



Absa Group Limited

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

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

Finance is responsible for establishing a strong control environment over 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 (Board) as well as to the Group Audit Compliance Committee (GACC).

Together with the GACC, the Board has reviewed and approved the unaudited condensed consolidated interim financial results (hereafter referred to as 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 16 August 2021. The GACC and the Board are satisfied that the details disclosed in the SENS are a fair presentation of the financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Listings Requirements, IFRS and interpretations of IFRS, IAS 34 *Interim Financial Reporting* (IAS 34) and SAICA's Reporting Guides.

Absa Group Limited

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

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/003934/06

Incorporated in the Republic of South Africa

JSE share code: ABG

ISIN: ZAE000255915

(Absa, Absa Group, the Group, or the Company)

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

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2021

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

Salient features

- Diluted headline earnings per share (HEPS) grew 1 354.4% to 984.6 cents from 67.7 cents (7% above H1 2019 levels).
- Declared 310 cents dividend per ordinary share for the interim period.
- Retail and Business Banking (RBB) headline earnings increased 811% to R4 192m and Corporate and Investment Bank (CIB) headline earnings grew 146% to R4 049m.
- Return on equity (RoE) improved to 13.9% from 1.0%.
- Revenue grew 2% to R41.2bn and operating expenses rose 1% to R23.3bn, resulting in a 56.4% cost-to-income ratio.
- Pre-provision profit increased 4% to R18.0bn.
- Credit impairments decreased 68% to R4.7bn, resulting in a 0.88% credit loss ratio from 2.77%.
- Common equity tier 1 (CET 1) ratio increased to 12.4% and remains well above regulatory requirements and at the top end of the Board's target range.
- Net asset value (NAV) per share rose 2% to 14 350 cents.

Normalised reporting

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

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

Constant currency

Constant currency (CCY) pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Botswana Pula, Ghanaian Cedi, Kenyan Shilling, Mauritius Rupee, Mozambique Metical, Seychelles Rupee, Tanzanian Shilling, Uganda Shilling, United States Dollar and Zambia Kwacha. The constant currency pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the CCY pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the CCY pro forma financial information, amounts denoted in the above listed currencies for the current period and prior period have been converted to the presentation currency using the spot exchange rate as at 30 June 2020. The CCY pro forma financial information is the responsibility of the Directors.

Overview of results

Absa Group's headline earnings increased 1 364.4% to R8 186m from R559m and diluted HEPS grew 1 354.4% to 984.6 cents from 67.7 cents. The Group's RoE increased to 13.9% from 1.0% and its return on assets was 1.06% from 0.07%. Revenue grew 2% to R41 230m, with net interest income rising 6% and non-interest income declining 4%. The Group's net interest margin on average interest-bearing assets increased to 4.41% from 4.23%, primarily due to significant policy rate cuts in 2020. With operating expenses increasing 1%, the cost-to-income ratio declined to 56.4% from 57.1%. Normalised pre-provision profit grew 1% to R18.6bn or 5% in constant currency (CCY). Credit impairments fell 68% to R4.7bn, resulting in a 0.88% credit loss ratio from 2.77%. Gross loans and advances to customers grew 2% to R999bn, while deposits due to customers rose 10% to R1 010bn. The Group's NAV per share increased 2% to 14 350 cents. An ordinary dividend of 310 cents per ordinary share was declared for the period. RBB's headline earnings increased 811% to R4 192m, and CIB's increased 146% to R4 049m.

Head Office, Treasury and other operations' headline earnings rose to R387m from a loss of R646m, largely due to the non-recurrence of losses in the prior period as a result of the large policy rate cuts.

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

Operating environment

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

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

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2021

Group performance

Statement of financial position

Total assets increased 1% to R1 581bn reflecting 3% growth in net loans and advances to customers and 17% higher investment securities which were partially offset by 29% lower loans and advances to banks.

Gross loans and advances to customers

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

Funding

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

Net asset value

The Group's NAV increased 5% to R122bn and NAV per share grew 2% to 14 350 cents. During the six months ending 30 June 2021, it generated retained earnings of R8.61bn and paid no ordinary dividends.

Capital to risk-weighted assets

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

Statement of comprehensive income

Net interest income

Net interest income increased 6% to R25 597m from R24 124m (12% in CCY) while average interest-bearing assets grew 2%. The Group's net interest margin improved to 4.41% from 4.23%, mainly due to a stable rate environment in South Africa in the first half of 2021, compared to the 275 bps reduction in the first half of 2020. Improved client pricing in the secured portfolio in RBB and Investment Banking in SA added 4 bps to the margin. Deposit margins declined in RBB SA and RBB ARO, reflecting the impact of lower rates and in Corporate SA where the Group cannot apply an equal rate reduction for clients.

Reduced reliance on wholesale funding had a positive composition impact, partially offset by growth in low-margin deposits in Corporate SA. Lower policy rates resulted in the Group earning lower returns on structural deposit and equity balances, which resulted in a 8 bps and

10 bps drag on the Group margin respectively. Given lower policy rates in South Africa, the structural hedge released R1 518m to the income statement for the six months ending 30 June 2021, which increased the Group margin by 10 bps (versus R914m in the first half of 2020). The programme's after-tax cash flow hedging reserve decreased to R1.8bn at 30 June 2021 from R4.3bn at 31 December 2020. After hedging, the endowment on equity and liabilities had a net 5 bps negative contribution. Non-recurrence of prime rate reset losses from the 275 bps of rate cuts in the prior year improved the Group's margin by 15 bps.

Non-interest income

Non-interest income decreased 3.7% to R15 633m from R16 231m and accounts for 37.9% of total revenue, down from 40.2%. Net fee and commission income grew 1% to R10 764m, representing 69% of total non-interest income. Within this, transactional fees and commissions increased 1%, with cheque account fees down 7% while electronic banking fees grew 10% and credit card fees rose 7%. Merchant income rose 14%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 20% to R3 686m, as Global Markets income increased by 21% to R3 819m up from R3 155m, with Markets South Africa up 35% and Markets ARO up 2% (22% in CCY).

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

Impairment losses (credit impairments)

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

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2021

Group performance (continued)

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

Operating expenses

Operating expenses grew 1% to R23 259m from R23 040m, increasing the Group's cost-to-income ratio to 56.4% from 57.1%. Staff costs rose 4% and accounted for 54% of total operating expenses. Salaries, the largest component of staff costs, declined 2%. Headcount decreased 4% to 36 141. Bonuses grew 495%, as the base contained almost no bonus provisions. Group costs were 2% less excluding bonuses.

Non-staff costs declined 2.8%. On a normalised basis total IT spend, including staff, amortisation and depreciation, grew 11% to R5.3bn amounting to 24% of Group expenses. Investment in digital, data and automation saw amortisation of intangible assets increase 38%. Cash transportation costs grew 9%, given low volumes in the second quarter of 2020 due to the COVID-19 hard lockdown. Professional fees declined 14%, while telephone and postage costs declined 1%. Depreciation decreased 5% mainly due to lower depreciation on IT infrastructure. Property costs declined 12%, reflecting the Group's property optimisation strategy and COVID-19 costs for protective equipment in the prior year. Marketing costs decreased 38% with lower sponsorship spend offsetting higher campaigns spend. Other operating costs increased 1% and reflect higher fraud charges, partially offset by lower travel and entertainment costs.

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

Taxation

The Group's taxation expense grew 608% to R3 335m from R471m, slightly more than the rise in operating profit before income tax, resulting in an effective tax rate of 27.2%, up from 32.2%.

Segment performance

RBB

Headline earnings grew 811% to R4 192m, due to 64% lower credit impairments while pre-provision profits declined 15% (down 13% in CCY). Revenue decreased 5% (down 2% in CCY) to R28 643m, largely due to increased mortality and retrenchment claims and reserving for COVID-19 in Insurance. Net interest income fell 1% (up 4% in CCY) and non-interest income decreased 12% (10% in CCY). Costs increased 2%

to R17 164m (7% in CCY) resulting in a cost-to-income ratio of 59.9% up from 55.4%. Its credit loss ratio improved to 1.33% from 3.88%. RBB generated a return on regulatory capital (RoRC) of 15.3%, up from 1.6%, and contributed 51% of total Group headline earnings excluding Head Office, Treasury and other operations and Separation.

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

CIB

Headline earnings rose 146% to R4 049m, as credit impairments decreased 82% and pre-provision profits grew 15% (up 26% in CCY). Revenue grew 14% (up 23% in CCY) to R11 625m, given 21% higher Global Markets revenue. Net interest income grew 1% (up 8% in CCY) while non-interest income increased 38% (50% in CCY). Costs increased 13% to R5 345m (19% in constant CCY) resulting in a slightly lower cost-to-income ratio of 46.0% from 46.3%. CIB's credit loss ratio improved to 0.24% from 1.30%. CIB contributed 49% of total headline earnings, excluding Head office, Treasury and other operations and Separation. It generated a 22.7% RoRC up from 9.0%.

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

Prospects

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2021

Prospects (continued)

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

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

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

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

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

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

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

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

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

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

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

Declaration of interim ordinary dividend number 68

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

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

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

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

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

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

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
16 August 2021

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

⁽¹⁾ Includes shares to be utilised when establishing a BBBEE structure.

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2021

Basis of presentation

IFRS financial results

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

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

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

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

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

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2020, with the exception of changes referred to in the paragraphs below.

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

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

The amendments are as follows:

1. Modifications to financial instruments and lease liabilities which arise as a direct consequence of IBOR reform are accounted for by updating the effective interest rate;

2. Hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships must be amended to reflect modifications, and amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
3. Additional disclosure requirements.

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

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

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

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

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

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

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

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

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2021

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

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

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

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

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

Standards issued not yet effective

IFRS 17 Insurance Contracts

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

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

Events after the reporting period

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

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

On behalf of the Board

W E Lucas-Bull
Group Chairman

J P Quinn
Interim Group Chief Executive

P Modise
Interim Financial Director

Johannesburg
16 August 2021

Condensed consolidated IFRS salient features

for the interim reporting period ended

	Note	30 June 2021	2020	31 December 2020
Statement of comprehensive income (Rm)				
Income		41 230	40 355	81 593
Operating expenses		23 259	23 040	48 111
Profit attributable to ordinary equity holders		8 162	485	5 880
Headline earnings ⁽¹⁾	6	8 186	559	6 038
Statement of financial position				
Gross loans and advances to customers (Rm)		998 954	975 484	973 602
Total assets (Rm)		1 580 535	1 566 319	1 531 120
Deposits due to customers (Rm)		1 009 954	919 620	951 894
Loans to deposits and debt securities ratio (%)		83.9	84.9	84.7
Average loans to deposits and debt securities ratio (%)		83.6	87.8	86.2
Financial performance (%)				
Return on equity (RoE)		13.9	1.0	5.2
Return on average assets (RoA)		1.06	0.07	0.40
Return on risk-weighted assets (RoRWA)		1.83	0.12	0.66
Stage 3 loans ratio on gross loans and advances		5.64	5.65	6.28
Operating performance (%)				
Net interest margin on average interest-bearing assets		4.41	4.23	4.17
Credit loss ratio on gross loans and advances to customers and banks		0.88	2.77	1.92
Non-interest as a percentage of total income		37.9	40.2	40.1
Cost-to-income ratio		56.4	57.1	59.0
Jaws		1	3	3
Effective tax rate		27.2	32.2	30.4
Share statistics (million)				
Number of ordinary shares in issue		847.8	847.8	847.8
Number of shares in issue (excluding treasury shares)		847.8	827.4	828.8
Weighted average number of ordinary shares in issue		830.1	825.5	826.1
Diluted weighted average number of ordinary shares in issue		831.4	826.1	826.6
Share statistics (cents)				
Basic earnings per ordinary share (EPS)		983.3	58.8	711.8
Diluted basic earnings per ordinary share (DEPS)		981.8	58.7	711.3
Headline earnings per ordinary share (HEPS)	6	986.2	67.7	730.9
Diluted headline earnings per ordinary share (DHEPS)	6	984.6	67.7	730.5
NAV per ordinary share		14 350	14 045	13 957
Tangible NAV per ordinary share		13 050	12 725	12 623
Dividend per ordinary share relating to income for the reporting period		310	—	—
Dividend payout ratio (%)		30	—	—
Capital adequacy (%)				
Absa Group Limited		16.9	14.9	15.0
Absa Bank Limited		17.7	15.8	15.6
Common Equity Tier 1 (%)				
Absa Group Limited		12.4	11.0	11.2
Absa Bank Limited		11.8	10.6	10.6

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

Condensed consolidated statement of financial position

as at

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

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

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

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

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

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the end of the previous reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)
Total comprehensive income	—	—	—	8 458	(2 597)	—	960
Profit for the period	—	—	—	8 162	—	—	—
Other comprehensive income	—	—	—	296	(2 597)	—	960
Dividends paid during the reporting period	—	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(264)	6	—	—	—
Elimination of the movement in treasury shares held by Group entities	1 190	3	75	—	—	—	—
Movement in share-based payment reserve	—	—	264	—	40	—	—
Transfer from share-based payment reserve	—	—	264	—	(264)	—	—
Value of employee services	—	—	—	—	278	—	—
Deferred tax	—	—	—	—	26	—	—
Movement in general credit risk reserve	—	—	—	185	(185)	(185)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(40)	40	—	—
Balance at the end of the reporting period	829 979	1 660	10 636	103 952	5 408	996	(265)

30 June 2021

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
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
(3 147)	(410)	—	—	—	5 861	288	120	290	6 559
—	—	—	—	—	8 162	374	120	290	8 946
(3 147)	(410)	—	—	—	(2 301)	(86)	—	—	(2 387)
—	—	—	—	—	—	(78)	(120)	—	(198)
—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	(258)	—	—	—	(258)
—	—	—	—	—	78	—	—	—	78
—	—	—	40	—	304	—	—	—	304
—	—	—	(264)	—	—	—	—	—	—
—	—	—	278	—	278	—	—	—	278
—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	—	—	—
—	—	—	—	40	—	—	—	—	—
2 166	524	42	423	1 522	121 656	5 194	4 644	7 004	138 498

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the beginning of the reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)
Total comprehensive income	—	—	—	(57)	8 272	—	(841)
Profit for the period	—	—	—	485	—	—	—
Other comprehensive income	—	—	—	(542)	8 272	—	(841)
Dividends paid during the reporting period	—	—	—	(5 126)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	37	—	—	—
Elimination of the movement in treasury shares held by Group entities	(1 249)	(2)	(93)	—	—	—	—
Movement in share-based payment reserve	—	—	235	—	(106)	—	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—	—
Value of employee services	—	—	—	—	222	—	—
Deferred tax	—	—	—	—	(93)	—	—
Movement in general credit risk reserve	—	—	—	(74)	74	74	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—	—
Balance at the end of the reporting period	827 379	1 655	10 335	90 150	14 063	986	(1 469)

30 June 2020

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

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the beginning of the reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)
Total comprehensive income	—	—	—	5 293	2 584	—	(597)
Profit for the period	—	—	—	5 880	—	—	—
Other comprehensive income	—	—	—	(587)	2 584	—	(597)
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	(1 225)

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

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

31 December 2020

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
3 997	(816)	—	—	—	7 877	508	307	589	9 281
—	—	—	—	—	5 880	437	307	589	7 213
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)
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303

Condensed consolidated statement of cash flows

for the interim reporting period ended

	Note	30 June	31 December	
		2021 Rm	Restated ⁽³⁾ 2020 Rm	2020 Rm
Cash (utilised in)/generated from operating activities		(4 652)	4 286	6 967
Income taxes paid		(3 322)	(1 717)	(2 954)
Net cash (utilised in)/generated from other operating activities		(1 330)	6 003	9 921
Net cash (utilised in)/generated from investing activities		(1 563)	1 306	(718)
Purchase of property and equipment		(598)	(1 327)	(1 913)
Purchase of intangible assets		(1 180)	(1 485)	(2 976)
Proceeds from sale of non-current assets held for sale		63	3 740	3 742
Net cash generated from other investing activities		151	378	429
Net cash generated from/(utilised in) financing activities		5 404	(6 727)	(8 259)
Issue of Additional Tier 1 capital		—	—	1 209
Proceeds from borrowed funds		6 866	2 676	2 676
Repayment of borrowed funds		(231)	(2 500)	(3 733)
Dividends paid		(210)	(5 690)	(5 874)
Net cash utilised in other financing activities		(1 021)	(1 213)	(2 537)
Net decrease in cash and cash equivalents		(811)	(1 134)	(2 010)
Cash and cash equivalents at the beginning of the interim reporting period	1	16 796	18 288	18 288
Effect of foreign exchange rate movements on cash and cash equivalents		237	(541)	518
Cash and cash equivalents at the end of the interim reporting period	2	16 222	16 613	16 796

Notes to the condensed consolidated statement of cash flows

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

Cash, cash balances and balances with central banks ⁽¹⁾		14 403	14 033	14 033
Loans and advances to banks ⁽²⁾		2 393	4 255	4 255
		16 796	18 288	18 288

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

Cash, cash balances and balances with central banks ⁽¹⁾		12 896	12 833	14 403
Loans and advances to banks ⁽²⁾		3 326	3 780	2 393
		16 222	16 613	16 796

⁽¹⁾ Includes coins and bank notes.

⁽²⁾ Includes call advances, which are used as working capital by the Group.

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19

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

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

Impairment losses pre- and post-management adjustments

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

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

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

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

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19 (continued)

Payment relief measures

COVID-19 customer payment relief

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

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

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

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

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

Government Guaranteed Loan Scheme

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19 (continued)

Macroeconomic scenarios

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

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

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

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

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

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

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

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

The following table shows the key forecast assumptions used for the four of our largest ARO markets to calculate the Group's ECL allowance for the reporting period ended 30 June 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Botswana															
Real GDP (%)	6.5	5.0	4.2	4.0	3.8	8.6	6.8	5.6	5.4	5.2	3.4	3.1	2.2	2.0	1.8
CPI (%)	6.0	4.6	3.4	3.8	3.8	5.1	3.4	2.8	3.3	3.4	6.9	6.2	4.9	5.3	5.2
Average policy rate (%)	3.8	4.0	4.3	4.8	4.9	3.7	3.7	3.9	4.2	4.4	4.1	4.6	5.2	5.8	6.1
Ghana															
Real GDP (%)	4.6	5.9	6.3	6.3	6.0	6.1	7.0	7.6	7.5	7.2	2.1	3.5	3.8	4.0	3.8
CPI (%)	8.1	8.5	9.5	10.9	11.0	7.6	7.8	8.4	8.9	9.9	10.2	10.4	10.7	11.3	12.3
Average policy rate (%)	13.9	13.6	14.5	14.9	15.5	13.9	13.6	14.0	14.0	14.5	14.0	14.9	16.3	17.0	17.5
Kenya															
Real GDP (%)	4.3	5.3	5.7	6.1	6.3	5.5	6.0	6.5	6.8	7.2	2.3	3.3	3.7	4.1	4.4
CPI (%)	5.2	5	4.5	5.3	4.3	4.7	4.0	3.5	4.3	3.4	5.9	6.2	5.7	6.5	5.5
Average policy rate (%)	7.0	7.3	8.0	8.0	8.3	7.1	7.1	7.3	7.6	7.8	7.0	7.6	8.5	9.0	9.3
Mauritius															
Real GDP (%)	5.0	7.9	4.8	4.0	3.8	9.2	6.3	5.9	5.3	5.1	3.0	4.4	4.1	2.7	2.5
CPI (%)	2.9	3.4	2.6	2.5	2.5	2	3.2	1.9	2.0	2.2	3.6	5.0	4.0	4.0	4.0
Average policy rate (%)	1.9	2.5	2.9	3.8	3.9	1.8	2.2	2.7	3.3	3.6	2.1	3.6	3.9	4.3	4.7

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19 (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions used for the four of our largest ARO markets to calculate the Group's ECL allowance for the reporting period ended 30 June 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	(11.9)	9.7	5.0	4.2	4.2	(6.5)	5.3	5.1	4.5	4.3	(15.1)	8.9	4.8	4.0	3.7
CPI (%)	2.7	3.7	4.1	2.9	2.1	2.5	3.2	3.3	3.6	3.8	3.7	5.7	4.9	4.3	3.9
Average policy rate (%)	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	6.0	6.0	6.0	6.0
Ghana															
Real GDP (%)	2.0	4.2	6.5	5.9	5.6	3.0	4.9	6.7	6.2	5.9	(1.5)	2.3	4.0	5.4	5.3
CPI (%)	10.4	9.6	8.3	8.4	8.6	9.9	8.7	7.9	8.1	8.6	11.9	11.4	9.7	9.7	10.7
Average policy rate (%)	14.5	15.5	15.5	15.5	15.5	14.5	14.5	14.5	14.5	14.5	14.0	16.0	16.0	16.0	16.0
Kenya															
Real GDP (%)	1.6	3.9	5.0	5.4	5.5	2.7	4.3	5.4	5.9	5.8	(1.9)	2.5	3.7	4.6	4.4
CPI (%)	6.7	5.3	4.7	4.8	5.1	6.0	4.2	4.5	4.7	4.9	7.6	6.7	6.4	6.5	6.8
Average policy rate (%)	7.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	6.0	8.0	8.5	8.5	8.5
Mauritius															
Real GDP (%)	(9.1)	7.4	5.0	4.2	4.1	(6.3)	5.3	5.1	4.8	4.7	(13.4)	8.1	4.3	3.8	3.8
CPI (%)	4.6	4.4	2.8	2.6	2.5	3.8	3.4	2.3	2.3	2.2	5.3	6.2	3.8	3.2	2.9
Average policy rate (%)	1.9	2.4	2.9	2.9	2.9	1.9	2.4	2.5	2.5	2.5	1.9	4.0	4.0	4.0	4.0

The following table shows the key forecast assumptions used for the four of our largest ARO markets to calculate the Group's ECL allowance for the reporting period ended 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
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
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

Baseline scenarios as at 30 June 2021

South Africa

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

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19 (continued)

Macroeconomic scenarios (continued)

ARO

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

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

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

Sensitivity of expected credit losses

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

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

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

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

Single name impairments

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

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

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

Notes to the condensed consolidated interim financial results

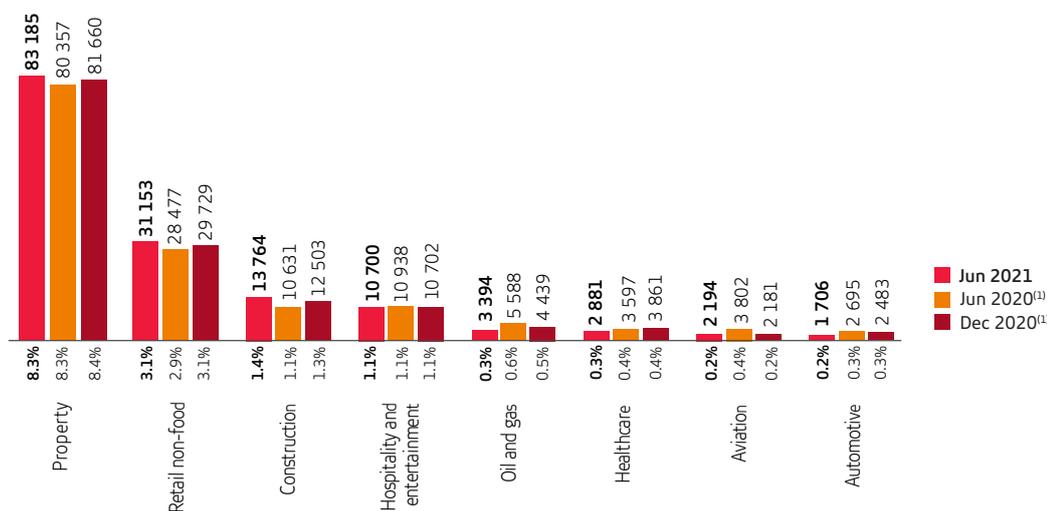
for the interim reporting period ended

Impact of COVID-19 (continued)

Wholesale lending in key COVID-19 impacted industries

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

Concentration risk exposures (Rm and % of total loans)



Insurance risk

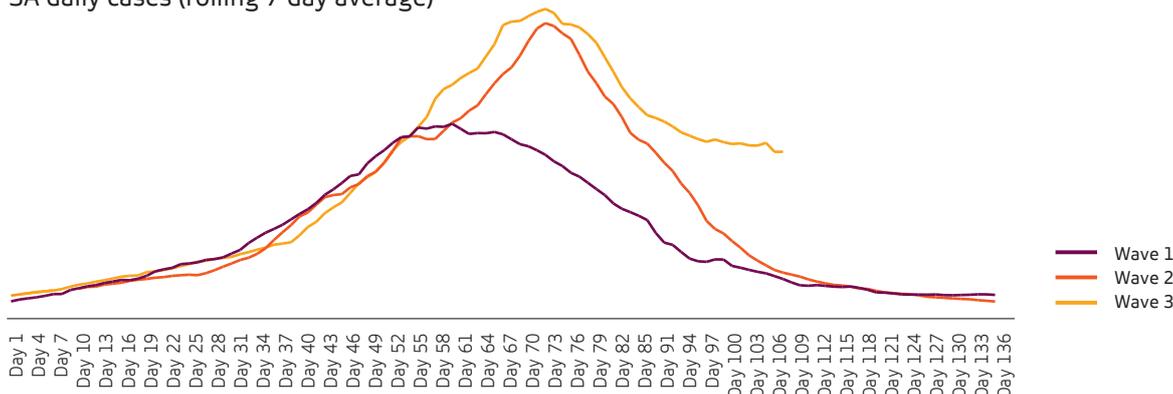
The COVID-19 pandemic has had a significant impact on the assumptions used in the determination of policyholder liabilities due to the significant adverse impact on short-term experience and the high level of uncertainty of the long-term effects of the pandemic.

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

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

National progression

SA daily cases (rolling 7 day average)



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

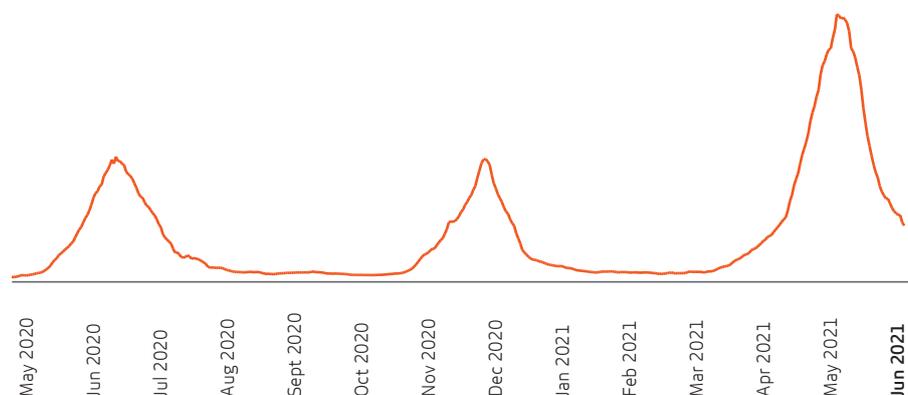
Notes to the condensed consolidated interim financial results

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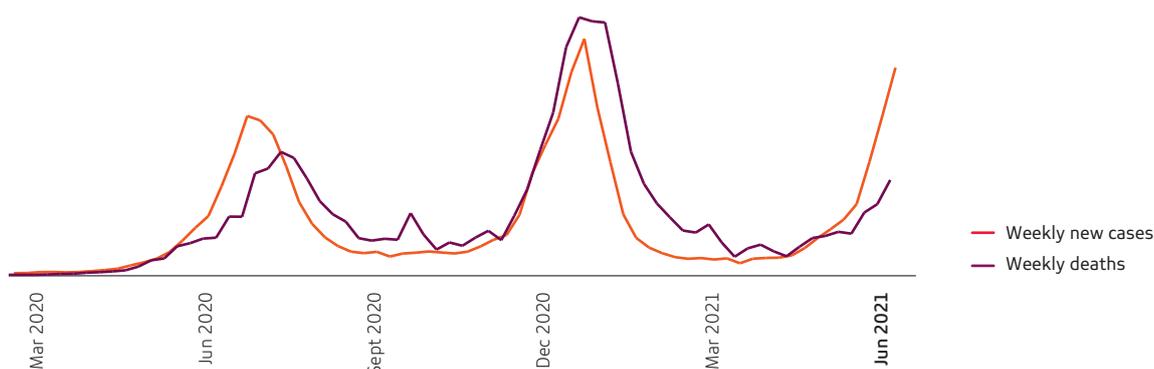
Impact of COVID-19 (continued)

Insurance risk (continued)

Gauteng progression



Infections vs excess deaths



Reserves were reassessed as at 30 June 2021 taking into account all available data on the third wave, the possibility of further waves and other developments relating to the pandemic such as the impact of further COVID-19 variants and vaccination roll-out programmes. The national daily infections of wave 3 has peaked at approximately double the level reported in wave 2 due to the highly infectious Delta-variant with the Gauteng province contributing a larger proportion of cases than seen in previous waves. A greater exposure to Gauteng relative to the South African population has been taken into account in the setting of the short-term provisions to be held as at 30 June 2021. The provision assumes that excess deaths relative to COVID-19 infections will be similar to the experience observed in the second

wave of infections. Based on the current progress of the vaccination roll-out Absa Life is not expecting a material impact on the mortality rate from the third wave, however does expect the majority of the insurable high risk population to be fully vaccinated in the event of a fourth wave. Based on these factors the business has raised a short-term provision of R836m for the 3rd and 4th waves..

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

Impact of COVID-19 (continued)

Other estimates and judgements

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

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

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

Post-retirement benefits

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

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

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

31 December 2020: 0.5%) and salary increases of **2.8%** (30 June 2020: 0.4% and 31 December 2020: 0.5%).

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

Hedge accounting

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

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

- Head Office, Treasury and other operations disposed property and equipment with a carrying amount of **R54m**.
- Total assets of **R1 283m** and total liabilities of **R542m** were reclassified into the non-current assets and liabilities held for sale category relating to the sale of a component of the business, targeted for conclusion in H1 2022. The assets and liabilities transferred into non-current asset and liabilities for sale comprised mainly cash and bank balances, trade receivables and intangible assets.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period ended 30 June 2020⁽¹⁾:

- RBB disposed of the Edcon loan book with a carrying amount of R3 829m and property and equipment with a carrying amount of R1m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R28m to non-current assets held for sale and a R6m impairment was recognised on remaining assets previously classified as held for sale.
- An impairment of R16m was recognised on assets held by a non-core subsidiary held for sale in Head Office, Treasury and other operations. The following additional movements also occurred on the underlying assets and liabilities of the subsidiary: loans and

advances to banks (increase of R7m), other assets (increase of R4m), deferred tax assets (increase of R1m) and other liabilities (increase of R34m).

- The depreciation of the Tanzanian Shilling resulted in a R33m and R25m increase in assets and liabilities, respectively.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period ended 31 December 2020⁽¹⁾:

- RBB disposed of the Edcon loan book with a carrying amount of R3 829m and property and equipment with a carrying amount of R2m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R132m to non-current assets held for sale and a R17m impairment was recognised on remaining assets previously classified as held for sale.
- First Assurance Tanzania was disposed of in the current year (refer Note 9). The movements in Head Office, Treasury and other operations that relate to the disposal are: loans and advances to banks (decrease of R30m), other assets (decrease of R26m), investment securities (decrease of R9m), reinsurance assets (decrease of R61m), property and equipment (decrease of R2m), deferred tax assets (decrease of R13m), policyholder liabilities under insurance contracts (decrease of R85m) and other liabilities (decrease of R33m). A R16m impairment was recognised arising from the disposal of First Assurance for Rnil consideration.
- Foreign exchange movements resulted in a R9m and R6m increase in assets and liabilities, respectively.

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

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

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

30 June 2021

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances (continued)

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

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

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

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

30 June 2020

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances (continued)

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

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

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

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

31 December 2020

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

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

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

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

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

3. Borrowed funds

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

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

The Group is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

4. Disaggregation of non-interest income

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

	30 June 2021				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	10 638	1 751	131	—	12 520
Consulting and administration fees	205	46	5	—	256
Transactional fees and commissions	8 227	1 361	(18)	—	9 570
Cheque accounts	2 315	73	—	—	2 388
Credit cards	1 225	1	—	—	1 226
Electronic banking	2 229	548	—	—	2 777
Other ⁽²⁾	1 683	739	(18)	—	2 404
Savings accounts	775	—	—	—	775
Merchant income	1 153	1	(1)	—	1 153
Trust and other fiduciary services fees	89	7	556	—	652
Other fees and commissions	125	209	(64)	—	270
Insurance commissions received	828	—	(347)	—	481
Investment banking fees	11	127	—	—	138
Other income from contracts with customers	36	—	—	(4)	32
Other non-interest income, net of expenses	98	3 141	(171)	13	3 081
Total non-interest income	10 772	4 892	(40)	9	15 633

	30 June 2020				
	RBB ⁽¹⁾ Rm	CIB ⁽¹⁾ Rm	Head Office, Treasury and other operations ⁽¹⁾ Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	10 540	1 624	196	—	12 360
Consulting and administration fees	263	62	6	—	331
Transactional fees and commissions	8 311	1 173	6	—	9 490
Cheque accounts	2 502	66	1	—	2 569
Credit cards	1 144	2	1	—	1 147
Electronic banking	2 024	495	(2)	—	2 517
Other ⁽²⁾	1 834	610	6	—	2 450
Savings accounts	807	—	—	—	807
Merchant income	1 013	3	—	—	1 016
Trust and other fiduciary services fees	71	3	569	—	643
Other fees and commissions	133	191	(62)	—	262
Insurance commissions received	733	—	(323)	—	410
Investment banking fees	16	192	—	—	208
Other income from contracts with customers	31	9	(1)	—	39
Other non-interest income, net of expenses	1 692	1 900	14	226	3 832
Total non-interest income	12 263	3 533	209	226	16 231

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

⁽²⁾ Includes fees on mortgage loans and foreign currency transactions.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

4. Disaggregation of non-interest income (continued)

	31 December 2020				Total Rm
	RBB ⁽¹⁾ Rm	CIB ⁽¹⁾ Rm	Head Office, Treasury and other operations ⁽¹⁾ Rm	Barclays PLC separation effects Rm	
Fee and commission income from contracts with customers	21 545	3 279	296	—	25 120
Consulting and administration fees	461	103	11	—	575
Transactional fees and commissions	16 914	2 393	(6)	—	19 301
Cheque accounts	4 972	140	—	—	5 112
Credit cards	2 336	4	—	—	2 340
Electronic banking	4 297	1 036	—	—	5 333
Other ⁽²⁾	3 658	1 212	(5)	—	4 865
Savings accounts	1 651	1	(1)	—	1 651
Merchant income	2 205	4	—	—	2 209
Trust and other fiduciary services fees	192	33	1 166	—	1 391
Other fees and commissions	251	373	(134)	—	490
Insurance commissions received	1 505	—	(740)	—	765
Investment banking fees	17	373	(1)	—	389
Other income from contracts with customers	70	8	35	—	113
Other non-interest income, net of expenses	2 677	4 315	367	144	7 503
Total non-interest income	24 292	7 602	698	144	32 736

5. Other impairments

	30 June		31 December	
	2021 Rm	2020 Rm	2020 Rm	2020 Rm
Goodwill ⁽³⁾	65	2	2	2
Intangible assets	—	74	195	195
Investments in associates and joint ventures	—	—	11	11
Non-current assets held for sale	—	22	33	33
Property and equipment ⁽⁴⁾	56	75	223	223
	121	173	464	464

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

⁽²⁾ Includes fees on mortgage loans and foreign currency transactions.

⁽³⁾ The reduction in goodwill of **R65m** relates to a change of the amount of goodwill recognised for Woolworths Financial Services Proprietary Limited as a result of deferred tax assets.

⁽⁴⁾ The Group has decided to dispose of certain property and equipment classified as held for sale under IFRS 5 resulting in an impairment of **R0m** (2020: R6m); (December 2020: R19m). In addition, property and equipment not classified as held for sale was impaired by **R56m** (2020: R69m); (December 2020: R204m).

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for the interim reporting period ended

6. Headline earnings

	30 June		31 December	
	2021	2020	2020	2020
	Gross Rm	Net ⁽¹⁾ Rm	Gross Rm	Net ⁽¹⁾ Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group	8 162		485	5 880
Total headline earnings adjustments:	24		74	158
IFRS 3 – Gain on bargain purchase	—	—	(86)	(86)
IFRS 5 – (Profit)/loss on disposal of non-current assets held for sale	(9)	(7)	—	(1)
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	22	33
IAS 16 – (Profit)/loss on disposal of property and equipment	(12)	(10)	(12)	(49)
IAS 21 – Recycled foreign currency translation reserve	—	—	—	(118)
IAS 28 – Impairment of investments in associates and joint ventures	—	—	—	11
IAS 36 – Impairment of property and equipment	56	41	75	223
IAS 36 – Impairment of intangible assets	—	—	74	195
IAS 36 – Goodwill impairment	—	—	2	2
IAS 40 – Change in fair value of investment properties	—	—	—	5
Headline earnings/diluted headline earnings	8 186		559	6 038
Headline earnings per ordinary share (cents)	986.2		67.7	730.9
Diluted headline earnings per ordinary share (cents)	984.6		67.7	730.5

⁽¹⁾ The net amount is reflected after taxation and non-controlling interest.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

7. Dividends per share

	30 June	31 December	
	2021	2020	2020
	Rm	Rm	Rm
Dividends declared to ordinary equity holders			
Interim dividend (16 August 2021: 310 cps) (2020: 0 cps)	2 628	—	—
Final dividend (0) (2020: 0 cps)	—	—	—
	2 628	—	—
Dividends declared to ordinary equity holders (net of treasury shares)⁽¹⁾			
Interim dividend (16 August 2021: 310 cps) (2020: 0 cps)	2 573	—	—
Final dividend (0) (2020 : 0 cps)	—	—	—
	2 573	—	—
Dividends declared to non-controlling preference equity holders			
Interim dividend (16 August 2021: 2 470.13699 cps) (24 August 2020: 2 741.02740 cps)	122	—	135
Final dividend (0) (15 March 2021: 2 429.86301 cps)	—	—	120
	122	—	350
Distributions declared and paid to Additional Tier 1 capital note holders			
Distribution	289	334	589
11 January 2021: 20 214.47 Rands per note (rpn); 10 January 2020: 29 049.32 Rands per note (rpn)	25	36	36
27 January 2021 20 085.45 rpn	24	—	—
26 February 2021 19 268.38 rpn; 28 February 2020: 28 502.36 rpn	32	48	47
5 March 2021 18 786.19 rpn; 5 March 2020: 27 569.26 rpn	26	38	38
12 March 2021 22 301.37 rpn; 12 March 2020: 31 039.73 rpn	33	47	47
12 April 2021 20 922.52 rpn; 14 April 2020: 30 061.64 rpn	26	36	37
28 April 2021 20 423.89 rpn	25	—	—
28 May 2021 20 299.23 rpn; 28 May 2020: 27 143.01 rpn	34	46	46
7 June 2021 20 326.60 rpn; 5 June 2020: 27 075.73 rpn	28	37	37
14 June 2021 23 971.29 rpn; 12 June 2020: 30 392.77 rpn	36	46	46
10 July 2020: 24 669.86 rpn	—	—	31
28 August 2020: 21 487.67 rpn	—	—	36
7 September 2020: 21 138.41 rpn	—	—	29
14 September 2020: 24 702.68 rpn rpn	—	—	37
12 October 2020: 22 212.33 rpn	—	—	28
30 November 2020: 20 453.37 rpn	—	—	34
7 December 2020: 19 177.32 rpn	—	—	26
14 December 2020: 22 500.68 rpn	—	—	34
	289	334	589
Dividends paid to ordinary equity holders (net of treasury shares)⁽¹⁾			
Final dividend (2021: 0 cps) (20 April 2020: 620 cps)	—	5 126	5 115
Interim dividend ⁽¹⁾ (2021: 0 cps) (2020: 0 cps)	—	—	—
	—	5 126	5 115
Dividends paid to non-controlling preference equity holders			
Final dividend (25 April 2021: 2 429.86301 cps) (20 April 2020: 3 469.31507 cps)	120	172	—
Interim dividend (21 September 2020: 2 741.0274 cps)	—	—	307
	120	172	307

⁽¹⁾ The dividends paid on treasury shares are calculated on payment date.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

8. Acquisitions and disposals of businesses and other similar transactions

8.1.1 Acquisitions of businesses during the current reporting period

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

8.1.2 Disposals of assets during the current reporting period

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

8.2.1 Acquisitions of businesses during the previous reporting periods

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

In terms of IFRS 10 *Consolidated Financial Statements*, an entity should be consolidated once an investor has sufficient exposure to the variable returns of the entity, as well as the ability to effect the returns through its power over the investee. The Absa Balanced Fund is a unit trust fund managed by the Group; and therefore has sufficient exposure and the ability to effect its returns. In addition, policyholders invest in the fund through investment products; for which the Group does not achieve derecognition in terms of IFRS.

Consequently the Group recognised the policyholders' investment in the fund (previously as 'investments linked to investment contracts'); together with an obligation to transfer all benefits to the policyholders as 'liabilities under investment contracts'. The effective holding in the Absa Balanced Fund, a unit trust managed by the Group, increased to the extent that the Group has a right to a significant component of the variable returns from the fund; therefore warranting consolidation. At the time of consolidation of the fund, the assets and liabilities of the fund (before eliminating assets already owned by the Group)

amounted to R1 593m each; with a net asset value of Rnil. After the effect of eliminating assets already owned by the Group, the attributable fair value of the net assets acquired is R530m, fair value of investment at point of consolidation is R530m, and following the requirements of IFRS 3, no gain nor goodwill was recognised in connection with the increased holdings acquired.

8.2.2 Disposals of businesses during the previous reporting periods

The Group fully disposed of the Edcon loan book in South Africa and Namibia on 1 February 2020. The Group received a cash consideration of R3 740m on disposal.

The Group fully disposed of First Assurance Tanzania on 30 November 2020 for a cash consideration of Rnil.

9. Related parties

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

9.1.1 Prior period related party events and transactions

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

The Group increased its shareholding in Instant Life Proprietary Limited from 75% to 100%. Instant Life Proprietary Limited remains a subsidiary before and after the increase; it is now considered a wholly owned subsidiary.

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

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

10. Contingencies, commitments and similar items

	30 June	31 December	
	2021	2020	2020
	Rm	Rm	Rm
Guarantees	48 830	56 289	45 405
Irrevocable debt facilities	175 724	183 793	176 264
Irrevocable equity facilities	—	7	—
Letters of credit	13 739	9 497	12 722
Other	—	7	—
	238 293	249 593	234 391
Authorised capital expenditure			
Contracted but not provided for	935	1 167	758

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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for the interim reporting period ended

10. Contingencies, commitments and similar items (continued)

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 exposure to 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.

Legal matters

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

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

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

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

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

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

Regulatory developments

The scale of regulatory change remains challenging post the reforms introduced in response to the global financial crisis. These reforms resulted in significant tightening of regulation and changes to regulatory structures globally and locally, especially for companies that

are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny in the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation.

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

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

The Group continues to ensure we have a strengthened relationship with its Regulators and manage such engagements on a continuous basis. The relief measures provided by the PA in 2020 of a temporary relaxation of both capital supply and short-term liquidity requirements, enabling banks to continue the provision of credit into the economy during this period of financial stress. This support has continued in H1 2021 and is expected to continue in H2 2021.

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

Income taxes

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.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

11. Segment reporting

	30 June	31 December	
	2021	2020	2020
	Rm	Rm	Rm
11.1 Total headline earnings by segment⁽¹⁾			
RBB	4 192	460	4 239
CIB	4 049	1 645	5 054
Head Office, Treasury and other operations ⁽²⁾	387	(646)	(1 328)
Barclays PLC separation effects ⁽³⁾	(442)	(900)	(1 927)
	8 186	559	6 038
11.2 Total income by segment⁽¹⁾			
RBB	28 643	30 253	60 340
CIB	11 625	10 174	21 026
Head Office, Treasury and other operations ⁽²⁾	942	(349)	16
Barclays PLC separation effects ⁽³⁾	20	277	211
	41 230	40 355	81 593
11.3 Total internal income by segment⁽¹⁾			
RBB	476	(1 309)	(142)
CIB	237	(2 988)	(4 137)
Head Office, Treasury and other operations ⁽²⁾	(725)	4 244	4 212
Barclays PLC separation effects ⁽³⁾	12	53	67
	—	—	—
11.4 Total assets by segment⁽¹⁾			
RBB	1 096 346	1 025 866	1 063 295
CIB	974 003	944 243	939 811
Head Office, Treasury and other operations ⁽²⁾	(493 787)	(409 113)	(477 142)
Barclays PLC separation effects ⁽³⁾	3 973	5 323	5 156
	1 580 535	1 566 319	1 531 120
11.5 Total liabilities by segment⁽¹⁾			
RBB	1 088 549	1 020 730	1 054 821
CIB	970 492	942 512	935 305
Head Office, Treasury and other operations ⁽²⁾	(616 790)	(528 426)	(591 708)
Barclays PLC separation effects ⁽³⁾	(214)	(443)	399
	1 442 037	1 434 373	1 398 817

⁽¹⁾ Operational, management and other associated changes in the manner in which the Chief Operating Decision Maker (CODM) views the performance of each segment have resulted in the re-allocation of total headline earnings, income, assets and liabilities between segments. Refer to Note 14.1 for further details.

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

⁽³⁾ 'Barclays PLC separation effects' is the reconciling stripe and does not represent a reportable segment.

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

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

	30 June			
	2021		2020	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	11 530	11 530	16 931	16 931
Balances with the SARB	26 502	26 502	24 554	24 554
Coins and bank notes	12 896	12 896	12 833	12 833
Cash, cash balances and balances with central banks	50 928	50 928	54 318	54 318
Investment securities	34 465	36 124	30 934	32 203
Loans and advances to banks	49 736	49 727	55 538	55 538
Other assets	29 417	29 417	27 558	27 558
RBB ⁽¹⁾	590 520	585 524	560 701	555 757
Home Loans	257 200	255 067	238 089	236 115
Vehicle and Asset Finance	93 981	92 515	82 511	81 224
Everyday Banking	58 368	57 712	58 473	57 756
Card	37 634	37 634	35 554	35 554
Personal Loans	17 928	17 272	19 602	18 885
Transactions and Deposits	2 806	2 806	3 317	3 317
Relationship Banking ⁽²⁾	124 382	123 395	120 661	119 695
RBB ARO	56 588	56 834	60 966	60 966
RBB Other	1	1	1	1
CIB ⁽¹⁾	274 184	277 041	309 236	308 614
CIB South Africa ⁽²⁾	220 771	224 616	244 403	243 781
CIB ARO	53 413	52 425	64 833	64 833
Head Office, Treasury and other operations ⁽¹⁾	795	795	964	964
Loans and advances to customers – net of impairment losses	865 499	863 360	870 901	865 335
Non-current assets held for sale	1 123	1 123	52	52
Total assets (not held at fair value)	1 031 168	1 030 679	1 039 301	1 035 004
Financial liabilities				
Deposits from banks	63 676	63 941	100 624	100 760
Other liabilities	52 449	52 449	52 774	52 774
Call deposits	111 696	111 730	112 940	112 940
Cheque account deposits	299 977	299 977	233 395	233 395
Credit card deposits	1 954	1 954	1 973	1 973
Fixed deposits	178 106	182 360	191 591	195 147
Foreign currency deposits	46 847	46 847	57 616	57 616
Notice deposits	74 738	74 738	72 019	72 019
Other deposits	1 172	1 172	991	991
Saving and transmission deposits	222 634	222 634	201 453	201 453
Deposits due to customers	937 124	941 412	871 978	875 534
Debt securities in issue	107 439	108 017	144 144	143 894
Borrowed funds	27 426	27 565	23 299	23 285
Total liabilities (not held at fair value)	1 188 114	1 193 384	1 192 819	1 196 247

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

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.3.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

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

	31 December	
	2020	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with other central banks	13 441	13 441
Balances with the SARB	25 467	25 467
Coins and bank notes	14 403	14 403
Cash, cash balances and balances with central banks	53 311	53 311
Investment securities	31 773	34 246
Loans and advances to banks	52 708	52 669
Other assets	17 123	17 123
RBB ⁽¹⁾	571 756	566 705
Home Loans	247 679	245 702
Vehicle and Asset Finance	89 129	87 739
Everyday Banking	58 022	57 305
Card	36 405	36 405
Personal Loans	18 410	17 693
Transactions and Deposits	3 207	3 207
Relationship Banking ⁽²⁾	121 605	120 638
RBB ARO	55 321	55 321
CIB ⁽¹⁾	293 248	296 864
CIB South Africa ⁽²⁾	240 320	244 689
CIB ARO	52 928	52 176
Head Office, Treasury and other operations ⁽¹⁾	1 064	1 064
Loans and advances to customers – net of impairment losses	866 068	864 633
Total assets (not held at fair value)	1 020 983	1 021 981
Financial liabilities		
Deposits from banks	63 384	63 679
Other liabilities	29 068	29 068
Call deposits	108 258	108 258
Cheque account deposits	268 696	268 696
Credit card deposits	2 033	2 033
Fixed deposits	187 777	191 690
Foreign currency deposits	46 824	46 824
Notice deposits	74 139	74 139
Other deposits	1 267	1 267
Saving and transmission deposits	208 689	208 689
Deposits due to customers	897 683	901 596
Debt securities in issue	121 637	122 334
Borrowed funds	20 761	20 902
Total liabilities (not held at fair value)	1 132 533	1 137 579

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

⁽²⁾ These numbers have been restated, refer to the reporting changes overview Note 14.3.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available,

and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

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for the interim reporting period ended

13. Assets and liabilities held at fair value

(continued)

13.2 Fair value measurements (continued)

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives,

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

Notes to the condensed consolidated interim financial results

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

13.4 Fair value hierarchy

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

Recurring fair value measurements	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	2 051	3 631	—	5 682	3 582	4 493	—	8 075
Investment securities	43 263	95 410	9 485	148 158	43 196	60 059	22 476	125 731
Loans and advances to banks	—	31 028	—	31 028	—	57 630	—	57 630
Trading and hedging portfolio assets	112 459	98 048	1 719	212 226	73 767	135 330	1 046	210 143
Debt instruments	66 811	6 218	219	73 248	45 890	12 240	52	58 182
Derivative assets	—	74 102	329	74 431	—	108 331	366	108 697
Commodity derivatives	—	743	31	774	—	1 548	—	1 548
Credit derivatives	—	1	139	140	—	—	218	218
Equity derivatives	—	6 751	143	6 894	—	2 929	49	2 978
Foreign exchange derivatives	—	17 273	2	17 275	—	19 410	38	19 448
Interest rate derivatives	—	49 334	14	49 348	—	84 444	61	84 505
Equity instruments	44 867	—	—	44 867	26 628	—	—	26 628
Money market assets	781	17 728	1 171	19 680	1 249	14 759	628	16 636
Other assets	—	13	—	13	—	34	—	34
Loans and advances to customers	—	76 158	14 180	90 338	—	51 372	10 020	61 392
Investments linked to investment contracts	17 335	4 855	—	22 190	15 668	4 552	95	20 315
Total financial assets	175 108	309 143	25 384	509 635	136 213	313 470	33 637	483 320
Financial liabilities								
Deposits from banks	—	31 607	—	31 607	—	8 150	—	8 150
Trading and hedging portfolio liabilities	26 863	59 634	147	86 644	11 077	96 718	2 681	110 476
Derivative liabilities	—	59 634	147	59 781	—	96 718	2 681	99 399
Commodity derivatives	—	760	1	761	—	1 344	—	1 344
Credit derivatives	—	242	107	349	—	168	292	460
Equity derivatives	—	3 790	29	3 819	—	2 414	2 057	4 471
Foreign exchange derivatives	—	15 044	—	15 044	—	17 513	11	17 524
Interest rate derivatives	—	39 798	10	39 808	—	75 279	321	75 600
Short positions	26 863	—	—	26 863	11 077	—	—	11 077
Other liabilities	—	54	—	54	—	35	30	65
Deposits due to customers	124	69 328	3 377	72 829	120	42 383	5 139	47 642
Debt securities in issue	1 043	21 118	—	22 161	782	33 869	—	34 651
Liabilities under investment contracts	—	25 258	—	25 258	—	27 687	—	27 687
Total financial liabilities	28 030	206 999	3 524	238 553	11 979	208 842	7 850	228 671
Non-financial assets								
Commodities	787	—	—	787	1 202	—	—	1 202
Investment properties	—	—	487	487	—	—	555	555
Non-recurring fair value measurements								
Non-current assets held for sale ⁽¹⁾	—	—	250	250	—	—	160	160
Non-current liabilities held for sale ⁽¹⁾	—	—	542	542	—	—	171	171

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.4 Fair value hierarchy (continued)

	31 December 2020			Total Rm
	Level 1 Rm	Level 2 Rm	Level 3 Rm	
Recurring fair value measurements				
Financial assets				
Cash, cash balances and balances with central banks	461	6 910	—	7 371
Investment securities	44 363	65 456	11 912	121 731
Loans and advances to banks	—	31 830	—	31 830
Trading and hedging portfolio assets	91 382	129 555	2 502	223 439
Debt instruments	55 577	11 545	95	67 217
Derivative assets	—	108 151	1 701	109 852
Commodity derivatives	—	622	5	627
Credit derivatives	—	—	159	159
Equity derivatives	—	3 510	1 487	4 997
Foreign exchange derivatives	—	23 244	—	23 244
Interest rate derivatives	—	80 775	50	80 825
Equity instruments	35 243	—	—	35 243
Money market assets	562	9 859	706	11 127
Other assets	—	19	—	19
Loans and advances to customers	—	50 304	13 597	63 901
Investments linked to investment contracts	15 412	5 243	618	21 273
Total financial assets	151 618	289 317	28 629	469 564
Financial liabilities				
Deposits from banks	—	32 722	—	32 722
Trading and hedging portfolio liabilities	21 048	92 623	173	113 844
Derivative liabilities	—	92 623	173	92 796
Commodity derivatives	—	764	1	765
Credit derivatives	—	183	141	324
Equity derivatives	—	3 135	17	3 152
Foreign exchange derivatives	—	20 894	1	20 895
Interest rate derivatives	—	67 647	13	67 660
Short positions	21 048	—	—	21 048
Other liabilities	—	34	—	34
Deposits due to customers	128	49 401	4 682	54 211
Debt securities in issue	486	23 617	—	24 103
Liabilities under investment contracts	—	27 533	—	27 533
Total financial liabilities	21 662	225 930	4 855	252 447
Non-financial assets				
Commodities	1 082	—	—	1 082
Investment properties	—	—	496	496
Non-recurring fair value measurements				
Non-current assets held for sale ⁽¹⁾	—	—	144	144

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.5 Measurement of assets and liabilities categorised at Level 2

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.6 Reconciliation of Level 3 assets and liabilities

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

	30 June 2021					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	11 912	496	618	29 125
Net interest income	—	184	30	—	—	214
Gains and losses from banking and trading activities	125	(774)	107	—	—	(542)
Purchases	530	3 404	571	—	—	4 505
Sales	(68)	(3 128)	(1 083)	(11)	—	(4 290)
Movement in other comprehensive income	—	—	(236)	2	—	(234)
Transfer to Level 3	260	1 099	—	—	—	1 359
Transfer out of Level 3	(1 630)	(202)	(1 816)	—	(618)	(4 266)
Closing balance at the end of the reporting period	1 719	14 180	9 485	487	—	25 871

	30 June 2020					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	14 198	513	81	31 952
Net interest income	—	137	57	—	—	194
Gains and losses from banking and trading activities	(3 209)	283	(319)	—	—	(3 245)
Purchases	33	122	6 945	—	14	7 114
Sales	(5)	(143)	(2 536)	—	—	(2 684)
Movement in other comprehensive income	—	—	(166)	42	—	(124)
Transfer to Level 3	16	67	5 993	—	—	6 076
Transfer out of Level 3	(2 045)	(1 350)	(1 696)	—	—	(5 091)
Closing balance at the end of the reporting period	1 046	10 020	22 476	555	95	34 192

	31 December 2020					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	6 256	10 904	14 198	513	81	31 952
Net interest income	—	246	83	—	—	329
Gains and losses from banking and trading activities	(1 928)	523	(442)	(5)	—	(1 852)
Purchases	38	544	384	—	537	1 503
Sales	(176)	(931)	(2 570)	(44)	—	(3 721)
Movement in other comprehensive income	—	—	(699)	(12)	—	(711)
Transfer to Level 3	142	2 807	2 353	—	—	5 302
Transfer out of Level 3	(1 830)	(496)	(1 395)	—	—	(3 677)
Closing balance at the end of the reporting period	2 502	13 597	11 912	496	618	29 125

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	30 June 2021			
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	173	—	4 682	4 855
Gains and losses from banking and trading activities	(37)	—	(2 257)	(2 294)
Movement in other comprehensive income	—	—	(28)	(28)
Issues	9	—	2 560	2 569
Settlements	—	—	(1 653)	(1 653)
Transfer to Level 3	8	—	73	81
Transfer out of Level 3	(6)	—	—	(6)
Closing balance at the end of the reporting period	147	—	3 377	3 524

	30 June 2020			
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	1 131	19	4 457	5 607
Gains and losses from banking and trading activities	1 577	—	(43)	1 534
Movement in other comprehensive income	—	—	10	10
Issues	—	18	1 711	1 729
Settlements	(13)	(7)	(1 415)	(1 435)
Transfer to Level 3	—	—	788	788
Transfer out of Level 3	(14)	—	(369)	(383)
Closing balance at the end of the reporting period	2 681	30	5 139	7 850

	31 December 2020			
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	1 131	19	4 457	5 607
Gains and losses from banking and trading activities	(706)	—	306	(400)
Movement in other comprehensive income	—	—	(55)	(55)
Issues	38	34	1 804	1 876
Settlements	(263)	(53)	(1 104)	(1 420)
Transfer to Level 3	—	—	77	77
Transfer out of Level 3	(27)	—	(803)	(830)
Closing balance at the end of the reporting period	173	—	4 682	4 855

13.7 Significant transfers between levels

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

Notes to the condensed consolidated interim financial results

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

13.8 Unrealised gains and losses on Level 3 assets and liabilities

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

30 June 2021							
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	97	(451)	(161)	(515)	(81)	1 480	1 399

30 June 2020							
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	305	1 498	(83)	1 720	(1 816)	(163)	(1 979)

31 December 2020							
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	1 774	3 192	(115)	4 851	(104)	(490)	(594)

13.9 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, in order to determine the impact of reasonably possible alternative assumptions on the valuation of Level 3 financial assets and liabilities. The assets and liabilities that most impact this sensitivity analysis are those with more illiquid and/or structured portfolios. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations.

The following tables reflect the reasonable possible variances applied to significant parameters utilised in our valuations:

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.9 Sensitivity analysis of valuations using unobservable inputs (continued)

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

		30 June 2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding spread	183/(202)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(732)/833
Loans and advances to customers	Credit spreads	(862)/937	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(19)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	23/(23)	—/—

		30 June 2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding spread	324/(324)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(151)/156
Loans and advances to customers	Credit spreads	(689)/760	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	31/(31)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(18)/18	—/—

		31 December 2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits due to customers	Absa Group Limited /Absa funding spread	344/(394)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(170)/175
Loans and advances to customers	Credit spreads	(782)/848	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(18)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

The significant unobservable inputs used in determining the fair value of the investment properties are annual rent, discount rates, prevailing bulk selling prices and annual growth rate. Significant increases/decreases of these inputs in isolation, would result in a significantly lower/higher fair value measurement of the investment properties.

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

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

13.10 Measurement of assets and liabilities at Level 3

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

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

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

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

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

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

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

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

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

13.12 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements.

14. Reporting changes overview

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

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

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

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

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

15. IBOR reform interim reporting disclosures

IBOR reform programme

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

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

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

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

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

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

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

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

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

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

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

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15. IBOR reform interim reporting disclosures (continued)

IBOR reform programme (continued)

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

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

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

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

Developments made towards implementing alternative benchmark interest rates

For derivatives subject to interest rate reform, the Group and a significant portion of its counterparties have adhered to the ISDA IBOR Fallbacks Protocol (the Protocol) as well as the IBOR Fallbacks Supplement (the Supplement) published by the ISDA in October 2020. The protocol has become effective on 25 January 2021, and provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

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

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

16. Additional risk management disclosure

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

16.1 Credit risk

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

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

30 June 2021

Maximum exposure to credit risk	Gross maximum exposure Rm	Stage 1 ⁽¹⁾		
		DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Balances with other central banks	11 539	4 088	7 412	—
Balances with the SARB	26 502	26 502	—	—
Money market assets	1 624	1 624	—	—
Cash, cash balances and balances with central banks	39 665	32 214	7 412	—
Government bonds	67 556	65 845	1 711	—
Other	56 275	36 983	16 818	—
Treasury bills	33 651	27 361	5 338	—
Investment securities	157 482	130 189	23 867	—
Loans and advances to banks	49 803	39 024	8 875	—
Accounts receivable	9 870	3 690	6 148	—
Settlement accounts	19 617	10 723	8 894	—
Other assets	29 487	14 413	15 042	—
RBB	628 831	57 378	429 587	27 379
Home Loans	264 271	24 140	182 690	12 184
Vehicle and Asset Finance	99 957	2 238	74 485	8 500
Everyday Banking	72 883	10 673	35 380	6 428
Card	46 571	10 091	21 742	2 475
Personal Loans	22 658	303	11 478	3 585
Transactions and Deposits	3 654	279	2 160	368
Relationship Banking	130 280	16 713	91 233	—
RBB ARO	61 387	3 614	45 799	267
RBB Other	53	—	—	—
CIB	279 328	114 038	105 168	138
CIB South Africa	223 728	110 057	66 797	25
CIB ARO	55 600	3 981	38 371	113
Head Office, Treasury and other operations	456	317	—	—
Loans and advances to customers	908 615	171 733	534 755	27 517
Off-statement of financial position exposure				
Guarantees	48 830	28 753	12 745	36
Letters of credit	13 739	1 407	7 579	3
Irrevocable debt facilities ⁽²⁾	233 871	76 546	146 835	819
Total off-statement of financial position exposure	296 440	106 706	167 159	858

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

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

30 June 2021

	Stage 2 ⁽¹⁾			Stage 3 ⁽¹⁾
	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	Default Rm
	—	39	—	—
	—	—	—	—
	—	—	—	—
	—	39	—	—
	—	—	—	—
	—	1 406	—	1 068
	—	952	—	—
	—	2 358	—	1 068
	—	1 717	187	—
	—	32	—	—
	—	—	—	—
	—	32	—	—
	6 062	33 471	22 069	52 885
	5 127	9 567	10 571	19 992
	340	2 001	5 289	7 104
	285	4 383	2 862	12 872
	75	3 227	1 253	7 708
	194	988	1 496	4 614
	16	168	113	550
	310	13 722	—	8 302
	—	3 798	3 347	4 562
	—	—	—	53
	12 491	37 083	2 370	8 040
	12 491	27 172	1 969	5 217
	—	9 911	401	2 823
	—	139	—	—
	18 553	70 693	24 439	60 925
	1 338	4 459	838	661
	132	4 371	208	39
	573	6 166	798	2 134
	2 043	14 996	1 844	2 834

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

	Gross maximum exposure Rm	30 June 2020		
		DG1-9 Rm	Stage 1 ⁽¹⁾ DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Balances with other central banks	16 936	9 194	7 725	—
Balances with the SARB	24 555	24 555	—	—
Money market assets	3 365	2 889	476	—
Cash, cash balances and balances with central banks	44 856	36 638	8 201	—
Government bonds	64 722	64 471	251	—
Other	56 504	37 978	16 409	—
Treasury bills	25 292	20 026	4 561	—
Investment securities	146 518	122 475	21 221	—
Loans and advances to banks	55 581	51 294	3 099	—
Accounts receivable	10 499	3 915	6 548	—
Settlement accounts	17 097	10 413	6 684	—
Other assets	27 596	14 328	13 232	—
RBB ⁽²⁾	598 614	38 726	425 996	17 726
Home Loans	245 385	7 834	189 693	6 139
Vehicle and Asset Finance	87 591	1 124	62 572	6 377
Everyday Banking	73 778	10 554	34 508	5 052
Card	45 041	9 804	19 551	2 094
Personal Loans	24 569	558	13 166	2 514
Transactions and Deposits	4 168	192	1 791	444
Relationship Banking ⁽²⁾	125 743	17 612	85 243	—
RBB ARO	66 064	1 602	53 980	158
RBB Other	53	—	—	—
CIB ⁽²⁾	315 000	132 560	129 526	11
CIB South Africa	247 157	125 150	78 590	7
CIB ARO	67 843	7 410	50 936	4
Head Office, Treasury and other operations ⁽²⁾	477	215	11	—
Loans and advances to customers	914 091	171 501	555 533	17 737
Off-statement of financial position exposure				
Guarantees	56 289	31 762	13 369	9
Letters of credit	9 497	458	6 329	8
Irrevocable debt facilities ⁽³⁾	215 328	46 008	156 579	444
Total off-statement of financial position exposure	281 114	78 228	176 277	461

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

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

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

30 June 2020

DG1-9 Rm	Stage 2 ⁽¹⁾		Stage 3 ⁽¹⁾
	DG10-19 Rm	DG20-21 Rm	Default Rm
—	17	—	—
—	—	—	—
—	—	—	—
—	17	—	—
—	—	—	—
348	1 769	—	—
—	705	—	—
348	2 474	—	—
33	1 133	22	—
34	2	—	—
—	—	—	—
34	2	—	—
6 759	40 718	16 190	52 499
3 073	10 633	5 380	22 633
1 218	4 846	4 709	6 745
105	7 349	3 390	12 820
39	4 609	1 332	7 612
22	1 874	1 848	4 587
44	866	210	621
661	15 938	—	6 289
1 702	1 952	2 711	3 959
—	—	—	53
11 744	28 715	3 467	8 977
11 668	23 581	3 393	4 768
76	5 134	74	4 209
—	251	—	—
18 503	69 684	19 657	61 476
66	9 906	597	580
103	2 492	102	5
1 593	7 029	819	2 856
1 762	19 427	1 518	3 441

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for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

31 December 2020

	Gross maximum exposure Rm	Stage 1 ⁽¹⁾		
		DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Balances with other central banks	13 451	3 500	9 882	—
Balances with the SARB	25 460	25 460	—	—
Money market assets	2 867	2 867	—	—
Cash, cash balances and balances with central banks	41 778	31 827	9 882	—
Government bonds	65 970	65 202	768	—
Other	53 145	37 252	12 101	—
Treasury bills	21 205	16 061	5 043	—
Investment securities	140 320	118 515	17 912	—
Loans and advances to banks	52 771	43 164	6 919	371
Accounts receivable	9 393	6 516	2 826	—
Settlement accounts	7 799	2 671	5 128	—
Other assets	17 192	9 187	7 954	—
RBB ⁽²⁾	610 762	43 108	422 052	23 360
Home Loans	255 131	10 111	191 811	8 815
Vehicle and Asset Finance	94 877	1 293	65 769	9 494
Everyday Banking	73 731	10 952	32 992	4 901
Card	45 875	10 470	19 203	2 053
Personal Loans	23 785	228	12 246	2 421
Transactions and Deposits	4 071	254	1 543	427
Relationship Banking ⁽²⁾	127 050	17 140	84 813	—
RBB ARO	59 920	3 612	46 667	150
RBB Other	53	—	—	—
CIB ⁽²⁾	298 327	125 598	113 870	3
CIB South Africa	243 182	120 372	75 811	2
CIB ARO	55 145	5 226	38 059	1
Head Office, Treasury and other operations ⁽²⁾	612	369	21	—
Loans and advances to customers	909 701	169 075	535 943	23 363
Off-statement of financial position exposure				
Guarantees	45 405	21 190	16 684	63
Letters of credit	12 722	1 555	7 335	3
Irrevocable debt facilities ⁽³⁾	225 589	97 438	116 087	536
Total off-statement of financial position exposure	283 716	120 183	140 106	602

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

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

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

31 December 2020

DG1-9 Rm	Stage 2 ⁽¹⁾		Stage 3 ⁽¹⁾
	DG10-19 Rm	DG20-21 Rm	Default Rm
—	69	—	—
—	—	—	—
—	—	—	—
—	69	—	—
—	—	—	—
792	3 000	—	—
—	101	—	—
792	3 101	—	—
778	1 476	63	—
50	1	—	—
—	—	—	—
50	1	—	—
4 651	42 680	17 778	57 133
3 101	10 299	7 180	23 814
1 230	5 084	4 291	7 716
114	7 110	3 411	14 251
56	4 496	1 622	7 975
19	1 690	1 591	5 590
39	924	198	686
206	17 546	—	7 345
—	2 641	2 896	3 954
—	—	—	53
11 841	35 957	1 702	9 356
11 749	27 610	1 503	6 135
92	8 347	199	3 221
—	222	—	—
16 492	78 859	19 480	66 489
357	5 813	302	996
221	3 410	107	91
1 508	6 573	477	2 970
2 086	15 796	886	4 057

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

The following table provides detail regarding the credit quality of financial instruments which are classified as fair value through profit and loss in terms of Absa's default grading DG⁽¹⁾ system.

	30 June 2021			
	Gross carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Cash, cash balances and balances with central banks	4 058	4 058	—	—
Money market assets	4 058	4 058	—	—
Investment securities	19 031	18 745	286	—
Government bonds	16	16	—	—
Other	3 274	2 988	286	—
Treasury bills	15 741	15 741	—	—
Loans and advances to banks	31 028	18 874	12 154	—
Trading and hedging portfolio assets	167 359	108 707	58 204	448
Debt instruments	73 248	50 508	22 740	—
Derivative assets	74 430	45 297	28 685	448
Money market assets	19 681	12 902	6 779	—
Other assets	13	13	—	—
Accounts receivable	13	13	—	—
Loans and advances to customers	90 339	35 647	54 692	—
Reinsurance assets	510	510	—	—
Insurance contracts	510	510	—	—
Investment linked to investment contracts	2 439	2 439	—	—
Debt instruments	1 849	1 849	—	—
Derivative instruments	—	—	—	—
Money market assets	590	590	—	—
Total	314 777	188 993	125 336	448

	30 June 2020			
	Gross carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Cash, cash balances and balances with central banks	4 711	4 711	—	—
Money market assets	4 711	4 711	—	—
Investment securities	5 174	4 263	911	—
Government bonds	2 016	2 016	—	—
Other	3 158	2 247	911	—
Loans and advances to banks	57 631	13 265	44 366	—
Trading and hedging portfolio assets	183 516	131 996	51 297	223
Debt instruments	58 182	45 338	12 844	—
Derivative assets	108 697	80 868	27 606	223
Money market assets	16 637	5 790	10 847	—
Other assets	34	34	—	—
Accounts receivable	34	34	—	—
Loans and advances to customers	61 393	35 668	25 725	—
Reinsurance assets	745	745	—	—
Insurance contracts	745	745	—	—
Investment linked to investment contracts	2 654	2 654	—	—
Debt instruments	757	757	—	—
Derivative instruments	8	8	—	—
Money market assets	1 889	1 889	—	—
Total	315 858	193 336	122 299	223

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

	31 December 2020			
	Gross carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Maximum exposure to credit risk				
Cash, cash balances and balances with central banks	4 503	4 503	—	—
Money market assets	4 503	4 503	—	—
Investment securities	7 913	7 739	174	—
Government bonds	15	15	—	—
Other	5 154	4 980	174	—
Treasury bills	2 744	2 744	—	—
Loans and advances to banks	31 830	24 396	7 434	—
Trading and hedging portfolio assets	188 197	136 700	51 270	227
Debt instruments	67 218	47 872	19 346	—
Derivative assets	109 852	80 398	29 227	227
Money market assets	11 127	8 430	2 697	—
Other assets	19	19	—	—
Accounts receivable	19	19	—	—
Loans and advances to customers	63 901	29 841	34 060	—
Reinsurance assets	680	680	—	—
Insurance contracts	680	680	—	—
Investment linked to investment contracts	3 013	3 013	—	—
Debt instruments	1 705	1 705	—	—
Derivative instruments	2	2	—	—
Money market assets	1 306	1 306	—	—
Total	300 056	206 891	92 938	227

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for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

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

30 June 2021

Analysis of credit risk mitigation and collateral	Collateral – credit impaired financial assets				
	Gross maximum exposure ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	80 831	—	—	—	—
Debt instruments	73 248	—	—	—	—
Derivative assets	74 430	—	—	—	—
Money market assets	19 681	—	—	—	—
Trading and hedging portfolio assets	167 359	—	—	—	—
RBB	749 285	156	28 750	105	210
Home Loans	317 560	—	17 911	—	—
Vehicle and Asset Finance	102 318	—	5 098	—	—
Everyday Banking	109 885	—	2	—	—
Card	78 785	—	—	—	—
Personal Loans	22 658	—	—	—	—
Transactions and Deposits	8 442	—	2	—	—
Relationship Banking	152 748	55	4 597	69	64
RBB ARO	66 721	101	1 142	36	146
RBB Other	53	—	—	—	—
CIB	482 865	436	1 474	1	438
CIB South Africa	406 901	356	544	—	57
CIB ARO	75 964	80	930	1	381
Head Office, Treasury and other operations	675	—	—	—	—
Loans and advances to customers	1 232 825	592	30 224	106	648
Off-statement of financial position					
Guarantees	48 831	36	23	—	—
Letters of credit	13 739	—	42	—	—
Total off-statement of financial position exposure	62 570	36	65	—	—

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

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

30 June 2021

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Collateral – not credit impaired financial assets					Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm			
—	—	677	—	—	4 957	75 197	80 831	
—	—	—	—	—	—	73 248	73 248	
—	—	—	—	2 292	52 032	20 106	74 430	
—	—	—	—	—	—	19 681	19 681	
—	—	—	—	2 292	52 032	113 035	167 359	
25 605	54 826	4 409	472 859	1 877	1 680	213 634	694 459	
2 127	20 038	—	275 497	—	—	22 025	297 522	
2 006	7 104	—	49 168	—	—	46 046	95 214	
14 484	14 486	—	—	—	—	95 399	95 399	
9 290	9 290	—	—	—	—	69 495	69 495	
4 620	4 620	—	—	—	—	18 038	18 038	
574	576	—	—	—	—	7 866	7 866	
3 595	8 380	2 398	135 352	1 072	168	5 378	144 368	
3 340	4 765	2 011	12 842	805	1 512	44 786	61 956	
53	53	—	—	—	—	—	—	
5 880	8 229	7 681	60 861	700	36 351	369 043	474 636	
4 259	5 216	571	49 702	—	31 287	320 125	401 685	
1 621	3 013	7 110	11 159	700	5 064	48 918	72 951	
—	—	—	—	—	—	675	675	
31 485	63 055	12 090	533 720	2 577	38 031	583 352	1 169 770	
602	661	820	5 563	1 306	144	40 337	48 170	
—	42	111	200	231	221	12 934	13 697	
602	703	931	5 763	1 537	365	53 271	61 867	

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for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk (continued)

30 June 2020

Analysis of credit risk mitigation and collateral	Gross maximum exposure ⁽¹⁾ Rm	Collateral – credit impaired financial assets			
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	113 212	—	—	—	—
Debt instruments	58 182	—	—	—	—
Derivative assets	108 697	—	—	—	—
Money market assets	16 637	—	—	—	—
Trading and hedging portfolio assets	183 516	—	—	—	—
RBB ⁽²⁾	724 955	48	29 376	146	101
Home Loans	298 212	—	20 573	—	—
Vehicle and Asset Finance	88 882	—	5 011	—	—
Everyday Banking	111 805	—	3	—	—
Card	77 658	—	—	—	—
Personal Loans	25 123	—	—	—	—
Transactions and Deposits	9 024	—	3	—	—
Relationship Banking ⁽²⁾	154 079	36	3 286	109	101
RBB ARO	71 925	12	503	37	—
RBB Other	52	—	—	—	—
CIB ⁽²⁾	465 378	505	2 011	7	679
CIB South Africa	376 803	268	339	—	34
CIB ARO	88 575	237	1 672	7	645
Head Office, Treasury and other operations ⁽²⁾	478	—	—	—	—
Loans and advances to customers	1 190 811	553	31 387	153	780
Off-statement of financial position					
Guarantees	56 288	—	8	—	—
Letters of credit	9 497	—	—	—	—
Total off-statement of financial position exposure	65 785	—	8	—	—

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

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

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

30 June 2020

Collateral – not credit impaired financial assets

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
—	—	169	—	—	12 370	100 673	113 212
—	—	—	—	—	—	58 182	58 182
—	—	—	—	3 560	78 064	27 073	108 697
—	—	—	—	—	—	16 637	16 637
—	—	—	—	3 560	78 064	101 892	183 516
25 638	55 309	1 580	436 173	1 513	465	229 915	669 646
2 131	22 704	—	254 960	—	—	20 548	275 508
1 733	6 744	—	43 304	—	—	38 834	82 138
15 276	15 279	—	—	—	—	96 526	96 526
10 036	10 036	—	—	—	—	67 622	67 622
4 600	4 600	—	—	—	—	20 523	20 523
640	643	—	—	—	—	8 381	8 381
2 871	6 403	194	123 149	850	188	23 295	147 676
3 575	4 127	1 386	14 760	663	277	50 712	67 798
52	52	—	—	—	—	—	—
5 812	9 014	8 706	73 514	2 593	36 893	334 658	456 364
4 117	4 758	913	51 603	4	28 601	290 924	372 045
1 695	4 256	7 793	21 911	2 589	8 292	43 734	84 319
—	—	—	—	—	—	478	478
31 450	64 323	10 286	509 687	4 106	37 358	565 051	1 126 488
572	580	1 004	5 502	1 333	215	47 654	55 708
5	5	127	557	1 395	169	7 244	9 492
577	585	1 131	6 059	2 728	384	54 898	65 200

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.1 Credit risk disclosures (continued)

31 December 2020

Collateral – credit impaired financial assets

Analysis of credit risk mitigation and collateral	Gross maximum exposure ⁽¹⁾ Rm	Collateral – credit impaired financial assets			
		Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	84 601	—	—	—	—
Debt instruments	67 218	—	—	—	—
Derivative assets	109 852	—	—	—	—
Money market assets	11 127	—	—	—	—
Trading and hedging portfolio assets	188 197	—	—	—	—
RBB ⁽²⁾	740 807	80	32 238	89	244
Home Loans	308 820	—	21 583	—	—
Vehicle and Asset Finance	96 167	—	5 673	—	—
Everyday Banking	111 207	—	2	—	—
Card	77 676	—	—	—	—
Personal Loans	24 343	—	—	—	—
Transactions and Deposits	9 188	—	2	—	—
Relationship Banking ⁽²⁾	159 468	31	3 828	57	53
RBB ARO	65 092	49	1 152	32	191
RBB Other	53	—	—	—	—
CIB ⁽²⁾	457 772	440	1 823	—	772
CIB South Africa	386 144	354	636	—	35
CIB ARO	71 628	86	1 187	—	737
Head Office, Treasury and other operations ⁽²⁾	612	—	—	—	—
Loans and advances to customers	1 199 191	520	34 061	89	1 016
Off-statement of financial position					
Guarantees	45 405	23	156	0	11
Letters of credit	12 722	—	26	—	—
Total off-statement of financial position exposure	58 127	23	182	0	11

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

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

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

31 December 2020

Collateral – not credit impaired financial assets

Unsecured Rm	Total maximum exposure credit impaired financial assets ⁽¹⁾ Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets ⁽¹⁾ Rm
—	—	390	—	—	18 664	65 547	84 601
—	—	—	—	—	—	67 218	67 218
—	—	—	—	3 169	74 288	32 395	109 852
—	—	—	—	—	—	11 127	11 127
—	—	—	—	3 169	74 288	110 740	188 197
27 320	59 971	4 157	463 101	2 155	1 966	209 457	680 836
2 307	23 890	—	263 420	—	—	21 510	284 930
2 043	7 716	—	48 809	—	—	39 642	88 451
16 826	16 828	—	—	—	—	94 379	94 379
10 475	10 475	—	—	—	—	67 201	67 201
5 607	5 607	—	—	—	—	18 736	18 736
744	746	—	—	—	—	8 442	8 442
3 454	7 423	2 129	134 903	1 217	195	13 601	152 045
2 637	4 061	2 028	15 969	938	1 771	40 325	61 031
53	53	—	—	—	—	—	—
6 449	9 484	9 161	69 226	912	41 859	327 130	448 288
5 107	6 132	537	50 555	4	35 392	293 524	380 012
1 342	3 352	8 624	18 671	908	6 467	33 606	68 276
—	—	—	—	—	—	612	612
33 769	69 455	13 318	532 327	3 067	43 825	537 199	1 129 736
806	996	724	5 796	784	217	36 888	44 409
65	91	325	1 406	1 249	476	9 175	12 631
871	1 087	1 049	7 202	2 033	693	46 063	57 040

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure

(continued)

16.2 Treasury risk

16.2.1 Liquidity risk

Liquidity risk is the risk that the 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.

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

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

The on-boarding of the Absa Money Market Fund deposits onto the Group's balance sheet further strengthened core deposits and hence the liquidity position, creating additional capacity for asset growth as well as risk diversification through increased investment in alternative forms of high quality liquid assets (HQLA).

The 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 depositor, products, tenor 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.

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

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, with limited reliance on Absa Bank for US dollar working capital.

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

Discounted maturity	30 June 2021					Total Rm
	Carrying amount (excluding impairment losses on amortised cost instruments)					
	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	
Assets						
Cash, cash balances and balances with central banks	53 430	3 032	157	—	(9)	56 610
Investment securities	11 767	66 728	47 196	57 066	(134)	182 623
Loans and advances to banks	15 081	64 464	1 286	—	(66)	80 765
Trading and hedging portfolio assets	205 419	613	4 950	1 245	—	212 227
Derivative assets	67 623	613	4 950	1 245	—	74 431
Non-derivative assets	137 796	—	—	—	—	137 796
Other financial assets	19 237	9 683	580	—	(70)	29 430
Loans and advances to customers	174 421	211 222	356 529	256 783	(43 117)	955 838
Non-current assets held for sale	1 123	—	—	—	—	1 123
Reinsurance assets	—	376	77	57	—	510
Investments linked to investment contracts	885	3 241	7 016	11 048	—	22 190
Financial assets	481 363	359 359	417 791	326 199	(43 396)	1 541 316
Non-financial assets						39 219
Total assets						1 580 535
Liabilities						
Deposits from banks	39 128	50 579	4 591	985	—	95 283
Trading and hedging portfolio liabilities	82 859	404	1 311	2 069	—	86 643
Derivative liabilities	55 996	404	1 311	2 069	—	59 780
Non-derivative liabilities	26 863	—	—	—	—	26 863
Other financial liabilities	36 610	11 977	237	16	—	48 840
Deposits due to customers	665 214	285 711	49 489	9 540	—	1 009 954
Debt securities in issue	604	52 106	61 606	15 285	—	129 601
Liabilities under investment contracts	5 027	3 277	4 960	11 994	—	25 258
Policyholder liabilities under insurance contracts	940	1 632	153	2 572	—	5 297
Borrowed funds	—	10 004	17 422	—	—	27 426
Financial liabilities	830 382	415 690	139 769	42 461	—	1 428 302
Non-financial liabilities						13 735
Total liabilities						1 442 037
Equity						138 498
Total equity and liabilities						1 580 535
Net liquidity position of financial instruments	(349 019)	(56 331)	278 022	283 738	(43 396)	113 014

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.1 Liquidity risk (continued)

	30 June 2020					
	Carrying amount (excluding impairment losses on amortised cost instruments)					
	On demand	Within 1 year	From 1 year to 5 years	More than 5 years	Impairment losses	Total
	Rm	Rm	Rm	Rm	Rm	Rm
Discounted maturity						
Assets						
Cash, cash balances and balances with central banks	57 818	4 327	254	—	(6)	62 393
Investment securities	10 305	43 842	50 805	51 715	(2)	156 665
Loans and advances to banks	24 209	82 012	5 288	1 704	(45)	113 168
Trading and hedging portfolio assets	198 916	1 054	8 515	1 659	—	210 144
Derivative assets	97 469	1 054	8 515	1 659	—	108 697
Non-derivative assets	101 447	—	—	—	—	101 447
Other financial assets	18 765	8 779	86	—	—	27 630
Loans and advances to customers	126 531	200 694	399 622	248 637	(43 191)	932 293
Non-current assets held for sale	—	52	—	—	—	52
Reinsurance assets	—	487	165	93	—	745
Investments linked to investment contracts	583	6 774	3 435	9 524	—	20 316
Financial assets	437 127	348 021	468 170	313 332	(43 244)	1 523 406
Non-financial assets						42 913
Total assets						1 566 319
Liabilities						
Deposits from banks	42 187	41 872	23 245	1 470	—	108 774
Trading and hedging portfolio liabilities	106 861	153	770	2 691	—	110 475
Derivative liabilities	95 784	153	770	2 691	—	99 398
Non-derivative liabilities	11 077	—	—	—	—	11 077
Other financial liabilities	37 897	10 490	214	—	—	48 601
Deposits due to customers	572 150	282 561	52 314	12 595	—	919 620
Debt securities in issue	335	98 653	70 982	8 825	—	178 795
Liabilities under investment contracts	4 918	6 501	6 892	9 376	—	27 687
Policyholder liabilities under insurance contracts	245	—	—	4 177	—	4 422
Borrowed funds	—	7 514	15 785	—	—	23 299
Financial liabilities	764 593	447 744	170 202	39 134	—	1 421 673
Non-financial liabilities						12 700
Total liabilities						1 434 373
Equity						131 946
Total equity and liabilities						1 566 319
Net liquidity position of financial instruments	(327 466)	(99 723)	297 968	274 198	(43 244)	101 733

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure (continued)

16.2 Treasury risk (continued)

16.2.1 Liquidity risk (continued)

	31 December 2020					
	Carrying amount (excluding impairment losses on amortised cost instruments)					
	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Discounted maturity						
Assets						
Cash, cash balances and balances with central banks	57 310	3 200	174	—	(2)	60 682
Investment securities	8 885	42 753	47 970	53 903	(7)	153 504
Loans and advances to banks	23 892	50 316	6 307	4 086	(63)	84 538
Trading and hedging portfolio assets	212 443	949	8 695	1 353	—	223 440
Derivative assets	98 855	949	8 695	1 353	—	109 852
Non-derivative assets	113 588	—	—	—	—	113 588
Other financial assets	8 386	8 646	178	—	(69)	17 141
Loans and advances to customers	149 068	203 735	365 592	255 207	(43 633)	929 969
Reinsurance assets	—	456	143	81	—	680
Investments linked to investment contracts	612	6 931	3 620	10 110	—	21 273
Financial assets	460 596	316 986	432 679	324 740	(43 774)	1 491 227
Non-financial assets						39 893
Total assets						1 531 120
Liabilities						
Deposits from banks	33 122	48 043	13 273	1 668	—	96 106
Trading and hedging portfolio liabilities	108 992	235	1 193	3 424	—	113 844
Derivative liabilities	87 944	235	1 193	3 424	—	92 796
Non-derivative liabilities	21 048	—	—	—	—	21 048
Other financial liabilities	14 699	10 361	137	—	—	25 197
Deposits due to customers	613 778	269 398	56 231	12 487	—	951 894
Debt securities in issue	143	64 842	66 778	13 977	—	145 740
Liabilities under investment contracts	4 601	6 981	5 048	10 903	—	27 533
Policyholder liabilities under insurance contracts	821	1 615	164	1 598	—	4 198
Borrowed funds	114	6 629	14 018	—	—	20 761
Financial liabilities	776 270	408 104	156 842	44 057	—	1 385 273
Non-financial liabilities						13 544
Total liabilities						1 398 817
Equity						132 303
Total equity and liabilities						1 531 120
Net liquidity position of financial instruments	(315 674)	(91 118)	275 837	280 683	(43 774)	105 954

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure

(continued)

16.2 Treasury risk (continued)

16.2.2 Capital management risk

Capital risk is the risk that the 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.

Review of current reporting period

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

- Capital ratios were stronger year-on-year due to strong earnings generation between June 2020 and June 2021 coupled with RWA savings achieved through model changes that were approved by the regulator and optimisation savings. Capital buffers remained strong, consistently above minimum regulatory requirements.
- The Group called R0.2bn of Tier 2 capital instruments in May 2021.
- In May 2021, Absa Group issued Additional Tier 1 instruments to the value of US\$500m in offshore capital markets. The issuance was US\$100m above plan providing the Group with a strong Tier 1 and CAR position and an optimised capital structure.
- All ARO entities were adequately capitalised above local minimum regulatory requirements, throughout the reporting period.
- The leverage ratio was supported by the Additional Tier 1 issuance.

Capital adequacy ratios

	30 June		31 December	30 June		30 June and 31 December	
	2021	2020	2020	Board target ranges 2021	Minimum regulatory capital requirements ⁽¹⁾ 2021	Board target ranges 2020	Minimum regulatory capital requirements 2020
Statutory capital ratios (includes unappropriated profits) (%)							
Common Equity Tier 1	12.4	11.0	11.2	11.0 – 12.5	8.0	11.0 – 12.0	7.5
Tier 1	14.2	11.9	12.2	>12.0	9.5	12.0 – 13.0	9.3
Total capital adequacy requirement (CAR)	16.9	14.9	15.0	>14.5	11.5	14.5 – 15.5	11.5
Capital supply and demand for the reporting period (Rm)							
Qualifying capital	151 943	139 502	137 454				
Total RWA	891 769	935 766	915 061				

16.2.3 Interest rate risk in the banking book (IRRBB)

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

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

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

Review of current reporting period

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

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

Notes to the condensed consolidated interim financial results

for the interim reporting period ended

16. Additional risk management disclosure

(continued)

16.3 Traded market risk

Traded market risk is the risk of the Group's earnings or capital being adversely impacted by changes in the level or volatility of prices affecting positions in its 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.

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

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

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

Review of current reporting period

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

16.4 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Group's policy is for transactional foreign exchange risk concentrated and managed within the trading book.

In accordance with the Group's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Foreign currency translation sensitivity analysis

The following table depicts the carrying value of foreign currency net investments and the pre-tax impact on equity of a 5% change in the exchange rate between the ZAR and the relevant functional foreign currencies.

	30 June 2021		30 June 2020		31 December 2020	
	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm
Botswana Pula	3 110	156	3 150	158	3 148	158
Ghana Cedi	5 681	284	5 684	284	4 871	244
Kenya Shilling	6 884	344	7 032	352	6 263	313
Mauritian Rupee	1 150	58	1 131	57	1 206	60
Mozambican Metical	1 751	88	1 929	96	1 510	76
Namibian Dollar	92	5	96	5	96	5
Nigerian Naira	48	2	63	3	49	2
Seychelles Rupee	592	30	620	31	414	21
Pound Sterling	445	22	417	21	474	24
Tanzanian Shilling	2 573	129	3 152	158	2 551	128
Uganda Shilling	2 321	116	2 303	115	2 018	101
United States Dollar	5 044	252	6 157	308	4 922	246
Zambia Kwacha	972	49	1 144	57	848	42
	30 663	1 535	32 878	1 645	28 370	1 420

16.5 Insurance risk

As at 30 June 2021, there was little change in the Group's exposure to insurance risk. Unfavourable mortality experience has however had an adverse impact on life insurance earnings. COVID-19 specific provisions were refined to account for the expected impact of the pandemic.

Premium relief valued at R61m was afforded to customers with active standalone life policies. The relief was provided for two months over and above the standard grace period for missed premiums. In the first half of 2021, relief was applied to 232 000 premium payments that were not made due to affordability constraints.

In the Short Term Insurance business the underwriting margin improved as a result of benign weather conditions, a lower claims incidence on the motor vehicle portfolio during periods of lockdown, and cost saving initiatives. However, the short-term business premium volumes have been negatively impacted by customer affordability, which has led to reduced new business volumes. The business was not materially impacted by the recent civil unrest events in South Africa.

Premium relief concessions were extended in the Short Term Insurance business on motor vehicle insurance for personal and iDirect policies (excluding commercial policies for motor vehicle insurance). Customers eligible for this concession are assessed based on their historical loss ratio and claims history, together with an active policy for at least 12 months, and no defaults on premiums in the preceding two months.

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

Condensed consolidated normalised interim financial results

for the interim reporting period ended

Normalised financial results (normalised results) as a consequence of Barclays PLC separation

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

A total of 273 projects have been delivered as part of the separation programme, and all technical solutions have been built. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank (SARB), Absa Regional Operations (ARO) as well as the United Kingdom (UK) regulators have since been informed that Barclays PLC and Absa Group Limited have concluded and closed the Separation Programme.

The separation process has had a significant impact on the Group's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenue, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results show a disconnect between the underlying business performance and the IFRS financial results.

Normalised results have therefore been disclosed and will continue to be disclosed while the underlying business performance is materially different from the IFRS financial results. Refer to page 2 for the IFRS results.

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

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

Basis of presentation

Normalised results

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

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

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

Condensed consolidated normalised salient features

for the interim reporting period ended

	30 June 2021 ⁽¹⁾	2020	31 December 2020
Statement of comprehensive income (Rm)			
Income	41 210	40 078	81 382
Operating expenses	22 605	21 613	45 576
Profit attributable to ordinary equity holders	8 607	1 443	7 912
Headline earnings ⁽²⁾	8 628	1 459	7 965
Statement of financial position			
Total assets (Rm)	1 576 562	1 560 996	1 525 964
Financial performance (%)			
Return on equity (RoE)	15.3	2.6	7.2
Return on average assets (RoA)	1.12	0.20	0.52
Return on risk weighted assets (RoRWA)	1.93	0.32	0.86
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.41	4.23	4.17
Non-interest as a percentage of total income	37.9	39.9	40.0
Cost-to-income ratio	54.9	53.9	(56.0)
Jaws	(2)	5	3
Effective tax rate	27.2	26.1	27.8
Share statistics (million)			
Number of shares in issue (excluding treasury shares)	846.0	842.9	844.8
Weighted average number of ordinary shares in issue	846.1	840.6	841.5
Diluted weighted average number of ordinary shares in issue	847.4	841.2	842.0
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	1 017.3	171.7	940.2
Diluted basic earnings per ordinary share (DEPS)	1 015.7	171.5	939.7
Headline earnings per ordinary share (HEPS)	1 019.7	173.6	946.5
Diluted headline earnings per ordinary share (DHEPS)	1 018.2	173.4	946.0
NAV per ordinary share	13 869	13 080	13 103
Tangible NAV per ordinary share	12 962	12 277	12 258
Dividend per ordinary share related to income for the reporting period	310	—	—
Dividend payout ratio (%)	30	—	—
Capital adequacy (%)			
Absa Group Limited ⁽³⁾	16.9	14.9	15.0
Absa Bank Limited ⁽³⁾	17.7	15.8	15.6
Common Equity Tier 1 (%)			
Absa Group Limited ⁽³⁾	12.4	11.0	11.2
Absa Bank Limited ⁽³⁾	11.8	10.6	10.6

⁽¹⁾ Please refer to the condensed consolidated normalised reconciliation for the interim reporting period ended 30 June 2021 for further information as presented on pages 79 to 81.

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

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

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	IFRS Group performance ⁽¹⁾	30 June 2021 Barclays PLC separation effects ⁽²⁾	Normalised Group performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	25 597	(12)	25 585
Non-interest income	15 633	(8)	15 625
Total income	41 230	(20)	41 210
Impairment losses	(4 702)	—	(4 702)
Operating expenses	(23 259)	654	(22 605)
Other expenses	(1 028)	(4)	(1 032)
Share of post-tax results of associates and joint ventures	40	—	40
Operating profit before income tax	12 281	630	12 911
Tax expenses	(3 335)	(176)	(3 511)
Profit for the reporting period	8 946	454	9 400
Profit attributable to:			
Ordinary equity holders	8 162	445	8 607
Non-controlling interest – ordinary shares	374	9	383
Non-controlling interest – preference shares	120	—	120
Non-controlling interest – Additional Tier 1 capital	290	—	290
	8 946	454	9 400
Headline earnings	8 186	442	8 628
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.41	n/a	4.41
Credit loss ratio on gross loans and advances to customers and banks	0.88	n/a	0.88
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	2	n/a	3
Operating expenses growth	1	n/a	5
Cost-to-income ratio	56.4	n/a	54.9
Effective tax rate	27.2	n/a	27.2
Statement of financial position (Rm)			
Loans and advances to customers	955 838	—	955 838
Loans and advances to banks	80 765	—	80 765
Investment securities	182 623	—	182 623
Other assets	361 309	(3 973)	357 336
Total assets	1 580 535	(3 973)	1 576 562
Deposits due to customers	1 009 954	—	1 009 954
Debt securities in issue	129 601	—	129 601
Other liabilities	302 482	215 ⁽⁴⁾	302 697
Total liabilities	1 442 037	215	1 442 252
Equity	138 498	(4 188)	134 310
Total equity and liabilities	1 580 535	(3 973)	1 576 562
Key performance ratios (%)			
RoA	1.06	n/a	1.12
RoE	13.9	n/a	15.28
Capital adequacy ⁽⁵⁾	16.9	n/a	16.9
Common Equity Tier 1 ⁽⁵⁾	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	984.6	n/a	1 018.2

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

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

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

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

⁽⁵⁾ Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	IFRS Group performance ⁽¹⁾	30 June 2020 Barclays PLC separation effects ⁽²⁾	Normalised Group performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	24 124	(52)	24 072
Non-interest income	16 231	(225)	16 006
Total income	40 355	(277)	40 078
Impairment losses	(14 661)	—	(14 661)
Operating expenses	(23 040)	1 427	(21 613)
Other expenses	(1 185)	142	(1 043)
Share of post-tax results of associates and joint ventures	(8)	—	(8)
Operating profit before income tax	1 461	1 292	2 753
Tax expenses	(471)	(247)	(718)
Profit for the reporting period	990	1 045	2 035
Profit attributable to:			
Ordinary equity holders	485	958	1 443
Non-controlling interest – ordinary shares	(1)	87	86
Non-controlling interest – preference shares	172	—	172
Non-controlling interest – Additional Tier 1 capital	334	—	334
	990	1 045	2 035
Headline earnings	559	900	1 459
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.23	n/a	4.23
Credit loss ratio on gross loans and advances to customers and banks	2.77	n/a	2.77
Non-interest income as % of total income	40.2	n/a	39.9
Income growth	3	n/a	3
Operating expenses growth	0	n/a	(2)
Cost-to-income ratio	57.1	n/a	53.9
Effective tax rate	32.2	n/a	26.1
Statement of financial position (Rm)			
Loans and advances to customers	932 293	—	932 293
Loans and advances to banks	113 168	—	113 168
Investment securities	156 665	—	156 665
Other assets	364 193	(5 323)	358 870
Total assets	1 566 319	(5 323)	1 560 996
Deposits due to customers	919 620	—	919 620
Debt securities in issue	178 795	—	178 795
Other liabilities	335 958	443 ⁽⁴⁾	336 401
Total liabilities	1 434 373	443	1 434 816
Equity	131 946	5 766	126 180
Total equity and liabilities	1 566 319	(5 323)	1 560 996
Key performance ratios (%)			
RoA	0.07	n/a	0.20
RoE	1.0	n/a	2.6
Capital adequacy ⁽⁵⁾	14.9	n/a	14.9
Common Equity Tier 1 ⁽⁵⁾	11.0	n/a	11.0
Share statistics (cents)			
Diluted headline earnings per ordinary share	67.7	n/a	173.4

⁽¹⁾ IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results of the Group.

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

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

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

⁽⁵⁾ Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	31 December 2020		
	IFRS Group performance ⁽¹⁾	Barclays PLC separation effects ⁽²⁾	Normalised Group performance ⁽³⁾
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 capital	589	—	589
	7 213	2 144	9 357
Headline earnings	6 038	1 927	7 965
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.17	n/a	4.17
Credit loss ratio on gross loans and advances to customers and banks	1.92	n/a	1.92
Non-interest income as % of total income	40.1	n/a	40.0
Income growth	2	n/a	2
Operating expenses growth	(1)	n/a	(2)
Cost-to-income ratio	59.0	n/a	56.0
Effective tax rate	30.4	n/a	27.8
Statement of financial position (Rm)			
Loans and advances 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)	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 (%)			
RoA	0.40	n/a	0.52
RoE	5.2	n/a	7.2
Capital adequacy ⁽⁴⁾	15.0	n/a	15.0
Common Equity Tier 1 ⁽⁴⁾	11.2	n/a	11.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	730.5	n/a	946.0

⁽¹⁾ IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the interim reporting period ended 31 December 2020.

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

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

⁽⁴⁾ Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

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