408	18
Segment split			
RBB South Africa	**736**	706	4
CIB South Africa	**2 051**	1 706	20
Absa Regional Operations	**3 086**	2 641	17
Head office, Treasury and other operations in South Africa[1]	**343**	367	(7)
Barclays separation effects	**163**	(12)	<(100)
	6 379	5 408	18

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2020 Rm	2019 Rm	Change %
Property-related income	**107**	138	(22)
Income from investment properties	**—**	18	(100)
Change in fair value	**(5)**	12	<(100)
Rentals	**5**	6	(17)
Property-related income arising from contracts with customers	**107**	120	
Profit on disposal of property and equipment	**65**	28	>100
Profit on sale of developed properties	**7**	31	(77)
Profit on sale of repossessed properties	**4**	25	(84)
Rental income	**31**	36	(14)
Other operating income	**635**	373	70
Foreign exchange differences, including recycle from other comprehensive income	**143**	(134)	>100
Income from maintenance contracts	**36**	33	9
Sundry income	**456**	474	(4)
	742	511	45
Segment split			
Property-related income	**107**	138	(22)
RBB South Africa	**47**	106	(56)
Absa Regional Operations	**24**	24	—
Head office, Treasury and other operations in South Africa	**36**	8	>100
Other operating income	**635**	373	70
RBB South Africa	**393**	373	5
CIB South Africa	**84**	(6)	>100
Absa Regional Operations	**39**	66	(41)
Head office, Treasury and other operations in South Africa	**138**	(36)	>100
Barclays separation effects	**(19)**	(24)	(21)
	742	511	45

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Breakdown of operating expenses	2020 Rm	2019 Rm	Change %
Administration fees	**529**	579	(9)
Amortisation of intangible assets	**2 017**	1 368	47
Auditors' remuneration	**414**	378	10
Cash transportation	**1 181**	1 304	(9)
Depreciation	**3 942**	3 638	8
Equipment costs	**353**	358	(1)
Information technology	**4 247**	3 793	12
Marketing costs	**1 624**	1 743	(7)
Other operating costs (includes fraud losses, travel and entertainment costs)	**1 951**	2 887	(32)
Printing and stationery	**342**	344	(1)
Professional fees	**2 717**	2 463	10
Property costs	**1 970**	1 826	8
Staff costs	**25 407**	26 262	(3)
Bonuses	**1 308**	2 085	(37)
Deferred cash and share-based payments	**468**	671	(30)
Other[1]	**1 316**	1 075	22
Salaries and current service costs on post-retirement benefit funds	**21 910**	21 981	(0)
Training costs	**405**	450	(10)
Straight line lease expenses on short term leases and low value assets	**183**	177	3
Telephone and postage	**1 121**	1 178	(5)
TSA direct costs	**113**	469	(76)
	48 111	48 767	(1)
Barclays separation effects	**2 535**	2 410	5
TSA direct costs	**113**	469	(76)
Professional fees	**400**	551	(27)
Staff costs	**267**	566	(53)
Other[2]	**1 755**	824	>100

Total operating cost growth reflects costs incurred in relation to the separation from Barclays PLC of **R2 535m** (2019: R2 410m), an increase of 5%. These costs have increased the Group's year-on-year growth rates mainly on amortisation of intangible assets and marketing costs.

6. Indirect taxation

	2020 Rm	2019 Rm	Change %
Training levy	**177**	201	(12)
Value-added tax net of input credits	**1 867**	1 475	27
	2 044	1 676	22

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

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

7. Taxation expense

	2020 Rm	2019 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**10 369**	21 752	(52)
Share of post-tax results of associates and joint ventures	**36**	(221)	>100
	10 405	21 531	(52)
Tax calculated at a tax rate of 28%	**2 913**	6 029	(52)
Effect of different tax rates in other countries	**(23)**	52	<(100)
Expenses not deductible for tax purposes[1]	**484**	602	(20)
Recognition of previously unrecognised deferred tax assets	**9**	37	(76)
Dividend income	**(519)**	(447)	16
Non-taxable interest[2]	**(344)**	(315)	9
Other income not subject to tax	**(33)**	(3)	>100
Other	**557**	(177)	>100
Items of a capital nature	**112**	(6)	>100
	3 156	5 772	(45)

11. Equity

	2020 Rm	2019 Rm	Change %
Authorised			
891 774 054 (2019: 880 467 500) ordinary shares of R2.00 each	**1 784**	1 761	1
Issued			
847 750 679 (2019: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—
18 961 880 (2019: 19 122 853) treasury shares held by Group entities	**(39)**	(39)	—
	1 657	1 657	—
Total issued capital			
Share capital	**1 657**	1 657	—
Share premium	**10 561**	10 428	1
	12 218	12 085	1

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	2020 Number of shares (million)	2019 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—
Treasury shares held by the Group	**(19.0)**	(19.1)	0
	828.8	828.7	0

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

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

Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	Total Group normalised performance		
	2020	2019	Change %
Statement of comprehensive income (Rm)			
Net interest income	**48 790**	46 306	5
Non-interest income	**32 592**	33 655	(3)
Total income	**81 382**	79 961	2
Impairment losses	**(20 569)**	(7 816)	>100
Operating expenses	**(45 576)**	(46 357)	(2)
Other expenses	**(2 274)**	(1 672)	36
Operating profit before income tax	**12 963**	24 116	(46)
Tax expenses	**(3 606)**	(6 310)	(43)
Profit for the reporting period	**9 357**	17 806	(47)
Profit attributable to:			
Ordinary equity holders	**7 912**	16 003	(51)
Non-controlling interest – ordinary shares	**549**	1 016	(46)
Non-controlling interest – preference shares	**307**	352	(13)
Non-controlling interest – additional Tier 1	**589**	435	35
	9 357	17 806	(47)
Headline earnings	**7 965**	16 265	(51)
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.17**	4.50	
Credit loss ratio	**1.92**	0.80	
Non-interest income as % of income	**40.0**	42.1	
Income growth	**2**	5.7	
Operating expenses growth	**(2)**	6.2	
Cost-to-income ratio	**56.0**	58.0	
Statement of financial position (Rm)			
Loans and advances to customers	**929 969**	916 978	1
Loans and advances to banks	**84 538**	59 745	41
Investment securities	**153 504**	116 747	31
Other assets	**357 953**	301 024	19
Total assets	**1 525 964**	1 394 494	9
Deposits due to customers	**951 894**	826 293	15
Debt securities in issue	**145 740**	159 794	(9)
Other liabilities[1]	**300 784**	286 567	5
Total liabilities	**1 398 418**	1 272 654	10
Financial performance (%)			
RoRWA	**0.86**	1.91	
RoA	**0.52**	1.20	

[1] The amount in Barclays separation effects table represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 28).

Barclays separation effects			IFRS Group		
2020	2019	Change %	**2020**	2019	Change %
67	195	(66)	**48 857**	46 501	5
144	(36)	<(100)	**32 736**	33 619	(3)
211	159	33	**81 593**	80 120	2
—	—	—	**(20 569)**	(7 816)	>100
(2 535)	(2 410)	5	**(48 111)**	(48 767)	(1)
(270)	(113)	>100	**(2 544)**	(1 785)	43
(2 594)	(2 364)	10	**10 369**	21 752	(52)
450	538	(16)	**(3 156)**	(5 772)	(45)
(2 144)	(1 826)	17	**7 213**	15 980	(55)
(2 032)	(1 747)	16	**5 880**	14 256	(59)
(112)	(79)	42	**437**	937	(53)
—	—	—	**307**	352	(13)
—	—	—	**589**	435	35
(2 144)	(1 826)	17	**7 213**	15 980	(55)
(1 927)	(1 739)	11	**6 038**	14 526	(58)
n/a	n/a		**4.17**	4.50	
n/a	n/a		**1.92**	0.80	
n/a	n/a		**40.1**	42.0	
n/a	n/a		**2**	5	
n/a	n/a		**(1)**	4	
n/a	n/a		**59.0**	60.9	
—	—	—	**929 969**	916 978	1
—	—	—	**84 538**	59 745	41
—	—	—	**153 504**	116 747	31
5 156	4 681	10	**363 109**	305 705	19
5 156	4 681	10	**1 531 120**	1 399 175	9
—	—	—	**951 894**	826 293	15
—	—	—	**145 740**	159 794	(9)
399	(2 162)	<(100)	**301 183**	284 405	6
399	(2 162)	<(100)	**1 398 817**	1 270 492	10
n/a	n/a		**0.66**	1.71	
n/a	n/a		**0.40**	1.07	

Barclays separation effects

Update on programme

Despite challenges presented by the Covid-19 pandemic, the Separation Programme was completed within bilaterally agreed timelines thereby concluding a significant chapter in Absa Group Limited ('The Group') history. 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 The Group have concluded and closed the Separation Programme.

Delivery of the final 3 platinum projects were as follows:

- Card Issuing: separation occurred in July 2020 and the associated 3 service schedules were terminated;
- Project Sigma (Capital Management System): separation occurred in August 2020 and the associated 6 service schedules were terminated; and
- FX Product: separation occurred in November 2020 and the associated 12 service schedules were terminated.

The success of the Separation Programme is being used as a case study on how to deliver large, complex programmes of work on time and within budget. The experience of Separation, as well as the lessons learnt along the way, will benefit the Group for many years to come, not only for the tangible separation from Barclays PLC and the birth of a new brand, but also for its contribution towards building execution muscle, developing new standards and processes for change management, introduction of automated tooling and digitised ways of work, as well as the more intangible benefits of self-belief, courage, tenacity, and resilience being injected into the Group's culture. Amongst many other successes within the Group, Separation has contributed immensely towards bringing the Group's brand identity to life within our people.

	Barclays separation effects		
	2020	2019	Change %
Statement of comprehensive income (Rm)			
Net interest income	**67**	195	(66)
Non-interest income	**144**	(36)	<(100)
Total income	**211**	159	33
Operating expenses	**(2 535)**	(2 410)	5
Other operating expenses	**(270)**	(113)	>100
Operating profit before income tax	**(2 594)**	(2 364)	10
Tax expenses	**450**	538	(16)
Loss for the reporting period	**(2 144)**	(1 826)	17
Profit attributable to:			
Ordinary equity holders	**(2 032)**	(1 747)	16
Non-controlling interest – ordinary shares	**(112)**	(79)	42
	(2 144)	(1 826)	17
Headline earnings	**(1 927)**	(1 739)	11
Statement of financial position (Rm)			
Intangible assets	**3 910**	3 962	(1)
Property, plant and equipment	**618**	514	20
Other assets	**628**	205	>100
Total assets	**5 156**	4 681	10
Other liabilities[1]	**399**	(2 162)	<(100)
Total equity	**4 757**	6 843	(30)
Total equity and liabilities	**5 156**	4 681	10

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 28).

Barclays separation effects

Statement of comprehensive income

Net interest income of **R67m** (2019: R195m) was earned on the contribution received from Barclays PLC to provide the necessary capital funding to ensure successful separation. The 66% decline in this income is driven by the reduction in remaining invested capital as Separation costs incurred increased.

Non-interest income relates to foreign currency revaluation gains of **R144m** (2019: R36m losses) on GBP and USD deposits held to settle Transitional Services Agreement costs and other foreign currency denominated separation costs. This gain is due to the Rand weakening against foreign currencies.

Operating expenses of **R2 535m** (2019: R2 410m) primarily include, **R2 422m** (2019: R1 941m) relating to expensed project execution and programme support costs and **R113m** (2019: R469m) for payments to Barclays PLC for services rendered to South Africa and ARO subsidiaries under the Transitional Services Agreement. Transitional Service Agreement costs reduced by 76% to R113m following the localisation of services and the resultant termination of Barclays PLC services.

The project execution costs relate mainly to Staff costs of **R267m** (2019: R566m), Professional fees of **R400m** (2019: R551m), Amortisation of intangible assets of **R731m** (2019: R268m) and Marketing costs of **R509m** (2019: R205m) relating to the name change and rebranding across ARO countries. Staff costs and professional fees decreased by 53% and 27% respectively year-on-year and largely reflect lower project execution and support costs as separation activities drew to a close. The increase of amortisation expense reflects the increase in the number of intangible assets that have been brought into use.

Other operating expenses of **R270m** (2019: R112m) reflects the R151m indirect taxation and R119m non-credit impairments.

Statement of financial position

Total assets

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

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

Total equity and liabilities

Total equity of **R4.7bn** (2019: R6.8bn) is the R12.1bn contribution received from Barclays PLC and income earned on the contribution less Separation expenditure incurred to date.

Risk management

Risk management overview

Capital management and RWA

Risk management overview

for the reporting period ended 31 December 2020

The Enterprise Risk Management Framework

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

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

The following graphic is a visual representation of the ERMF:

Risk strategy and appetite

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

Risk management framework

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

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

Twelve principal risks

Financial

Credit
Traded Market
Treasury
Insurance
Business Model

Non-financial

Operational Resilience
Conduct
Financial crime
Reputational
Sustainability

Risk operating model

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

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

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

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

Evaluate, respond, monitor

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

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

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

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

Risk management overview

for the reporting period ended 31 December 2020

Risks arising from the operating environment

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

Globally, the Covid-19 pandemic significantly increased the risks faced by financial market participants and the economy, and materially changed the economic outlook. The Group's focus remains on proactive risk and capital management to positively position the Group for the uncertain future.

For further information, refer to the Impact of Covid-19 section on page 16.

Current and emerging risks	Management's response
Global recession with economic uncertainty	
• Recovery from significantly reduced economic activity at risk from further waves of infections and impacted by the speed of global Covid-19 vaccine rollouts. • Increasing sovereign debt levels, and reduced debt and interest servicing capacity, increases the possibility of sovereign defaults and an emerging markets debt crisis. • Global uncertainty resulting in increased global economic pressure and risk aversion to emerging markets.	• Maintain a dynamic approach to risk appetite setting in response to a changing outlook for 2021 and beyond. • Use stress scenarios to evaluate the potential outcomes of a variety of external and internal factors. On an ongoing basis, management develops mitigating actions and assesses their effectiveness to guide decision making.
Anticipated long-term impact of sovereign interventions	
• Actions taken by government, such as lockdowns, to curb the spread of Covid-19 infections result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. These negative impacts are only partially mitigated by social welfare measures. • Heightened risk of social unrest due to rising fatigue from lockdowns and public anger over deteriorating economic environments.	• Actively engage governments and communities to support initiatives to address economic hardship. • Monitor developments on an ongoing basis and proactively adjust business responses to address emerging risks, including re-evaluating credit policies and operational and resilience processes.
Increased pressure on the financial services industry	
While tentative signs of recovery are visible, the effects of further infection waves could exacerbate the already heightened stress experienced by stakeholders, such as: • Customer distress resulting in increased impairments and credit risk. • Increased long and short-term insurance claims negatively impacting solvency and capital requirements. • Reduced availability of capital supply, funding and liquidity. • Elevated business risk as earnings are impacted by the negative impact of the Covid-19 pandemic on the economy.	• Monitor and manage the payment relief strategy and the substantial downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base. • Monitor leading indicators to ensure economic risks are effectively managed through: ∘ Active preservation of capital and liquidity. ∘ Re-evaluation and reduction of discretionary expenditure. ∘ Proactive management of credit portfolio risks. ∘ Hedging of interest rate risk and foreign exchange risk as appropriate.
Heightened resilience, fraud, people and cyber risks expected for the foreseeable future	
• Increasing pressure on the health of employees, customers and suppliers as subsequent waves of the pandemic continue. • Heightened pressure on operational resilience arising from the impact of the Covid-19 pandemic. • Heightened fraud risk arising from economic pressure. • Increasing opportunistic financial crime and cybercrime, combined with rising sophistication of criminal activity, impacting customers and the Group. • Heightened risk to employee wellness from the pandemic and a prolonged work from home situation.	• Adhere to health and safety recommendations, including monitoring infections and adherence to preventive measures, to keep our premises safe for employees, customers and suppliers. • Continue development of a vaccination plan for employees and stakeholders, in line with latest information. • Maintain heightened focus on operational resilience and proactively identify and mitigate risks. • Maintain high stability of the technology estate to minimise incidents impacting customers and operational effectiveness. • Continue to invest in security platforms and further strengthen controls to secure customer information including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration. • Monitor and manage the impact on employees through an expanded Group wellness programme and supporting employees in the evolution of working environments.

Risk management overview

for the reporting period ended 31 December 2020

Risks arising from the operating environment (continued)

Current and emerging risks	Management's response
Strategic, execution and business risks arising from external and internal drivers	
• Swift and significant changes in the economic and social environment impact the execution of the Group's strategy, heightening business risk. • Disruption through changing customer preferences and competitor offerings. • Potential adverse impact of large strategic change projects on business risk, change risk and people risk.	• Monitor and manage risk strategy and risk appetite based on the ongoing evaluation of the global and regional developments to identify and mitigate risks as they arise, while enabling business to pursue selective strategic opportunities. • Ongoing alignment of risk objectives with the Group's strategy to support its customers and communities in an efficient, responsible and sustainable way. • Ensure sufficient investment to continue delivering scalable digital solutions that focus on current and evolving customer needs. . • Build and embed a winning brand with a focus on innovative business processes and products designed to meet unique customer needs and preferences. • Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.
Increased compliance risk due to new and emerging regulations and oversight	
• Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets on the current business model. • Potential long-term impact on business strategy and Group performance from regulatory change.	• Maintain a forward-looking approach to evaluate, respond to and monitor regulatory and statutory change. • Ongoing engagement with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy. • Instil a culture of sound regulatory compliance across the Group. • Develop systems with the agility to accommodate rapid change. • Understand the impact of future requirements on current business model and practices, and proactively make necessary changes.
Environmental and social risks impact the Group, its customers and operating environment	
• Ongoing and rapid climate and social change will adversely impact communities, customers and sharply heighten the Group's credit and insurance risks. • Evolving complexities in the management of social trends and the societies and political environments in which the Group operates.	• Recognising the importance and urgency of climate change, the Group has elevated sustainability risk to a principal risk in the ERMF. • Implement the United Nations Environmental Programme Finance Initiative Principles for Responsible Banking (UNEP FI PRB) as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). • Continue to reduce our direct environmental footprint in line with the Group's 2030 environmental action plan and understand physical climate risk impacts. • Embed processes to encourage customers to adopt business strategies and practices which are aligned with the Group's sustainability policy. Develop financing standards for other climate sensitive industries in line with the existing coal financing standard. • Enhance credit and insurance risk models to assess the impact of climate change risk. • Continue to develop internal capabilities to utilise scenario analyses and stress testing to better estimate the impact of climate change on the Group's portfolio to inform future decision making. • Regularly assess the suitability and strategic alignment of products and customer value propositions with changing environmental and social factors and the impact on the Group's risk profile. • Maintain focus on financial inclusivity of customers, including the ongoing support of small-medium enterprises.

Risk management overview

for the reporting period ended 31 December 2020

Key performance metrics

Metric	2020	2019
Common equity tier 1 (CET 1) ratio[1]	11.2%	2019: 12.1%
Economic capital (EC) coverage[1]	1.5	2019: 1.5
Leverage ratio[1]	7.2%	2019: 7.2%
Liquidity coverage ratio (LCR)[2]	120.6%	2019: 134.4%
Net stable funding ratio (NSFR)	115.9%	2019: 112.7%
Credit loss ratio (CLR)	1.92%	2019: 0.80%
Stage 3 ratio on gross loans and advances	6.3%	2019: 4.7%
Stage 1 and stage 2 coverage ratio	1.7%	2019: 1.1%
Stage 3 coverage ratio	42.5%	2019: 43.7%
Operational risk losses	R292m	2019: R824m

Review of current reporting period

- Capital ratios were lower year-on-year due to lower earnings during H1 2020, driven by higher impairments due to the impact of the Covid-19 pandemic. Ratios improved in H2 2020, due to improved earnings generation. Capital buffers remained strong, well above minimum regulatory requirements at all times.
- Liquidity continues to remain resilient and within risk appetite.
- The Group's excess over minimum regulatory requirements for capital and liquidity increased due to relief measures provided by the South African Reserve Bank (SARB) including the removal of the 2.5% capital conservation buffer and the reduction of the minimum LCR from 100% to 80%.
- The Group continued to invest in infrastructure, process re-engineering, employee development and technology to deliver improved operational resilience.
- The Group substantially completed separation from Barclays PLC on 5 June 2020 which included the successful rebranding of the ARO subsidiaries. This significantly reduced the change and third-party risks which had been heightened over the preceding three years. The completion of the project, which included ongoing engagement with regulators and clients, was a significant achievement.
- Broad-based book growth occurred in Q1 2020 per the risk appetite set in accordance with the Group strategy. Despite the gradual restoration of economic activity towards the end of 2020, credit demand remained muted in the second half of the year, with the exception of growth in Retail and Business Banking (RBB) secured lending products off the back of cumulative demand and historically low interest rates.
- Operational risk losses decreased amid the impact of the Covid-19 pandemic. The key drivers were reduced fraud, and transaction and payment processing losses.

Priorities

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

- The Group will seek to grow capital towards the middle of the Board target range of 11% to 12.5%, while recommencing dividends for the 2021 financial year in line with regulatory guidance to the industry as informed by Guidance Note 3 of 2021.
- Maintain heightened focus on operational resilience and proactively identify and mitigate risks arising from the Covid-19 pandemic.
- Align risk objectives with the Group's strategy to support its customers and communities in an efficient, responsible and sustainable way.
- Manage the payment relief strategy and the substantial downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base.
- Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.
- Improve control, efficiency and operational resilience across critical processes including collections, cybersecurity and fraud, data management, disaster recovery and financial crime.
- Engage regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy.
- Assess and evaluate quantitative and qualitative implications of implementing Basel III enhancements, including the Fundamental Review of the Trading Book (FRTB) and the proposed amendments to the Regulations relating to Banks.

[1] All numbers include unappropriated profits.

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

Risk management overview

for the reporting period ended 31 December 2020

Credit risk

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

Key risk metrics	2020	2019
CLR (%)	**1.92**	0.80
Stage 3 ratio on gross loans and advances (%)	**6.3**	4.7
Stage 3 coverage ratio (%)	**42.5**	43.7
Stage 1 and stage 2 coverage ratio (%)	**1.7**	1.1
Total coverage ratio (%)	**4.5**	3.3
Performing book weighted average probability of default (PD) (%)[1]	**2.4**	2.4
Weighted average loss given default (LGD) (%)[1]	**30.7**	30.5
Total credit risk RWA (Rbn)	**714.3**	672.7
Primary credit risk RWA (Rbn)[2]	**668.1**	632.9
CCR RWA (Rbn)[3]	**34.9**	27.8
Equity risk RWA (Rbn)	**11.3**	12.0

Review of current reporting period

- The Covid-19 pandemic continues to affect global economic developments and has resulted in significant changes to government policies and actions, economic and financial market conditions as well as consumer behaviour. To support customers, the Group implemented various payment relief programmes. These programmes reduce or defer monthly instalments and assist with cash flow needs (the extent of the relief per portfolio is detailed on page 17). These portfolios were ring-fenced to ensure heightened credit monitoring after relief measures expire.
- Gross loans and advances to banks and customers increased to **R1 058bn** (2019: R1 006bn) supported by broad-based book growth in the first quarter. This changed with the advent of the Covid-19 pandemic and the slowdown in credit demand. The strategic focus shifted to supporting the Group's clients, while preserving capital and liquidity, and managing the credit risk in the existing book.
- Despite the gradual restoration of economic activity towards the end of 2020, credit demand remained muted in the second half of the year, with the exception of growth in RBB secured lending products off the back of cumulative demand and historically low interest rates. The contraction in loans and advances to banks and customers in H2 2020 was further amplified by a reduction in secured finance transactions in the markets business, paring back of risk in the ARO portfolio and an adverse foreign currency translation effect as the Rand strengthened significantly against emerging market peers.
- CLR increased to **1.92%** (2019: 0.80%). This is well above the through-the-cycle (TTC) range of 75 – 100 basis points (bps). The impairment charge of **R20.6bn** (2019: R7.8bn) reflects:
  - A material judgemental adjustment raised in terms of IFRS 9 for the deterioration of forward-looking macroeconomic variables.
  - The impact of elevated stage 2 exposures due to increased arrears and a significant increase in credit risk.
  - An increase in specific impairments due to growth in non-performing loans as the impact of the Covid-19 pandemic on the economy weighed on consumers. This was supplemented by the impairment of single-name exposures.
- The total coverage ratio was higher at **4.5%** (2019: 3.3%) reflecting the adjustment for the deterioration of the forward-looking macroeconomic variables and an unfavourable change in staging mix due to growth in stage 2 and stage 3 credit exposures.
- The stage 3 ratio on gross loans and advances increased to **6.3%** (2019: 4.7%). The prolonged lockdown and expiry of various payment relief programmes resulted in increased delinquencies and higher non-performing loans.
- Primary credit risk RWAs[2] increased to **R668.1bn** (2019: R632.9bn), mainly driven by:
  - A deteriorating portfolio construct due to increased delinquencies and a deterioration in asset quality, particularly in relation to small and medium enterprises and specific wholesale sectors.
  - Asset growth stemming from high-quality liquid assets (HQLA), uncommitted money market placements and secured lending products.
  - An increase in irrevocable debt facilities extended to corporate clients. However, utilisation remained low as the liquidity position of these counterparties improved following the easing of Covid-19-related restrictions.

  This was partially offset by:
  - The foreign currency translation effect as the Rand strengthened significantly against emerging market peers.
  - A favourable change in asset composition driven by growth in HQLA and loans and advances to banks.
  - The sale of the Edcon card book.
- CCR RWAs increased to **R34.9bn** (2019: R27.8bn) mainly due to mark-to-market gains recognised on foreign exchange derivatives.

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

Risk management overview

for the reporting period ended 31 December 2020

Credit risk (continued)

Priorities

- Proactive management of the downside risk presented by an uncertain outlook and a slow recovery with the objective of bringing the CLR to within the TTC range of 75-100bps in the medium term.
- Proactive management of sectors and companies in distress because of the economic downturn.
- Evolution of the payment relief strategy to support clients on a bespoke basis, tailored to their unique situation.
- Maintain a diversified credit portfolio in terms of key concentration dimensions, such as individual counterparties, geographies, industries, products and collateral, in accordance with the Group's strategy and risk appetite.
- Talent development and succession planning – ensuring a fully capacitated and suitably skilled credit team.
- Focus on regulatory change, specifically the rollout of a standardised CCR capital approach and Basel III enhancements to capital rules for credit risk.
- Enhanced collections capabilities to effectively manage the back-book risk.

Traded market risk

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

Key risk metrics	2020	2019
Average traded market risk – 99% value at risk (VaR) (Rm)	**62.9**	56.9
Traded market risk RWA (Rbn)	**40.1**	39.2

Review of current reporting period

- The increase in average VaR and RWA was principally due to an increase in the historic market volatility feeding the internal model, resulting from the Covid-19 pandemic. This was compounded by reduced liquidity creating a challenging environment for the business to exit risk arising through client facilitation.
- The Group remained cautious in the ARO risk portfolio as client activity declined during the peak of the Covid-19 pandemic uncertainty.

Priorities

- The monitoring and management of risk in a volatile environment with a multitude of events of significant economic impact occurring in a short period of time.
- The management of capital demand within the Group's risk appetite in volatile markets with reduced liquidity through close engagement with business, limit monitoring and return on capital analyses.
- Business and product impact assessments and engagement with industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk, or FRTB, issued in January 2019.
- Maintaining the momentum on the FRTB project to prepare the Group for meeting the regulatory implementation deadline of 1 January 2023 in South Africa.

Risk management overview

for the reporting period ended 31 December 2020

Treasury risks

Liquidity risk

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

Key risk metrics	2020	2019
Sources of liquidity (Rbn)	**260.1**	233.3
NSFR (%)	**115.9**	112.7
LCR (%)[1]	**120.6**	134.4
Loan-to-deposit ratio (%)[2]	**86.2**	87.5
Loans and advances to customers and banks (Rbn)	**1 034.6**	945.0
South Africa	**891.4**	826.1
ARO	**143.2**	118.9
Deposits from customers and banks (including debt securities) (Rbn)	**1 199.9**	1 080.1
South Africa	**1 020.5**	928.1
ARO	**179.4**	152.0

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position was resilient, in line with risk appetite and above the minimum regulatory requirements.
  - The Group's sources of liquidity increased to **R260.1bn** (2019: R233.3bn), amounting to **27.3%** (2019: 28.2%) of deposits due to customers, demonstrating the strength of the Group's liquidity resources.
  - The increase in sources of liquidity was due to the Bank investing in alternative forms of HQLA as it reduced its reliance on the committed liquidity facility (CLF), as the CLF is being phased out by the SARB over three years, from 1 December 2019.
  - Group treasury management worked closely with regulators and supervisory authorities in addressing market-wide liquidity constraints that arose at the onset of the Covid-19 pandemic during H1 2020. The Group maintained an excess supply of US dollars to ensure conservative management of foreign currency liquidity. Liquidity conditions improved significantly during H2 2020.
  - In line with the Group's long-term liquidity and funding strategy, core deposit growth from RBB and corporate clients was much faster than both asset growth and wholesale funding, resulting in both the liquidity profile and the NSFR strengthening.
  - All banking subsidiaries remained adequately liquid, maintaining compliance with Group Treasury standards, local liquidity risk appetite and regulatory reporting requirements. Furthermore, subsidiaries were self-sufficient from a local currency liquidity and funding perspective and placed only limited reliance on Absa Bank for US dollar working capital.
- **Long-term balance sheet structure:**
  - Long-term funding was raised with appropriate tenor to support the growth in long-term assets. This was achieved through a combination of funding instruments and capital market issuances. However, overall wholesale funding growth was muted for the year given the strong growth in core deposits.
  - The cost of wholesale funding, as demonstrated by liquidity premiums, exhibited some volatility during the year. However, funding spreads declined over the reporting period.
  - Debt capital market issuances for 2020 amounted to R7.6bn (2019: R14.3bn) comprising of Tier 1 capital of R1.2bn, Tier 2 capital of R2.7bn and senior debt of R3.7bn.

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

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

Risk management overview

for the reporting period ended 31 December 2020

Treasury risks (continued)

Liquidity risk (continued)

Review of current reporting period (continued)

- **Short-term balance sheet structure and liquidity buffers:**
  - Loan growth was funded by faster growth in customer deposits, ensuring a sustainable and diverse funding base. In addition, customer deposits were used to grow the HQLA portfolio.
  - The Group targeted LCR above the minimum regulatory requirement, and consistently maintained an HQLA buffer that exceeded the regulatory minimum requirement.
  - The Group used the internal liquidity stress metric (ILSM) framework to determine the amount of HQLA it was required to hold to meet internally defined stress requirements.
  - The Bank strengthened and diversified the liquid asset portfolio by investing in alternative forms of HQLA, thereby increasing average HQLA to **R213.6bn** (2019: R182.1bn).
- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within appropriate guidelines.
  - Sources of funding were managed to maintain a wide diversity of depositors, products, tenors and currencies.
  - The Group's foreign currency funding position remained robust and flexible, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

Priorities

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

Risk management overview

for the reporting period ended 31 December 2020

Treasury risks (continued)

Capital risk

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

Key risk metrics	2020	2019
Total RWA (Rbn)	**915.1**	870.4
CET 1 capital adequacy ratio (%)[1]	**11.2**	12.1
EC coverage	**1.5**	1.5
Leverage ratio (%)[1]	**7.2**	7.2
Cost of equity (CoE) (%)[2]	**14.0**	13.75

Review of current reporting period

- The Group's capital position was well above minimum regulatory requirements as at 31 December 2020 and at the lower end of the current Board target range of 11% to 12%.
- Capital ratios were lower year-on-year due to lower earnings during H1 2020, driven by higher impairments due to the impact of the Covid-19 pandemic. Ratios improved in H2 2020, due to improved earnings generation. Capital buffers remained strong, well above minimum regulatory requirements, at all times.
- The SARB reduced the minimum capital requirement by removing the Pillar 2A requirement of 100bps of capital at a total capital requirements level to accommodate the impact of current market conditions on bank capital ratios.
- The Group issued R2.7bn tier 2 capital instruments in February 2020, which qualified as regulatory capital at Group level. This was to replace the R2.5bn tier 2 capital instruments, which were called in February 2020.
- The Group issued R1.2bn tier 1 capital instruments in October 2020.
- All ARO entities were adequately capitalised, above local minimum regulatory requirements, at all times.
- Methodology enhancements on the leverage ratio calculation resulted in refinements of credit conversion factors applied to undrawn facilities. This resulted in a reduction of leverage exposure.

Priorities

- The Board approved CET1 target range for 2021 will be 11% to 12.5%.
- The Group will seek to grow capital towards the middle of the Board target range 11% to 12.5%, while resuming dividends for the 2021 financial year in line with regulatory guidance to the industry as informed by Guidance Note 3 of 2021.
- Monitor and assess upcoming regulatory developments that may affect the capital position. These include the Basel III enhancements, including FRTB; the proposed amendments to the regulations relating to banks; the resolution framework and the financial conglomerate supervisory framework in South Africa.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in the domestic and/or international markets to optimise the level and mix of capital resources.

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

Risk management overview

for the reporting period ended 31 December 2020

Treasury risks (continued)

Interest rate risk in the banking book (IRRBB)

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

Key risk metrics	2020	2019
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates (Rm)	**(1 684)**	(3 805)

Review of current reporting period

- 2020 was a year of significant rate cuts by the SARB and ARO central banks in response to the weak macroeconomic environment. In addition, the Group benefited from significant growth in deposits and HQLA which contributed to increased hedging activities.
- These actions all contributed to the improvement in the Group NII sensitivity since December 2019. In addition, methodology changes to the measurement of risk were implemented that more closely align NII sensitivity to the financial outcome of recent rate cuts.
- The Group strategy remains focused on actively hedging its structural, fixed and margin risks to NII volatility and providing margin protection through the interest rate cycle. The majority of the residual risk, reflecting as NII sensitivity, related to items unviable to hedge. These items included Prime-Johannesburg Interbank Average Rate (JIBAR) basis risk in South Africa and short-term reset risks.

Priorities

- Active management of interest rate risk within risk appetite.
- Deliver margin stability through risk management processes, such as the structural hedge programme in South Africa, and through appropriate asset and liability management processes in ARO.
- Adopt the BCBS standard on IRRBB, due to be implemented in South Africa by June 2022, as well as ongoing modelling and process enhancements.
- Prepare and transition to the new risk-free rates that have replaced or will be replacing certain benchmark interest rates, such as interbank offered rates, as part of global and South African benchmark reforms.

Insurance risk

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

Key risk metrics[1]	2020	2019
Profit before tax (Rm)	**1 614**	1 951
Capital adequacy cover (regulatory basis) (%)	**1.37**[2]	1.42

Review of current reporting period

- The impact of the Covid-19 pandemic adversely affected earnings in 2020, particularly as it pertained to the life insurance mortality and retrenchment claims experience. However, this was partially offset by strong financial performance by non-life entities.
- The insurance group's solvency position remained resilient due to capital buffers and the mitigating impact of a reduction in dividends in response to the stress conditions.
- Areas of focus across the insurance group due to the Covid-19 pandemic:
  - Reviewed immediate strategic priorities and re-evaluated discretionary expenditure.
  - Offered and implemented several customer concessions and relief measures.
  - Established suitable long and short-term provisions to account for the expected future impact of the Covid-19 pandemic.
  - Performed an out-of-cycle own risk and solvency assessment (ORSA), triggered in response to the economic environment.
  - Performed stress and scenario analyses, which demonstrated resilience from a solvency perspective.
  - Monitored key risk drivers and early warning indicators.
- The Insurance Principal Risk Management Framework (IPRMF) and supporting policies were updated to align with the Prudential Standards: Governance and Operational Standards for Insurance Groups (GOG) and changes in governance structures due to the integration into RBB.
- Insurance governance processes were streamlined to ensure they remain effective and fit-for-purpose.
- The ORSA process was further improved to focus on embedding key processes into business activities.
- The controlling company and formal insurance group structure was approved by the Prudential Authority in November 2020.
- The IFRS 17[3] project progressed, with ongoing development activities and new data processes established that support IFRS 17 requirements.

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

Risk management overview

for the reporting period ended 31 December 2020

Insurance risk (continued)

Priorities

- Areas of focus due to the Covid-19 pandemic:
  - Ensure a sustained response to the Covid-19 pandemic in all areas of the insurance operations, balancing short and long-term objectives.
  - Ongoing product enhancements and amendments as policyholder needs evolve, emphasising digital solutions.
  - Focus on monitoring of key risk drivers and early warning indicators.
  - Refresh forecasts and stress and scenario analyses as economic and demographic experience emerges and the business adapts to new operating conditions.
  - Identify and manage emerging and secondary risks associated with the Covid-19 pandemic.
- Ensure insurance entities forming part of ARO remain subject to suitable oversight and control function challenge, in line with the changes in the Group's operating model.
- Make ongoing improvements to the methodology and processes for risk appetite setting, capital and liquidity management and planning, stress and scenario testing, and ORSA reporting.
- Embed the insurance group control functions and suitable execution of the associated responsibilities.
- Deliver the IFRS 17 programme, including the upgrade of actuarial software and financial process to ensure compliance.

Business risk

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

Review of current reporting period

- The operating environment reflected elevated business risk with countries and organisations still navigating the evolving Covid-19 pandemic. The second wave of infections combined with lockdown restrictions continued to put strain on the economies and markets in which the Group operates.
- The Group reviewed its strategic objectives and re-set short term plans in light of the pandemic to focus on capital preservation and maintaining adequate liquidity. Strategic priorities remain a key focus area in the context of the shifting landscape, taking into account the business delivery models, market trends and changing customer preferences. To ensure continuous stability and shared value creation, agility, innovation and an entrepreneurial culture and mindset were prioritised; with a focus remaining on the responsive changing environment and customer needs.
- The Group assessed the impact on its business with a focus on delivering relevant product offerings, customer service models, digitisation and the consequences of its remote working environment on the corporate footprint.
- A new business risk framework was approved, aimed at ensuring effective risk management across strategy and business change initiatives as well as the ongoing integration between strategy, business, finance and risk disciplines to deliver on strategic objectives.

Priorities

- Monitor and manage the Group's business risk profile, which is expected to remain heightened over the course of 2021 even as the global rollout of vaccination programmes takes effect. The vaccine rollout is expected to slow the spread of Covid-19, which, over time, will result in the recovery of the global economy and minimise disruption to businesses.
- Focus on the key components of the Group's business risk framework, which encompass strategy design and choices, execution and implementation, disruptive change and emerging risks as well as operational efficiencies.
- Monitor strategy execution through the outcomes of the integrated planning process and the update to the Group's medium-term plans (MTPs).
- Monitor the adoption and implementation of revisions to strategic objectives and related initiatives.
- Accelerate investment in advanced data analytics and digital capabilities.
- Assess and respond to strategic progress and the impact of external and internal factors to the business model and customer value propositions using agile approaches.
- Prioritise the development of skills and capabilities required to ensure ongoing competitive positioning, safety and wellness of its employees and customers as well as new engagement models in the context of the changing environment.
- Review the Group's competitiveness across key markets, segments and products.

Risk management overview

for the reporting period ended 31 December 2020

Model risk

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

Review of current reporting period

- The Group continued to strengthen its capabilities to deliver robust models that support business decision making and regulatory capital calculations, with a particular focus on the wholesale regulatory capital PD, LGD and exposure at default (EAD) models. During 2020, seven new wholesale (of which one obtained Prudential Authority approval, with a further model approved in 2021) and three new retail regulatory capital models were submitted to the Prudential Authority.
- The model risk appetite statement was implemented in 2019 and adopted and rolled out at individual business unit level to effectively monitor model risk across the Group.
- The Group implemented a model risk management workflow solution to manage model risk and monitor the effectiveness of controls.
- A Model Risk Economic Capital (MREC) Framework was developed and implemented: The model risk EC was based on the risk assessment of the Group's models, in the context of its model risk appetite.

Priorities

- Continue redevelopment and/or recalibration of remaining wholesale regulatory capital PD and LGD models.
- Review the definition of default used for regulatory capital and impairment models in retail products to ensure alignment and comparability with local markets and regulations.
- Strengthen the function's capabilities to address increasing quantities of models, including prototyping artificial intelligence (AI) and machine learning models (for non-regulatory application) to align with external trends.
- Enhance model development and implement technology platforms.

Operational risk

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

Key risk metrics	2020	2019
Total operational risk losses as a percentage of gross income (%)	**0.36**	1.03
Total operational risk losses (Rm)	**292**	824
Total operational risk RWA (Rbn)	**143.4**	140.5
Operational risk (Rbn)	**117.2**	112.3
Non-customer assets (Rbn)	**26.2**	28.2

Review of current reporting period

- Operational risk losses as at 31 December 2020 were R292m, a decrease of R532m (65%) primarily due to a decrease in fraud-related losses.
- Key achievements in the period include:
  - Improvement in the Group's fraud defences through deployment of technology, increased resourcing and refinement of the fraud operating model.
  - Improved the management of processes, most notably in the progression of risk assessments over critical processes.
  - Prioritised employee wellness, including the impact of the Covid-19 pandemic.
  - Embedded improvements to the procurement operating model, processes and technology.
  - Implemented a new advanced measurement approach (AMA) model for operational risk regulatory capital.

Priorities

- Further strengthen the Group's fraud defences through investment in automation, analytics and technologies.
- Continue enhancement of process management capabilities through deployment of infrastructure (people, process and technology) to manage the process value chain.
- Enhance the toolset used in the management of operational risk, emphasising digitalisation of risk management and measurement processes.
- Automate the execution of the AMA operational risk regulatory capital model.

Risk management overview

for the reporting period ended 31 December 2020

Resilience risk

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

Review of current reporting period

- Enabled a seamless transition to technologically remote operations across the Group, through the successful implementation of fit-for-purpose technologies.
- Reduced the physical footprint in the data centres, laying the foundation to sub-let unused space and further reduce the investment in physical infrastructure and accelerating the move to the cloud web services.
- Managed two significant technology incidents related to the processing failure of critical mainframe batches, that impacted service delivery to customers and the change event that caused previously processed payments to be duplicated during a major software upgrade. Corrective actions have been taken to remediate both incidents.
- Responded to a data breach incident which occurred when confidential customer information was leaked to external parties. Communication to customers was closely managed and the data leakage prevention controls were strengthened.
- Enhanced the security vulnerabilities detection and patching capability across the Group.
- Transitioned the change risk framework from the separation programme for the strategic initiatives, which resulted in the project change residual risk exposure moving within acceptable tolerance levels.
- Established the required governance and oversight of all change related to strategic initiatives across the organisation.
- A Covid-19 advisory board was established to manage responses to regulatory and legislative requirements as well as the impacts of the Covid-19 pandemic on the business.
- Protocols and proactive measures were implemented to actively reduce the transmission of the virus, as well as the impact of the Covid-19 pandemic on the organisation.
- Significant progress was made to align the organisation with the risk data aggregation and risk reporting principles and with Protection of Personal Information Act requirements.

Priorities

- Continue laying the technology foundation for a future digitally-led bank through several infrastructure and network modernisation initiatives, both at campus and branch levels, as well as implementing automation and self-help capabilities.
- Enhance stabilisation of the technology estate to reduce incidents impacting customers and improving operational effectiveness.
- Secure technology platforms and further strengthen controls to protect customer information.
- Further embed project management discipline across all strategic initiatives across the Group.
- Focus on scanning the environment for threats which may impact on the overall risk posture. Continue collaborating with Group sourcing to improve compliance to the Group's external supplier management standard.
- Enhance data management capabilities through the embedment of the data and records management policy.

Conduct risk

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

Review of current reporting period

- Continued to embed the Absa Way Code of Ethics, extended to suppliers in 2020.
- Substantially aligned the internal policy positions to the Financial Sector Conduct Authority's Conduct Standards for Banks, and the Protection of Personal Information Act.
- Actively responded to the Disaster Management Act and subsequent amendments.
- Provided payment relief schemes to consumers across numerous jurisdictions and products in a manner that promoted the principles of treating customers fairly.
- Ranked first in Covid-19 pandemic response for retail customers by the Consulta Survey and second in small-medium enterprise response by the Institut de Publique Sondage d'Opinion Secteur (IPSOS) survey.
- Received the Euromoney 2020 excellence in leadership in Africa award for the Group's integrated response to the Covid-19 pandemic for people, customers and communities.
- Awarded best retail bank for Africa in 2020 by the Asian Banker.
- Maintained availability of banking services despite the difficult operating environment.
- Significantly improved the management of complaints across the Group, including a substantial reduction in cases referred to the various ombudsman bodies.

Risk management overview

for the reporting period ended 31 December 2020

Conduct risk (continued)

Review of current reporting period (continued)

- Recognised as the best bank (of the top 5) for complaints resolution by the South African Ombudsman for Banking Services.
- Enhanced the whistleblowing and investigative processes.
- Proactively manage challenges in regulatory relationships across jurisdictions.
- Substantially reduced debit order abuse through tactical interventions, including the exiting of rogue payment providers from the Group.

Priorities

- Assess ethics-related risk through ongoing engagement sessions and an organisation-wide survey.
- Further embed data privacy controls across the organisation, including over data held by third and fourth parties.
- Focus on health and safety of employees, customers and suppliers on the Group's premises, particularly as occupancy increases over time.
- Treating customers fairly as payment relief schemes migrates to business as usual
- Ensure customers in financial distress are treated fairly, specifically in the collections business.
- Manage consumer training as access to financial services and product sophistication increases.
- Focus on management of complaints, including reduction in resolution turnaround times.
- Continuous focus on the authenticated collections project (Debicheck) to further manage debit order abuse.
- Further automate conflict of interest management (initially focusing on personal account trading, gifts and entertainment, and external business interests).

Financial crime risk

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

Review of current reporting period

- Invested in and deployed technology including artificial intelligence, to proactively and efficiently respond to suspicious activities.
- Continued to embed a more risk-based approach to manage financial crime risks across all our businesses.
- Heightened behavioural monitoring of risks and threats arising from the Covid-19 pandemic, including those related to charitable and fundraising activities.
- Collaborated with local and global industry bodies to drive thought leadership, participated in expert working groups and continued to offer comment on new legislation for both the banking and insurance business.
- Participated and took the lead in providing industry review and comment on the draft reports following the Financial Action Taskforce (FATF) mutual evaluation conducted in South Africa in 2019.

Priorities

- Continue to expand on data-driven tools and capabilities to enhance our decision making around the prevention and detection of financial crimes.
- Collaborate across financial crime types, such as cybercrime and fraud, to enhance surveillance and intelligence capabilities.
- Collaborate with industry bodies and international industry experts to strengthen the efforts to combat financial crime both in the Group and the broader external financial crime ecosystem.

Risk management overview

for the reporting period ended 31 December 2020

Reputational risk

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

Review of current reporting period

- Finalised and published the Reputational Risk Management Framework, with greater focus on the use of data and proactive management of emerging reputational risk.
- Managed the reputational impact of debit order abuse and both industry-related and Group specific data leaks.
- Managed the increased risks associated with the Covid-19 pandemic operating environment, including the take-up of payment relief schemes (specifically the government-backed scheme), availability of banking services during the height of the lockdown and the safety of employees and customers.
- Rolled out a revised framework and associated processes for the use of marketing agencies and management of the associated risks.
- Embedded a revised operating model to manage engagements on social media platforms.

Priorities

- Embed the Reputation Risk Management Framework through the rollout of the Group-wide reputation risk awareness campaign.
- Actively engage on matters of public interest, including ongoing customer distress, cost of banking, private sector corruption, state capture, and health and safety of employees, customers and suppliers.

Sustainability risk

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

Review of current reporting period

- Progressed implementing the UNEP FI PRBs as an overarching strategic sustainability framework and the Group sustainability policy, through the development of sustainable finance, Group sustainability and sustainability risk teams.
- Entered into a partnership with the Centre for Scientific and Industrial Research (CSIR) and piloted the agriculture business loan book as a climate-sensitive sector against physical risk. Built internal capability to analyse the remainder of the climate-sensitive sectors and the resultant climate and social impact.
- Resolved to disclose an assessment of the Group's exposure to climate change risk in its lending and financing portfolios in line with TCFD recommendations. Established the Group's high-level book exposure on climate-sensitive sectors for disclosure in the next external reporting period.
- Development of environmental and social management system (ESMS) for the Multilateral Investment Guarantee Agency (MIGA) transaction, which covers seven ARO businesses.
- Published the Group sustainability policy and related coal financing standard.

Priorities

- Embed the Sustainability Principal Risk Framework, and expand and align the current set of key risk indicators and metrics.
- Enhance the ESMS for group-wide implementation.
- Publish the following in the environmental, social and governance (ESG) report:
  - Progress against implementation of the UNEP FI PRBs.
  - The Group's first voluntary public climate disclosure (book exposure to climate-sensitive sectors).
- Embed processes to encourage customers to adopt business strategies and practices which are aligned with the Group sustainability policy.
- Strengthen financing standards for climate sensitive industries beyond coal finance.
- Enhance the current credit and insurance risk models to assess the impact of climate change risk.
- Increase internal capabilities to utilise scenario analysis and stress testing to better estimate the impact of climate change on the Group's portfolio to inform future decision making.

Capital management and RWA

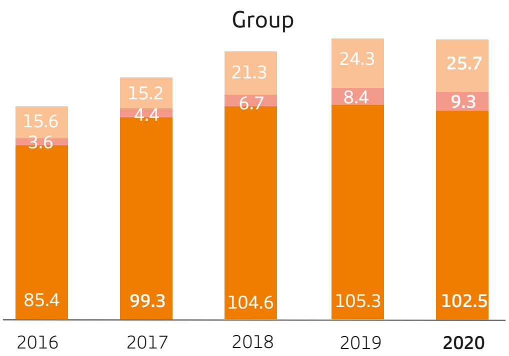
for the reporting period ended 31 December 2020

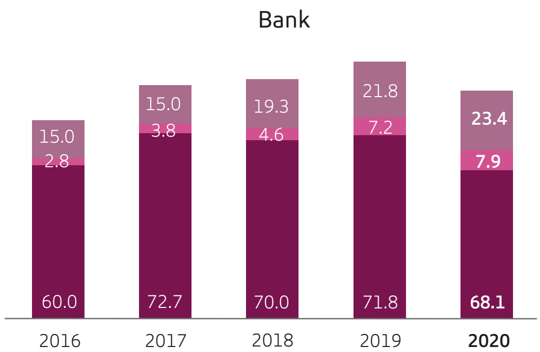
Capital adequacy

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

Group	Board target ranges[1] %	Minimum RC requirements[2] %	Group performance 2020	Group performance 2019	Bank performance 2020	Bank performance 2019
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.00 – 12.00		**11.2**	12.1	**10.6**	11.9
Tier 1	12.00 – 13.00		**12.2**	13.0	**11.9**	13.1
Total capital adequacy requirement (CAR)	14.50 – 15.50		**15.0**	15.8	**15.6**	16.7
Leverage	5.00 – 7.00		**7.2**	7.2	**5.7**	6.0
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		7.5	**11.2**	11.6	**10.6**	11.5
Tier 1		9.3	**12.2**	12.5	**11.9**	12.7
Total CAR		11.5	**15.0**	15.3	**15.6**	16.3
Leverage		4.0	**7.2**	6.9	**5.7**	5.7

Qualifying capital (including unappropriated profits)





Group[3] 2016	2017	2018	2019	2020		Bank 2016	2017	2018	2019	2020
12.1	13.5	12.8	12.1	**11.2**	CET 1 ratio (%)	11.6	13.4	12.3	11.9	**10.6**
14.8	16.1	16.1	15.8	**15.0**	Total capital adequacy ratio (%)	15.1	16.9	16.5	16.7	**15.6**

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges.
[2] The 2020 minimum regulatory capital requirements of **11.5%** (2019: 12.5%) includes the capital conservation buffer and the D-SIB add-on but excludes the bank-specific individual capital requirement (Pillar 2B add-on).
[3] The historical normalised Group CET1 ratios were 11.8% in December 2019, 12% in December 2018 and 12.1% in December 2017 and the historical normalised Bank CET1 ratios were 11.4% in December 2019, 11.2% in December 2018 and 11.6% in December 2017.

Capital management and RWA

for the reporting period ended 31 December 2020

Overview of RWA

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

Group	2020 RWA Rm	2019 RWA Rm	2020 Minimum capital requirement[1] Rm
Credit risk[2]	**714 301**	672 722	**82 145**
Traded market risk	**40 110**	39 231	**4 613**
Operational risk	**143 443**	140 496	**16 496**
Threshold items	**17 207**	17 957	**1 978**
Total	**915 061**	870 406	**105 232**

Absa Bank[3]	2020 RWA Rm	2019 RWA Rm	2020 Minimum capital requirement[1] Rm
Credit risk[2]	**507 425**	473 608	**58 354**
Traded market risk	**28 944**	25 874	**3 329**
Operational risk	**99 448**	97 341	**11 436**
Threshold items	**4 227**	5 077	**486**
Total	**640 044**	601 900	**73 605**

[1] The 2020 minimum regulatory capital requirements of **11.5%** (2019: 12.5%) include the capital conservation buffer and the domestic systemically important banks (D-SIB) add-on but excludes the bank-specific individual capital requirement (Pillar 2B add-on).
[2] Credit risk includes equity positions in the banking book, CCR, CVA and securitisation.
[3] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2020

Capital supply

Breakdown of qualifying capital

Group	2020 Rm	2020 %[1]	2019 Rm	2019 %[1]
CET 1	**102 496**	**11.2**	100 637	11.6
Additional tier 1 capital	**9 307**	**1.0**	8 425	0.9
Tier 1 capital	**111 803**	**12.2**	109 062	12.5
Tier 2 capital	**25 651**	**2.8**	24 349	2.8
Total qualifying capital (excluding unappropriated profits)	**137 454**	**15.0**	133 411	15.3
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**111 803**	**12.2**	113 689	13.0
CET 1 (excluding unappropriated profits)	**102 496**	**11.2**	100 637	11.6
Unappropriated profits[2]	**—**	**—**	4 627	0.5
Additional tier 1	**9 307**	**1.0**	8 425	0.9
Tier 2 capital	**25 651**	**2.8**	24 349	2.8
Total qualifying capital (including unappropriated profits)	**137 454**	**15.0**	138 038	15.8

Absa Bank[3]	2020 Rm	2020 %[1]	2019 Rm	2019 %[1]
CET 1	**68 051**	**10.6**	69 118	11.5
Additional tier 1 capital	**7 933**	**1.3**	7 188	1.2
Tier 1 capital	**75 984**	**11.9**	76 306	12.7
Tier 2 capital	**23 426**	**3.7**	21 785	3.6
Total qualifying capital (excluding unappropriated profits)	**99 410**	**15.6**	98 091	16.3
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**75 984**	**11.9**	78 998	13.1
CET 1 (excluding unappropriated profits)	**68 051**	**10.6**	69 118	11.5
Unappropriated profits[2]	**—**	**—**	2 692	0.4
Additional tier 1	**7 933**	**1.3**	7 188	1.2
Tier 2 capital	**23 426**	**3.7**	21 785	3.6
Total qualifying capital (including unappropriated profits)	**99 410**	**15.6**	100 783	16.7

[1] Percentage of capital to RWAs.
[2] All profits in 2020 have been appropriated.
[3] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2020

Economic capital

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

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

Economic capital	2020 Rm	2019 Rm
Credit risk[1]	**54 609**	58 598
Traded market risk	**3 906**	4 512
Treasury risk	**9 065**	5 561
Insurance risk	**6 448**	3 807
Business risk	**5 932**	6 106
Model risk	**2 723**	—
Operational risk[2]	**11 804**	10 198
Total EC requirement	**94 487**	88 782
IFRS total EC AFR	**137 347**	133 126
IFRS total EC surplus	**42 860**	44 344
IFRS EC coverage ratio	**1.5**	1.5

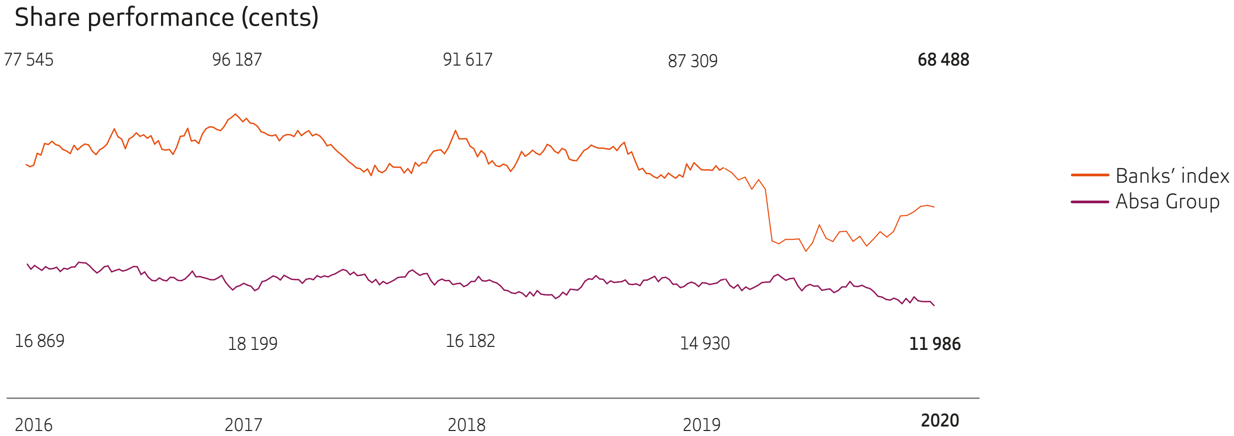
Model risk EC was included within total EC requirement for the first time in 2020.

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

Appendices

Share performance

for the reporting period ended 31 December 2020



Share performance on the JSE	2020	2019	Change %
Number of shares in issue, which includes 4 898 026 (2019: 4 221 005) treasury shares	**847 750 679**	847 750 679	—
Market prices (cents per share):			
closing	**11 986**	14 930	(20)
high	**15 069**	18 628	(19)
low	**6 330**	14 470	(56)
average	**10 091**	15 571	(35)
Closing price/Normalised NAV per share (excluding preference shares) (%)	**0.91**	1.18	(22)
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**25.5**	7.6	>100
Volumes of shares traded (million)	**1 052.1**	660.0	59
Value of shares traded (million)	**102 542.0**	108 219.0	(5)
Market capitalisation (Rm)	**101 617.0**	126 569.0	(20)
Annual total return (%)	**(15.6)**	(1.0)	>100

Shareholder information and diary

Major ordinary shareholders (%)

Dec 2020	Dec 2019	
14.88	(14.88)	Barclays Bank PLC (UK)
6.24	(6.29)	Public Investment Corporation (SA)
5.23	(4.46)	Prudential Investment Managers (SA)
4.83	(4.23)	Old Mutual (SA, NA)
4.09	(3.77)	BlackRock Incorporated (US, UK, JP, CA)
4.02	(3.00)	Citigroup Global Markets (SA)
3.23	(3.44)	Investec Securities (SA)
3.06	(0.00)	Ninety One (SA)
3.04	(3.20)	The Vanguard Group (US, SG, AU)
1.89	(1.76)	Newshelf 1405 (SA)
49.49	(54.97)	Other

Major shareholding by geography (%)

Dec 2020	Dec 2019	
20.01	(21.97)	United Kingdom
51.69	(45.85)	South Africa
17.26	(20.10)	United States and Canada
11.04	(12.08)	Other countries

Shareholder diary

Financial year-end	31 December 2020
Announcement of the 2020 results[1]	15 March 2021

[1] Subject to change.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

Borrowed funds

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

Capital adequacy ratio

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

Capital – Common Equity Tier 1

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

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET1; and
- Regulatory adjustments applied in the calculation of CET1.

Capital – additional Tier 1 capital

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

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in additional Tier 1 capital (and are not included in CET1);
- Stock surplus (share premium) resulting from the issue of instruments included in additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of additional Tier 1 capital.

Capital – Common Equity Tier 1 capital adequacy ratio

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

Capital – Tier 2 capital

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

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

Capital – Tier 2 ratio

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

Claims ratio

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

Combined ratio

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

Conduct risk

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

Glossary

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Africa regions market segment disclosed on pages 70 and 71 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

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

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

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

Cost-efficiency ratio

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

Cost of equity

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

Cost-to-income ratio

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

Coverage ratio

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

Credit loss ratio

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

Debt securities in issue

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

Diluted headline earnings per share

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

Distribution force

Number of active advisers.

Dividend cover

Headline earnings per share divided by dividend per share.

Dividend per ordinary share relating to income for the reporting period

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

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

Earnings per share

Basic earnings per share

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

Diluted basic earnings per share

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Leverage
Average assets as a proportion of average equity.

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

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

Long-term funding ratio
Funding with a term in excess of six months.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Pre-provision profit
Total income less operating expenses.

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

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

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

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

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

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

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

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

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:
- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Glossary

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

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

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

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

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

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

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

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

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

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

Abbreviations and acronyms

A

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

B

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

C

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

D

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

E

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

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

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

H

HQLA	high-quality liquid assets
HR	high risk

I

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

Abbreviations and acronyms

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

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

L

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

M

MC	Group Model Committee
MR	market risk

N

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

O

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

P

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

Q

QCCP	qualifying central counterparty

R

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

S

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

T

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

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Y

Y-o-Y	year-on-year

Contact information

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