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Absa Group Limited

Summary consolidated
financial results for the reporting period
ended 31 December 2022

Contents

Financial director statement

These financial results for the reporting period ended 31 December 2022 were prepared by Absa Group Financial Control under the direction and supervision of the Absa Group Financial Director, JP Quinn CA(SA).

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

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

Finance is responsible for establishing 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.

Board approval

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

Together with the GACC, the Board has reviewed and approved the summary consolidated financial results for the reporting period ended 31 December 2022 (hereafter referred to as the 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 13 March 2023. The GACC and the Board are satisfied that the details disclosed in the SENS announcement 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. The pro forma financial information contained in this announcement has been reviewed by the Group's external auditors who have issued an unmodified report prepared in terms of ISAE 3420.

Absa Group Limited
Summary consolidated financial results for the reporting period ended 31 December 2022

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
Bond Issuer Code: ABGI (Absa, Absa Group, the Group, or the Company)

The full report is available on the Company's website. Copies of the full announcement and/or the external auditors' unmodified limited assurance report, may also be requested at the Company's registered office, at no charge, during office hours on normal business days.

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 Group's IFRS financial results for the current reporting period for the year ended 31 December 2022.

Salient features

- Diluted headline earnings per share (DHEPS) grew 13.8% to 2 439.7 cents from 2 143.5 cents.
- Declared an annual ordinary dividend of 1 300 cents per share, up 65.6% from 785 cents.
- Product Solutions Cluster headline earnings increased 26% to R3 531m, Everyday Banking headline earnings were flat at R4 108m, Relationship Banking headline earnings increased 8% to R4 024m, while ARO RBB increased to R1 068m from R106m and Corporate and Investment Bank's (CIB's) headline earnings grew 9% to R8 977m.
- Return on equity (RoE) improved to 15.6% from 14.6%.
- Revenue grew 15% to R98.9bn, and operating expenses rose 7% to R52.0bn, producing a 52.6% cost-to-income ratio.
- Pre-provision profit grew 26% to R46.9bn.
- Credit impairments rose 61% to R13.7bn, resulting in a 0.96% credit loss ratio from 0.77%.
- IFRS common equity tier 1 (CET 1) capital ratio was flat at 12.8%, well above regulatory requirements and higher than the Board's target range of 11.0% to 12.5%.
- Net asset value (NAV) per share grew 4% to 16 255 cents.

Normalised reporting

Given the Group's separation from Barclays PLC, it reports IFRS-compliant financial results and a normalised view of such results. The latter adjusts for the consequences of the separation to better reflect the Group's underlying performance.

Normalised results were adjusted for the following items: R44m in revenue (2021: R33m); operating expenses of R1 102m (2021: R1 198m) mainly relating to amortisation and depreciation; and a R288m (2021: R305m) tax impact of the aforementioned items. In total, these adjustments added R752m (2021: R766m) to the Group's normalised headline earnings during the period. Normalisation occurs at a Group level and 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, Ugandan Shilling, United States Dollar and Zambia Kwacha. The CCY pro forma financial information has been prepared for illustrative purposes only and, because of its nature, 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 rates as at 31 December 2021. The CCY pro forma financial information is the responsibility of the Directors.

Overview of results

The Group's headline earnings increased by 14% to R20 264m from R17 825m and DHEPS grew 13.8% to 2 439.7 cents from 2 143.5 cents. The Group's RoE improved to 15.6% from 14.6% and its return on average assets improved to 1.18% from 1.13%.

Revenue grew 15% to R98 918m, with net interest income rising 13% to R60 498m and non-interest income increasing 18% to R38 420m. The Group's net interest margin on average interest-bearing assets increased to 4.56% from 4.46%, reflecting higher policy rates. With operating expenses increasing 7% to R52 009m, the cost-to-income ratio improved to 52.6% from 56.6%. Pre-provision profit grew 26% to R46 909m. Credit impairments increased 61% to R13 703m, resulting in a 0.96% credit loss ratio from 0.77%. Gross loans and advances grew 11% to R1 258bn, while deposits rose 6% to R1 242bn. An annual ordinary dividend of 1 300 cents per ordinary share was declared, a pay-out ratio of 53%.

Product Solutions Cluster headline earnings increased 26% to R3 531m, Everyday Banking headline earnings were flat at R4 108m, Relationship Banking headline earnings increased 8% to R4 024m, ARO RBB's headline earnings increased to R1 068m from R106m and CIB's headline earnings grew 9% to R8 977m. Head Office, Treasury and other operations' headline earnings loss increased 72% to R692m, due to Ghana sovereign debt impairments.

On a geographic basis, headline earnings in South Africa increased 17% to R17 612m, while Africa regions declined 4% to R2 652m.

Operating environment

The global, regional and domestic environments remained very uncertain through 2022. COVID-19 receded as an immediate threat to the economy, though remained a key driver of the Chinese outlook, and geopolitical uncertainty rose to the fore, particularly surrounding the Russia/Ukraine conflict and rising tension between the West and China. Energy and food markets were particularly disrupted, adding to broader supply chain pressures globally and pushing inflation to multi-decade highs in many countries. Global financial conditions tightened significantly through the year, placing pressure on many categories of financial assets including emerging markets.

The South African economy faced not only this difficult external environment, but also the debilitating impact of sharply heightened electricity load shedding, particularly as Eskom's operational difficulties deepened significantly in the later stages of the year. Economic growth is likely to have disappointed earlier forecasts as a result, while consumer price inflation rose faster than expected and breached the central bank's 6% upper target early in the year, largely due to sharply higher food and fuel prices. The SA Reserve Bank responded with 350 bps in interest rate increases from November 2021 through November 2022.

There is considerable economic and geographic diversity across the Group's ARO presence countries. On a GDP-weighted basis, Absa projects real GDP growth of 4.4% for ARO in 2022. Inflation surprised to the high side in most ARO markets during 2022, pushed up by the same fuel and food price pressures as are evident globally. Higher inflation, tighter global financing conditions and higher country risk premia in some ARO countries, resulted in increased policy rates in most of Absa's presence countries. These headwinds to economic growth further complicate efforts to reduce fiscal deficits and improve debt sustainability, and a number of ARO countries are engaging with the IMF for financial support. Zambia continues to work through its sovereign debt default, while in the second half Ghana indicated that it would seek to restructure much of its domestic public debt.

Profit and dividend announcement

for the reporting period ended 31 December

Group performance

Statement of financial position

Total assets increased 9% to R1 793bn, reflecting 11% growth in net loans and advances and 14% higher investment securities.

Loans and advances

Total gross loans and advances grew 11% to R1 258bn, given 9% growth in gross loans and advances to customers to R1 155bn, while gross loans and advances to banks rose 38% to R104bn. Gross Product Solutions Cluster loans and advances to customers rose 9% to R414bn, as mortgages grew 9% to R297bn and instalment credit agreements increased 9% to R87bn. Gross Everyday Banking loans and advances to customers grew 12% to R82bn, with personal and term loans and credit cards both up 12% to R28bn and R50bn respectively. Gross Relationship Banking loans and advances to customers grew 7% to R140bn, driven by 10% growth in personal and term loans to R44bn and 7% higher instalment credit agreements to R35bn, while mortgages decreased 2% to R27bn. ARO RBB gross loans and advances to customers grew 13% to R78bn or 16% in constant currency (CCY), with solid production in personal loans, mortgages and commercial lending. CIB gross loans and advances to customers increased 8% to R438bn. CIB SA grew 7% to R366bn, including 16% growth in term loans and 44% higher foreign currency loans, while reverse repurchase agreements declined 30%. CIB ARO grew 15% to R72bn or 18% in CCY.

Funding

Total deposits rose 6% to R1 242bn, with deposits due to customers up 3%, or 4% in CCY, to R1 113bn. Total deposits due to banks rose 31% to R129bn. Excluding repurchase agreements, total deposits increased 5% to R1 154bn. The gross loans-to-deposits and debt securities ratio was largely unchanged at 86.9%. Total deposits constituted 86% of Group funding, from 90% the previous period.

Everyday Banking deposits grew 4% to R290bn, with fixed deposits up 9% to R75bn and savings and transmission deposits 4% higher, offset by 1% lower cheque account deposits at R37bn. Relationship Banking deposits increased 7% to R201bn, with solid growth across cheque account deposits (6%), fixed deposits (7%) and savings and transmission deposits (8%). ARO RBB deposits rose 9%, or 13% in CCY, to R110bn driven by transactional deposits (11% CCY) and investment products (23% CCY). CIB's total deposits rose 4% to R500bn, with deposits due to customers decreasing marginally to R407bn, while bank deposits grew 26%.

CIB SA deposits due to customers declined 1% to R319bn, as 11% lower fixed deposits outweighed 3% growth in cheque account deposits. CIB ARO deposits were flat at R89bn, or up 3% in CCY.

Net asset value

The Group's NAV increased 4% to R134bn and NAV per share grew 4% to 16 255 cents. During 2022, the Group generated retained earnings of R21.3bn and paid dividends of R9.3bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 8% to R1 008bn, largely due to 8% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group IFRS CET 1 ratio is flat at 12.8%, in line with the prior period, above the Board target range of 11.0% to 12.5%. The Group Tier 1 ratio decreased slightly to 14.4%, while the total capital adequacy ratio was 16.6% from 17.0%.

Statement of comprehensive income

Net interest income

Net interest income increased 13% and 14% CCY, to R60 498m from R53 322m, while average interest-bearing assets grew 11%. The Group's net interest margin improved to 4.56% from 4.46%, mainly due to higher policy rates.

Loan margins improved by 8 bps, reflecting higher interest rates and reduced suspended interest in Everyday Banking. Deposit margins increased by 12 bps, largely due to the impact of higher policy rates in Corporate and Everyday Banking, which offset faster growth in wholesale funding that was negative for composition. Higher average policy rates and growth in South African endowment balances added 8 bps to the overall margin. Prime increased by 325 bps during the period. Higher policy rates and equity balances across ARO also increased the margin by 1 bp. The structural hedge released R1 606m to the income statement, 14 bps less than the R3 158m in 2021. The after-tax cash flow hedging reserve relating to the programme reflected a debit balance of R3bn as at 31 December 2022, from a credit of R0.8bn at 31 December 2021. The impact of total endowment after hedging in South Africa was 2 bps. Other factors had a 5 bps negative impact, as a one-off benefit on a true-up on the capitalisation of funding costs on the intangible asset portfolio did not recur, plus investing excess liquidity in lower margin-yielding instruments in ARO, outweighed the positive reset impact of the rising prime rate in South Africa during the period.

Non-interest income

Non-interest income increased 18% and the same in CCY, to R38 420m from R32 584m and accounted for 38.8% of total revenue, up from 37.9%. Net fee and commission income grew 7% to R23 710m, representing 62% of total non-interest income. Within this, transactional fees and commissions increased 9%, with cheque account fees up 3%, while electronic banking fees grew 14% and credit card fees rose 15%. Merchant income rose 10%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 9% to R7 674m. Global Markets income grew 3%, or 5% in CCY, to R7 575m, with Markets SA down 8% while Markets ARO increased 20%, or 26% in CCY. Insurance revenue recovered strongly. Insurance South Africa non-interest income increased 143% to R3 119m, contributing almost a third of Group non-interest income growth, mainly due to lower COVID-19 claims and reserving. Sundry income included a R759m profit on disposal of the Absa Investment Cluster (a non-headline item).

Credit impairment charges

The credit impairment charges grew 61%, or 82% in CCY, to R13 703m from R8 499m, due to substantially higher credit charges in the South African retail lending portfolios and coverage raised against Ghana sovereign investment securities and related exposures in the banking book. The Ghana sovereign related impairment totalled R2.7bn, with R2.1bn on sovereign investment securities (predominantly local currency sovereign bonds.) The Group's credit loss ratio calculation excludes impairments on investment securities and cash balances. It increased to 0.96% from 0.77%. Excluding Ghana sovereign related charges, the credit loss ratio was 0.91%, slightly above the mid-point of the Group's through-the-cycle target range of 75 to 100 bps. In 2021, model enhancements and a change in the definition of default to align with peers reduced retail loan credit impairments in South Africa by R1 082m. Total loan coverage decreased slightly to 3.93% from 4.08% at 31 December 2021 and 3.98% at 30 June 2022, although it remains well above the pre-COVID level of 3.27% at 31 December 2019. Stage 3 loan coverage increased to 46.13% from 44.62% (and 45.40% at 30 June 2022). Stage 3 loans and advances improved to 5.29% of gross loans and advances from 5.43% and were unchanged from 30 June 2022.

Group performance (continued)

Statement of comprehensive income (continued)

Credit impairment charges (continued)

Rising interest rates and higher inflation, plus non-recurrence of 2021 model enhancement benefits, saw South African retail credit impairments increase across all loan categories. Product Solutions Cluster credit impairments grew 100% to R2 586m from R1 292m, resulting in a 0.65% credit loss ratio, from 0.35%. Within this, Home Loans swung to a R688m charge, from a R134m reversal, although its 0.24% credit loss ratio remains low. Home Loans non-performing loans (NPLs) improved to 7.0% from 7.3% partly due to asset sales, while NPL coverage increased slightly to 29%. Vehicle and Asset Finance's credit impairments grew 33% to R1 898m, resulting in a 1.76% credit loss ratio from 1.45%. The charge improved in the second half of 2022 as DebiCheck implementation issues were resolved. Vehicle and Asset Finance NPLs increased to 7.4% from 6.9%, given pressure on the legal book and customers in debt review, while NPL cover reduced to 49% from 55%, due to increased write-offs.

Everyday Banking credit impairments grew 33% to R5 775m from R4 348m, a 6.45% credit loss ratio from 4.99%. Card credit impairments increased 23% to R2 888m, a 5.75% credit loss ratio from 5.01% that was flattered by significant model enhancement benefits. Personal Loans credit charge rose 49% to R2 447m, a 10.20% credit loss ratio from 7.13%. Its credit impairments reflect book growth and pressure on consumers, particularly in the second half of 2022. Relationship Banking's charge fell 29% to R618m due to an improved book construct, reducing its credit loss ratio to 0.45% from 0.67%. Its NPLs declined to 5.5% from 6.4%.

ARO RBB credit impairments decreased 8%, or 4% CCY, to R1 182m, reducing its credit loss ratio to 1.64% from 2.03%. The decline reflects a better retail book construct, improved collections and single name releases in Business Bank.

CIB credit impairments grew 87%, or 162% in CCY, to R1 378m from R736m, resulting in a credit loss ratio of 0.27% from 0.17%. Corporate Bank credit impairments swung to a R441m charge from a net R35m release, increasing its credit loss ratio to 0.40%. The increase was due to a single name impairment in South Africa and higher charges in Ghana. Investment Bank credit impairments increased 22% or 64% in CCY to R937m, producing a 0.24% credit risk ratio. Higher Ghana-related charges outweighed lower stage 3 and performing impairments in South Africa. CIB South Africa credit impairments dropped 36% to R424m, a 0.12% credit risk ratio. However, CIB ARO credit impairments increased substantially from R76m to R954m, a 1.09% credit loss ratio, due to Ghana-related charges.

Operating expenses

Operating expenses grew 7% and the same in CCY to R52 009m from R48 610m, improving the Group's cost-to-income ratio to 52.6% from 56.6%. Staff costs rose 7% to R27 873m, accounting for 54% of total operating expenses. Within this, salaries and other staff costs increased 4%, in part due to lower restructuring costs. Bonuses grew 21% to R3 256m linked to the Group's performance, while deferred cash and share-based payments increased 25%.

Non-staff costs grew 7%, or 6% in CCY, to R24 136m. IT costs increased 11% to R5 543m, reflecting further investment in digital platforms and increased cybersecurity spend. Amortisation of intangible assets rose 7%, given continued investment in digital, automation and data capabilities. Professional fees grew 23%, mostly due to using external resources on strategic projects and to support technology platforms. Total IT spend, including staff, amortisation and depreciation, increased 10% to R12 638m, or 24% of Group expenses. Conversely, depreciation fell 9%, reflecting reduced utilisation of physical IT infrastructure. Marketing costs rose 34%, due to higher campaigns, sponsorship and corporate social investment spend. Property costs declined 1%, given ongoing property optimisation.

Taxation

The Group's taxation expense grew 11% to R8 091m from R7 299m, resulting in an effective tax rate of 26.3% from 27.3%.

Segment performance

Product Solutions Cluster

Headline earnings grew 26% to R3 531m, as pre-provision profit increased 42% to R7 921m. Revenue rose 25% to R14 356m, driven by 60% non- interest income growth, as Insurance SA revenue rebounded from elevated claims and COVID-19 reserving in 2021. Net interest income increased 11%, largely in line with 9% growth in customer loans. Operating expenses grew 9% to R6 435m, resulting in a 44.8% cost-to-income ratio from 51.3%.

Credit impairments doubled to R2 586m, given a high first half 2022 charge in Vehicle and Asset Finance due to challenges in implementing DebiCheck and non-recurrence of large one-off model benefits in Home Loans in the prior year. Product Solutions Cluster generated a RoRC of 16.2% from 14.4%, and contributed 16% of Group headline earnings excluding Head Office, Treasury and other operations.

Within Product Solutions Cluster, Home Loans headline earnings declined 17% to R2 230m, as credit impairments increased off a very low base to outweigh the 5% pre-provision profit growth. Similarly, Vehicle and Asset Finance earnings fell 27% to R493m, because credit impairments grew 33% to offset 13% higher pre-provision profits. Insurance SA earnings rebounded to R1 354m from R68m, driven by Life Insurance earnings recovering to R1 199m from a R174m loss, given 8% net premium growth, 36% lower net claims and a R423m release from the COVID-19 reserve. Non-life insurance earnings dropped 36% to R155m, due to higher weather-related and load shedding surge claims.

Everyday Banking

Headline earnings were flat at R4 108m, as 33% higher credit impairments offset 17% growth in pre-provision profit to R12 570m.

Revenue increased 10% to R26 487m, driven by 11% net interest income growth due to 12% growth in customer loans and 4% higher customer deposits, plus improved margins as interest rates rose. Non-interest income increased 9%, given growth in customers and transactional activity. Operating expenses grew 5% to R13 917m, resulting in a 52.5% cost-to-income ratio from 55.3%. This cost growth was largely due to salary increases and continued investment in digital, marketing and fraud detection and prevention. Credit impairments rose by a third to R5 775m, producing a 6.45% credit loss ratio from 4.99%, reflecting strong loan production, once-off model enhancement benefits in 2021, as well as rising interest rates and higher inflation. Everyday Banking generated a return on regulatory capital (RoRC) of 32.0% from 34.5%, and contributed 19% of Group headline earnings excluding Head Office, Treasury and other operations.

Within Everyday Banking, Transactions and Deposits headline earnings increased 6% to R3 306m, due to 9% higher pre-provision profit driven by 9% non-interest income growth. Card earnings declined 13% to R856m, as credit impairments rose 23% off a low base to outweigh 14% growth in pre-provision profit. Personal Loans swung from a R146m profit to a R108m loss, as credit impairments rose 49% to offset 26% higher pre-provision profit on the back of 18% revenue growth.

Segment performance (continued)

Relationship Banking

Headline earnings grew 8% to R4 024m, as pre-provision profit increased 4% to R6 509m and credit impairments fell 29% to R618m. Revenue rose 5% to R14 442m, with net interest income up 7%, largely due to balance sheet growth with customer loans and deposits both growing 7%. Non-interest income grew 3%, with acquiring turnover 12% higher and 4% growth in digital volumes, partially offset by lower cash volumes. Operating expenses increased 6% to R7 933m, producing a 54.9% cost-to-income ratio from 54.4%. Relationship Banking generated a RoRC of 27.2% from 23.9%, contributing 19% of total Group headline earnings excluding Head Office, Treasury and other operations.

ARO RBB

Headline earnings increased significantly to R1 068m from R106m, predominantly due to 30% pre-provision profit growth, or 34% in CCY, to R4 077m. Revenue grew 19%, or 18% in CCY, to R13 854m. Non-interest income increased 27%, or 25% in CCY, supported by higher active customer numbers, increased client activity, plus growth in foreign exchange and Cards of 51% and 42% respectively, as well as strong growth in ARO insurance. Net interest income rose 16%, and the same in CCY, reflecting 13% customer loan growth (16% in CCY) and wider margins due to higher policy rates. Costs grew 15%, or 13% in CCY, to R9 777m, resulting in a cost-to-income ratio of 70.6% from 73.0%. The increase was slightly above average inflation of 11% across the ARO markets, due to higher performance costs and investment in IT and digitisation, partially offset by cost management initiatives. Credit impairments declined 8%, or 4% in CCY, improving its credit loss ratio to 1.64% from 2.03%. ARO RBB generated a RoRC of 10.5% from 1.1%, contributing 5% of total Group headline earnings excluding Head Office, Treasury and other operations.

CIB

Headline earnings rose 9%, or 7% in CCY, to R8 977m, driven by 13% (or 16% in CCY) growth in pre-provision profit to R14 275m. Revenue increased 12%, or 13% in CCY, to R26 783m, given an improved second half performance. Net interest income rose 13%, or 14% in CCY, driven by loans and advances growing 14%. Non-interest income grew 11%, or 13% in CCY, to constitute 38.6% of total revenue. Corporate Bank non-interest revenue grew 25%, while Global Markets increased 3%, with Markets SA down 8% off a high base and Markets ARO up 20%, or 26% in CCY. Operating expenses rose 12%, or 11% in CCY, to R12 508m, resulting in a cost-to-income ratio of 46.7% from 47.0%. The growth reflected higher performance costs, inflationary pressures across several countries, increased travel spend and strategic investment in digital capabilities.

Credit impairments increased 87%, largely due to high Ghana-related charges and a single name in South Africa, producing a 0.27% credit loss ratio from 0.17%. CIB contributed 41% of the Group's headline earnings, excluding Head Office, Treasury and other operations. It produced a 21.4% RoRC from 20.6%.

Within CIB, Corporate Bank headline earnings grew 30% to R3 451m, as revenue-driven pre-provision profit increased by 36%, outweighing a substantial swing in credit impairments from a small net reversal in the prior year Investment Bank earnings declined 1%, given 22% higher credit impairments and 1% pre-provision profit growth. CIB South Africa earnings grew 6% to R6 070m, reflecting 2% higher pre-provision profits and 36% lower credit impairments. CIB ARO earnings rose 15%, or 9% in CCY, to R2 907m, as substantially higher credit impairments partially offset 33% growth in pre-provision profit.

Head Office, Treasury and other operations

The headline earnings loss increased 72% to R692m from a R403m loss. Credit impairments increased from a R34m reversal in 2021 to R2 164m, due to Ghana sovereign debt charges. Net interest income more than doubled to R1 405m from R402m, as SA Group Treasury had reset benefits from rising policy rates in South Africa, higher investment returns and increased endowment revenue. Non-interest income grew 127% to R1 547m, largely due to profit on selling the Investment management business (excluded from headline earnings).

Geographical split

South Africa

Headline earnings grew 17% to R17 612m, as pre-provision profit grew 24% to R36 489m. Total revenue increased 13% to R74 286m, with non-interest income down 9% and net interest income rising 11%. Operating expenses rose 5% to R37 796m, resulting in a 51% cost-to-income ratio from 55%. Credit impairments increased 32% to R9 466m, producing a 0.92% credit loss ratio from 0.18%. South Africa contributed 87% of Group earnings and its RoRC improved to 17.1% from 15.8%.

Africa regions

Headline earnings decreased 4%, or 32% in CCY, to R2 652m. Pre-provision profit increased 34%, as revenue increased 21%, the same as CCY, to R24 632m. Net interest income grew 22%, and the same in CCY, with 14% customer loan growth and improved margins. Non-interest revenue rose 20%, or 21% in CCY, given 27% growth from ARO RBB and 18% growth from CIB ARO. Operating expenses rose 13%, or 11% in CCY, to R14 121m, producing a 58% cost-to-income ratio from 61.7%. Credit impairments increased 217% to R4 237m, increasing its credit loss ratio to 1.22% from 0.94%. Africa regions contributed 13% of Group earnings and its RoRC declined to 10.1% from 12.2%.

Prospects

The outlook for the global, regional and domestic environment remains very uncertain. Geopolitical uncertainty, particularly surrounding the Russia/Ukraine conflict and rising tension between the West and China look likely to impact the outlook for some time. Global financial conditions are expected to tighten further, as central banks continue to express concern over underlying inflation pressure even as headline inflation eases. Global financial markets are expected to remain volatile and financial flows into emerging markets are expected to remain vulnerable.

For South Africa, Absa expects the economy to grow by less than 1% in 2023. Electricity supply is expected to remain a significant risk for the economy for the foreseeable future. Headline inflation is expected to fall back within the Reserve Bank's 6% upper target, although Absa expects only small changes in interest rates through the year. Absa believes that the Financial Action Task Force greylisting will not materially impact the economic outlook for 2023, although it could be a threat to the country's longer-term outlook should remedial action to lift the adverse listing not take place. The Group already complies with rigorous international anti-financial crime standards and regulation.

We forecast 4.4% GDP-weighted economic growth for the ARO presence countries in 2023. On balance, Absa believes that the risks to growth are tilted towards the downside, as the more depressed global environment, the impacts of high domestic inflation and tighter monetary policy in most ARO countries are likely to provide a headwind to growth. Ghana's near-term outlook is clouded by its debt and structural adjustment challenges. We expect East African markets, along with Mozambique, to generally perform strongly.

Prospects (continued)

Based on these assumptions, and excluding further major unforeseen political, macroeconomic or regulatory developments, our guidance for 2023 is as follows:

We expect high single digit revenue growth, driven by net interest income, given high single digit growth in customer loans and higher policy rates. Our net interest margin benefits from rising rates, with a R550m uplift on an annualised basis for a 1% increase in policy rates, post the structural hedge.

Given higher rates and inflationary pressures, our credit loss ratio is likely to be at the top end of our through-the-cycle target range of 75 to 100 basis points.

We expect mid to high single digit operating expense growth, resulting in a similar cost-to-income ratio to 2022. We expect mid to high single digit pre-provision profit growth.

Consequently, we expect to generate an RoE of around 17%.

Lastly, our Group CET 1 capital ratio is expected to remain at the top end of the Board target range of 11.0% to 12.5%. We expect to maintain a dividend payout ratio of at least 52%.

Given material base effects in 2022, we expect stronger revenue and pre-provision profit growth in the first half, although our credit loss ratio is likely to exceed our through-the-cycle range in the first half and dampen earnings growth off a relatively high base. Conversely, despite slower second half revenue growth, credit impairments are expected to decline substantially to support stronger earnings growth in the second half.

In terms of medium-term guidance, we still aim to achieve a cost-to-income ratio in the low 50s and a RoE above 17% on a sustainable basis, which is heavily dependent on the macro backdrop globally and in our presence countries.

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

Declaration of a final ordinary dividend number 71

Shareholders are advised that an ordinary dividend of 650 cents per ordinary share was declared on 13 March 2023, for the reporting period ended 31 December 2022. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 21 April 2023. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution and for the next 12 months.

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 650 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 520 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 20 324 498[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, 18 April 2023
Shares commence trading ex-dividend	Wednesday, 19 April 2023
Record date	Friday, 21 April 2023
Payment date	Monday, 24 April 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2023 and Friday, 21 April 2023, both dates inclusive. On Monday, 24 April 2023, 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, 24 April 2023.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
13 March 2023

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.

Basis of preparation

IFRS financial results

The summary consolidated financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to the summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These financial results are extracted from audited information, but are not themselves audited. Any investment decisions by shareholders should be based on consideration of the annual financial statements, which were audited by KPMG and PwC, who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' report are available for inspection at the company's registered office. The directors take full responsibility for the preparation of this report and the financial information has been correctly extracted from the underlying annual financial statements.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The 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, impairment of financial assets measured at amortised cost; capitalisation, amortisation and impairment of internally generated intangible assets; fair value measurements; consolidation of structured or sponsored entities; post-retirement benefits; provisions; income taxes; share-based payments; liabilities arising from claims made under short and long-term insurance contracts; and offsetting of financial assets and liabilities.

The directors have assessed the Group's ability to continue as a going concern. 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. 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.

Accounting policies

The accounting policies applied in preparing these financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2022.

New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but not yet effected for the reporting period and have not been applied in preparing these annual financial statements. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the Group.

- **Amendments to IAS 1 – Classification of liabilities as current or non-current**
  The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**
  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies**
  The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, guidelines and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**
  The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IFRS 16 sale and leaseback transactions with variable payments that do not depend on an index or rate**
  The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it doesn't recognise any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.

Accounting policies (continued)
New standards and interpretations not yet adopted (continued)

IFRS 17 – Insurance Contracts

IFRS 17 – Insurance contracts (IFRS 17 or the Standard), which replaces IFRS 4 – Insurance contracts (IFRS 4) requires retrospective application and is effective for annual reporting periods starting on or after 1 January 2023. The Group has opted not to early adopt the Standard and the transition period therefore commenced from 1 January 2022.

Estimated impact of the adoption of the Standard

Comparatives will be restated on adoption of the Standard and the Group has therefore assessed the estimated impact that the initial application of IFRS 17 will have on its financial results. Based on preliminary assessments, initial application of the Standard will result in an increase of the Group's total equity as at 1 January 2022. The final impact will, however, only be certain on finalisation of the following transition work:

- Continued refinement of the new accounting processes and internal controls in applying the new Standard;
- Embedment of new systems and associated controls, which has been running in parallel from the second half of 2022;
- Finalisation of testing and assessment of controls over new IT systems and changes to its governance framework, which have been implemented as a result of the new Standard;
- New accounting policies, assumptions, judgements and estimation techniques are subject to change until finalisation of the Group's financial statements which will include initial application of the Standard; and
- Assessment of tax due to amended tax laws.

Identifying contracts in the scope of the Standard

The Standard 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 (DPF). The Standard aims to bring a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business. The Group's contracts recognised as insurance contracts under IFRS 4, remain largely the same under the new Standard.

Level of aggregation

Under the Standard, insurance contracts are aggregated into different groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue), whereafter each annual cohort is classified into one of the following three groups:

- Contracts that are onerous on initial recognition;
- Contracts that have no significant possibility of becoming onerous after initial recognition; or
- Remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that a group may comprise a legal contract(s) with a single reinsurer.

The level of aggregation requirements of the Standard limits the offsetting of gains on groups of profitable contracts, which are generally deferred, against losses on groups of onerous contracts, which are recognised immediately.

The Standard results in a more granular level of aggregation at which the liability adequacy test is performed compared to IFRS 4, which refers to portfolios of contracts level, and it is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised earlier.

Contract boundaries

The Standard requires that the measurement of a group of contracts includes all the future cash flows within the boundary of each contract within the group. It further defines the 'coverage period' as the period during which the entity provides coverage and which is covered by the premiums within the contract boundary. The Group expects that for certain contracts this requirement will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period during which the entity provides coverage, and which is covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

Cash flows for insurance contracts are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Group has the practical ability to reassess the following risks:

- the risk of the policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio. The pricing of the premiums up to the assessment date should not consider risks that relate to periods after the reassessment date.

Reinsurance contracts

Cash flows for reinsurance contracts are within the boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Measurement overview

The Standard introduces the general measurement model (GMM) that measures groups of insurance contracts based on fulfilment cash flows (see section on measurement of insurance contracts using GMM). The use of this measurement model involves a significant degree of estimates and judgements in measuring a group of insurance contracts, such as methods used to determine the risk adjustment and discount rate and has specific modifications applicable to accounting for reinsurance and direct participating contracts. The GMM will largely be applied to the Group's life insurance contracts.

The premium allocation approach (PAA) is a simplified measurement model that may be applied when the following conditions are fulfilled:

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

The PAA allows for the amount relating to the remaining service to be measured by allocating the premium over the coverage period. This measurement model is more simplified and also provides for a more cost-effective option as opposed to the GMM, and will mainly be applied to the Group's non-life insurance contracts and group life policies.

Contracts measured using GMM

On initial recognition, the Group will measure a group of contracts based on fulfilment cash flows comprising:

(a) Probability-weighted estimates of expected cash flows from premiums, claims and benefits within the contract boundary, including directly attributable expenses to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value.

(b) An explicit entity specific adjustment for non-financial risk (risk adjustment).

(c) An adjustment for the time value of money using a discount rate appropriate to that group of contracts and the contractual service margin (CSM), which represents the unearned profit for the group of contracts. A group of insurance contracts is not onerous when on initial recognition the fulfilment and any cash flows arising at that date result in a net inflow, in which case the CSM is measured as the equal and opposite of the net inflow. The group is seen as onerous when the output of the afore-mentioned calculation results in a net outflow. A loss component will be created and recognised in profit or loss immediately to depict the amount of the net cash outflow.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The LRC comprises the fulfilment cash flows that relate to services that will be provided under contracts in future periods and any remaining CSM at the reporting date. The CSM at the reporting date is the carrying amount at the beginning of the year adjusted for any new contracts added to the group in the current year, accretion of interest, changes in fulfilment cash flows that relate to future services, changes specific to foreign exchange differences and the amount of CSM released as revenue.

The LIC represents the Group's obligation to investigate and pay valid claims for insured events that have occurred, including events that have occurred but for which claims have not been reported, as well as other incurred insurance expenses. Additionally, it also relates to the Group's obligation to pay amounts for insurance services already provided, investment components and other amounts that are not related to the provision of insurance contract services. The LIC thus represents the expired risk of the Group and is calculated as:

- the probability weighted estimate of expected cash flows; and
- an explicit entity specific adjustment for non-financial risk (risk adjustment).

The Group will only discount its liabilities for unpaid claims where the claims balance includes long-dated claims that extend over twelve months. The Group estimates the LIC estimated using the input of assessments for individual cases reported and statistical analyses.

Impact assessment

IFRS 4 provided limited guidance on the profit recognition profile of insurance contracts and the Group followed a conservative approach, resulting in more profits being recognised later during the contract duration. Adoption of the Standard will result in different timing or profit recognition, as profits will be realised as and when services are provided. This will result in a decrease of insurance contract liabilities on adoption and profits emerging faster going forward.

Measurement of insurance contracts using PAA

The Group will only apply the PAA for insurance contracts with a contract boundary of one year or less. Under the PAA, the LRC is determined as the premiums received less acquisition cost cash flows, where applicable. Insurance acquisition cash flows for life contracts recognised using PAA will be expensed immediately in profit or loss when incurred, whilst such cash flows will be deferred for the short-term business. Subsequently, the LRC is increased for any premiums received and reduced by the amount of insurance revenue recognised in profit or loss.

The Group expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Group will not adjust the LRC to reflect the time value of money and the effect of financial risk for these contracts.

The LIC for contracts measured using the PAA will be determined in the same manner as that for contracts measured using the GMM with the impact of discounting taken into account.

Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

IFRS 17 – Insurance Contracts (continued)

Measurement of insurance contracts using PAA (continued)

Impact assessment

The Group estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is an immaterial increase in the Group's total equity at 1 January 2022 owing to change in the deferred acquisition cost treatment.

Measurement of reinsurance contracts

The carrying amount of a group of reinsurance contracts is the sum of the assets for remaining coverage and the asset for incurred claims. The Group applies the GMM except when reinsurance contracts is eligible for measurement under the PAA (i.e. when the contract boundary is one year or less).

In applying the GMM to the Group's reinsurance contracts, the Group measures the estimate of the present value of future cash flows using cash flows that would only relate to the reinsurance contract and includes the directly attributable expenses with an adjustment for any risk of non-performance by the reinsurer. The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer. The way it is calculated for reinsurance is aligned to the respective methodologies applied to the insurance contracts measured under the GMM and PAA models.

A negative CSM on initial recognition of reinsurance contracts is allowed, as a margin is payable to the reinsurer. The CSM is further adjusted for a portion of the income that will be recognised to offset the loss on the underlying onerous contracts. The adjustment is calculated by multiplying the loss recognised on the underlying contract by the percentage of claims relating to the underlying contracts that the entity expects to recover from the group of reinsurance contracts held. This adjustment is only allowed if the reinsurance contract existed at the same time as the underlying contract.

The discount rate used for reinsurance contracts held is determined in the same manner as that applied to a group of insurance contract liabilities.

Measurement of insurance acquisition cash flows

Insurance acquisition costs comprise commissions and other variable costs arising from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows that are directly attributable to a group of contracts are allocated only to that group and to the groups that will include renewals of those contracts.

When the Group defers insurance acquisition cash flows for insurance contracts measured using the GMM or PAA these acquisition costs are amortised to profit or loss in a systematic way, on the passage of time basis as part of insurance service expenses.

Deferred insurance acquisition costs are reviewed by category of business at the end of each reporting period or more frequently, when an indication of impairment arises. If facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, the Group:

(a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
(b) if the asset relates to future renewals, recognises an impairment in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and the excess has not already been recognised as an impairment loss under (a).

Impairment losses are reversed through profit or loss, and the carrying amount of the asset increased to the extent that the impairment conditions have improved.

Significant judgements and estimates applied during the measurement process

Estimates of future cash flows

When estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, if the estimates of any relevant market variables are consistent with observable market prices. Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows as well as other direct costs and/or an allocation of fixed and variable overheads that are incurred in fulfilling contracts.

Discount rates

The Group adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

IFRS summary consolidated financial results

for the reporting period ended 31 December

Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

IFRS 17 – Insurance Contracts (continued)

Measurement overview *(continued)*

Significant judgements and estimates applied during the measurement process (continued)

Discount rates

The Group applies the bottom-up approach in determining the discount rate for both life and non-life insurance contracts, by determining the discount rates by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underpin the rates observed in the market and the liquidity characteristics of the insurance contracts.

The Group's South African entities apply a discount rate that is derived from internally calculated swap curves while the ARO entities apply a yield curve in line with the current valuation methodology.

The discount rate is applied throughout the measurement of a group of insurance contracts as follows:

Measurement	Discount rate applied
Fulfilment cash flows	Current discount rates
CSM interest accretion for contracts without direct participation features	Discount rate determined on initial recognition for a group of insurance contracts (locked in rate)
Adjustments to the CSM for changes in fulfilment cash flows for contracts without direct participation features	Locked in rate
PAA discounting for LIC	Current discount rates

Risk adjustment

The estimate of the present value of the future cash flows should be adjusted to reflect the compensation for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. Financial risk is included in the estimates of the future cash flows, or the discount rate used to adjust the cash flows.

The RA for non-financial risk of the Group's reinsurance contracts is the amount of risk being transferred by the Group to the reinsurer, and is aligned to the methodologies applied to the insurance contracts measured under the GMM and PAA models.

CSM

The number of coverage units refers to the quantity of services provided by the contracts in a group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date. The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year and which is calculated based on the CSM that has been allocated to coverage units that have been provided in the year

The coverage units used to release the CSM for the Group are discounted and based off the total contractual sum assured for the risks insured with the entity at each valuation/reporting date, factoring in the expected duration of the contract.

Presentation and disclosure

The disclosure and presentation of insurance contracts, reinsurance contracts and investment contracts with DPF in the Group's statement of financial position will change as follows:

- assets and liabilities of portfolios of insurance contracts and investment contracts with DPF, as well as portfolios of reinsurance contracts will be presented separately in the statement of financial position;
- all rights and obligations arising from a portfolio of contracts will be presented on a net basis resulting in balances such as insurance receivables and payables and policyholder liabilities under insurance contracts not being presented separately;
- any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Amounts recognised in profit or loss will be disaggregated as follows:

- insurance service result, comprising insurance revenue and insurance service expenses;
- amounts from reinsurance contracts will be presented as a single amount; and
- insurance finance income or expenses.

Insurance service result

For contracts not measured under the PAA, insurance revenue represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows, that comprise of:

- A release of CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses expected in the year.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment; and allocation of a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time.

For contracts measured under the PAA, majority of the premiums are recognised as revenue (earned premiums) using the passage of time, proportionally over the risk period. For warranties, premiums are recognised using the earning pattern that reflects how the risk is released over time. The portion of premiums received on in-force contracts that relate to unexpired risks is reported as the LRC. The LRC is calculated based on the passage of time as the risk is spread evenly over the period of insurance. Under this method, the LRC is determined based on the expected premium receipts for each period of insurance contract services on the basis of passage of time. The change in the liability for remaining coverage is recognised in profit or loss to ensure revenue is recognised over the period of the risk.

Accounting policies (continued)
New standards and interpretations not yet adopted (continued)
IFRS 17 – Insurance Contracts (continued)
Measurement overview *(continued)*
Significant judgements and estimates applied during the measurement process (continued)

Insurance service result (continued)

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under the Standard. The Group will identify the investment component of a contract by determining the amount it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, as the Group will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service result in the notes to the financial statements.

It is the Group's policy not to disaggregate the changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment will be included in the insurance service result.

Insurance finance income and expenses

As per the Standard, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

Disclosure

Disclosures as per the new Standard are more granular and requires extensive disclosures on amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts, information on the expected CSM emergence pattern, as well as disclosures about significant judgement. The nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF also need to be included.

Transition

Changes in accounting policies resulting from the adoption of the Standard will be applied from 1 January 2022, using a full retrospective approach to the extent practicable. As per this approach the Group will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if the Standard had always been applied;
- derecognise previously reported balances that would not have existed if the Standard had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity without adjusting the carrying amount of goodwill from previous business combinations.

If it is impracticable to apply the full retrospective approach to a group of life contracts or to an asset for insurance acquisition cash flows, the Group will apply the fair value approach. The full retrospective approach will be applied for non-life contracts.

The Group considers the full retrospective approach impracticable under any of the following circumstances:

- the effects of retrospective application are not determinable because the information required has not been collected or is unavailable because of system migrations, data retention requirements or other reasons; or
- the full retrospective approach requires assumptions on what management's intentions or significant accounting estimates would have been in previous periods and which cannot be made without the use of hindsight.

Under the fair value approach, the CSM (or loss component) at 1 January 2022 was determined as the difference between the fair value of a group of contracts and the fulfilment cash flows at the date. The Group measured the fair value of the contracts as the sum of the present value of the net cash flows expected to be generated by the contracts by using a discounted cash flow technique, and an additional margin by referring to a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows. Although the Group's own non-performance risk will be considered when measuring the fair value of liabilities but not when measuring fulfilment cash flows, the effect is expected to be insignificant.

When measuring fair value, the Group includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows, and a profit margin to reflect what market participants would require to assume the obligations to service insurance contracts. In determining this margin, the Group will consider certain risks that are not reflected in fulfilment cash flows as required by the Standard (e.g. general operational risk) that a market participant would consider, and which will give rise to a CSM as at 1 January 2022. For all contracts measured under the fair value approach, the Group will use reasonable and supportable information available as at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract;
- how to identify discretionary cash flows for contracts without direct participation features; and
- whether an investment component meets the definition of an investment contract with DPF.

Some groups of contracts measured under the fair value approach will contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition will be determined at 1 January 2022 instead of at the date of initial recognition. For groups of reinsurance contracts covering onerous underlying contracts, the Group will establish a loss-recovery component at 1 January 2022, with reference the amount of the loss component that relates to the underlying contracts.

Accounting policies (continued)
New standards and interpretations not yet adopted (continued)
IFRS 17 – Insurance Contracts (continued)
Measurement overview *(continued)*
Transition (continued)

- **Amendments to IAS 1 Classification of liabilities as current or non-current**
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  The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it doesn't recognise any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.

Events after the reporting period

The Group's ordinary shares were listed for trade on the A2X exchange with effect from 2 February 2023. The Group's primary listing on the JSE Limited and its issued share capital was unaffected by the secondary listing on A2X.

During 2022, Ghana requested assistance from the International Monetary Fund (IMF), to address the ongoing economic crisis. In December, a staff-level agreement was reached on an IMF programme at restoring macroeconomic stability and debt sustainability while preserving financial stability. As a result, wide ranging structural and fiscal reforms were initiated to restore fiscal stability and debt sustainability.

As part of the reforms, the Domestic Debt Exchange Programme (DDEP) was announced on 5 December 2022. The programme involved an invitation to exchange certain domestic notes and bonds, for new bonds of the Republic of Ghana. During 2023 certain entities within the Group accepted the invitation to exchange the eligible bonds held.

The new bonds received will be accounted for in the 2023 financial year end. However, information relating to the DDEP and related economic reforms have been considered in determining the calculation of impairments and fair values of exposures facing the government of Ghana for the 2022 financial year end as it gave evidence of conditions which existed at the reporting date. The economic environment in Ghana continues to be closely monitored and assessed.

In February 2023, the international Financial Action Task Force (FATF) announced its decision to place South Africa, among other countries, on its 'grey list' as the country has not yet implemented all the actions recommended by FATF to combat money laundering, terrorist financing and similar threats adequately.

The grey-listing action may raise the cost of transactions as foreign financial institutions will, at least in some instances, apply additional controls to transactions that involve South African entities and individuals. The Group already complies with rigorous international anti-financial crime standards and regulation, as required in order to access global financial markets. It is therefore unlikely that the grey-listing action will have any material direct impact on the Group in the short term.

In line with the disposal of the Group's investment management business, NewFunds (RF) Pty Ltd retired as the manager of the NewFunds Collective Investment Scheme in Securities, effective from 1 March 2023.

The directors are not aware of any other events, other than the aforementioned (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 31 December 2022 and the date of authorisation of these annual consolidated and separate financial statements.

On behalf of the Board

S Moloko
Group Chairman

A Rautenbach
Group Chief Executive Officer

J P Quinn
Group Financial Director

Johannesburg
13 March 2023

Summary consolidated IFRS salient features

for the reporting period ended 31 December

	Note	2022 Rm	2021 Rm
Statement of comprehensive income (Rm)			
Income		98 918	85 906
Operating expenses		52 009	48 610
Pre-provision profit		46 909	37 296
Credit impairment charges		13 703	8 499
Profit attributable to ordinary equity holders		20 555	17 763
Headline earnings[1]	6	20 264	17 825
Statement of financial position			
Net asset value (NAV) (Rm)		134 496	129 863
Gross loans and advances (Rm)		1 258 289	1 133 697
Total assets (Rm)[2]		1 793 201	1 639 532
Deposits (Rm)		1 241 919	1 173 766
Loans to deposits and debt securities ratio (%)[2]		86.9	86.9
Average loans to deposits and debt securities ratio (%)		84.2	84.2
Financial performance (%)			
Return on equity (RoE)		15.6	14.6
Return on average assets (RoA)		1.18	1.13
Return on risk-weighted assets (RoRWA)		2.11	1.96
Stage 3 loans ratio on gross loans and advances		5.29	5.43
Operating performance (%)			
Net interest margin on average interest-bearing assets		4.56	4.46
Credit loss ratio on gross loans and advances		0.96	0.77
Non-interest as a percentage of total income		38.8	37.9
Cost-to-income ratio		52.6	56.6
JAWS		8	4
Effective tax rate		26.3	27.3
Share statistics (million)			
Number of ordinary shares in issue		847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)		827.4	830.3
Weighted average number of ordinary shares in issue		829.4	830.2
Diluted weighted average number of ordinary shares in issue		830.6	831.6
Share statistics (cents)			
Basic earnings per ordinary share (EPS)		2 478.3	2 139.6
Diluted basic earnings per ordinary share (DEPS)		2 474.7	2 136.0
Headline earnings per ordinary share (HEPS)	6	2 443.2	2 147.1
Diluted headline earnings per ordinary share (DHEPS)	6	2 439.7	2 143.5
NAV per ordinary share		16 255	15 641
Tangible NAV per ordinary share		14 696	14 207
Dividend per ordinary share relating to income for the reporting period		1 300	785
Dividend payout ratio (%)		53	37
Capital adequacy (%)			
Absa Group Limited		16.6	17.0
Absa Bank Limited		17.6	17.9
Common Equity Tier 1 (%)			
Absa Group Limited		12.8	12.8
Absa Bank Limited		12.5	12.4

[1] After allowing for **R266m** (2021: R242m) profit attributable to preference equity holders and **R609m** (2021: R585m) profit attributable to Additional Tier 1 capital holders.

[2] These numbers have been restated, refer to reporting changes overview note 15.

Summary consolidated statement of financial position

as at 31 December

	Note	December 2022 Rm	December 2021 Rm	Restated 1 January 2021 Rm
Assets				
Cash, cash balances and balances with central banks		67 179	66 041	60 682
Investment securities		215 637	188 898	153 504
Trading portfolio assets[1]		206 436	203 240	215 753
Hedging portfolio assets[1]		4 973	3 697	7 475
Other assets		25 190	24 156	20 417
Current tax assets		657	665	865
Non-current assets held for sale	1	212	4 259	144
Loans and advances	2	1 213 399	1 092 257	1 014 507
Reinsurance assets		663	732	680
Investments linked to investment contracts		19 288	19 803	21 273
Investments in associates and joint ventures		2 409	1 593	1 601
Investment properties		397	421	496
Property and equipment		15 325	15 970	17 094
Goodwill and intangible assets		12 901	11 903	11 050
Deferred tax assets		8 535	5 897	4 286
Total assets[1]		1 793 201	1 639 532	1 529 827
Liabilities				
Trading portfolio liabilities[1]		94 895	73 568	108 831
Hedging portfolio liabilities[1]		2 237	2 910	5 013
Other liabilities		36 520	48 409	33 905
Provisions		5 912	5 396	3 959
Current tax liabilities		971	1 091	290
Non-current liabilities held for sale	1	26	3 465	—
Deposits		1 241 919	1 173 766	1 048 000
Debt securities in issue[1]		205 519	129 775	144 447
Liabilities under investment contracts		19 999	21 126	27 533
Policyholder liabilities under insurance contracts		5 384	5 731	4 198
Borrowed funds	3	26 420	26 600	20 761
Deferred tax liabilities		351	386	587
Total liabilities[1]		1 640 153	1 492 223	1 397 524
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		1 654	1 660	1 657
Share premium		10 191	10 644	10 561
Retained earnings		121 764	110 859	95 345
Other reserves		887	6 700	8 108
		134 496	129 863	115 671
Non-controlling interest – ordinary shares		6 405	5 798	4 984
Non-controlling interest – preference shares		4 644	4 644	4 644
Other equity – Additional Tier 1 capital		7 503	7 004	7 004
Total equity		153 048	147 309	132 303
Total liabilities and equity[1]		1 793 201	1 639 532	1 529 827

[1] These numbers have been restated, refer to reporting changes overview note 15.

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2022 Rm	2021 Rm
Net interest income		60 498	53 322
Interest and similar income		112 232	89 495
Effective interest income		110 314	87 844
Other interest income		1 918	1 651
Interest expense and similar charges		(51 734)	(36 173)
Non-interest income	4	38 420	32 584
Net fee and commission income		23 710	22 074
Fee and commission income		27 595	25 549
Fee and commission expense		(3 885)	(3 475)
Net insurance premium income		9 453	8 778
Net claims and benefits incurred on insurance contracts		(4 854)	(5 514)
Changes in investment and insurance contract liabilities		1 428	(2 799)
Gains from banking and trading activities		7 728	6 606
Gains and losses from investment activities		(532)	2 704
Other operating income		1 487	735
Total income		98 918	85 906
Credit impairment charges		(13 703)	(8 499)
Operating income before operating expenditure		85 215	77 407
Operating expenditure		(52 009)	(48 610)
Other expenses		(2 541)	(2 205)
Other impairments	5	(591)	(420)
Indirect taxation		(1 950)	(1 785)
Share of post-tax results of associates and joint ventures		137	132
Operating profit before income tax		30 802	26 724
Taxation expense		(8 091)	(7 299)
Profit for the reporting period		22 711	19 425
Profit attributable to:			
Ordinary equity holders		20 555	17 763
Non-controlling interest – ordinary shares		1 281	835
Non-controlling interest – preference shares		266	242
Other equity – Additional Tier 1 capital		609	585
		22 711	19 425
Earnings per share:			
Basic earnings per share (cents)		2 478.3	2 139.6
Diluted earnings per share (cents)		2 474.7	2 136.0

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	2022 Rm	2021 Rm
Profit for the reporting period	22 711	19 425
Other comprehensive income		
Items that will not be reclassified to profit or loss	(19)	83
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	(1)	(133)
Fair value (losses)/ gains	(1)	(172)
Deferred tax	0	39
Movement on liabilities designated at FVTPL due to changes in own credit risk	(151)	(26)
Fair value movements	(202)	(36)
Deferred tax	51	10
Movement in retirement benefit fund assets and liabilities	133	242
(Decrease)/increase in retirement benefit surplus	(37)	108
Decrease in retirement benefit deficit	148	169
Deferred tax	22	(35)
Items that are or may be subsequently reclassified to profit or loss	(6 503)	(1 298)
Movement in foreign currency translation reserve	(1 789)	2 414
Differences in translation of foreign operations	(1 789)	2 510
Release to profit or loss	0	(96)
Movement in cash flow hedging reserve	(4 477)	(4 051)
Fair value losses	(3 460)	(1 469)
Amounts transferred within other comprehensive income	21	6
Amount removed from other comprehensive income and recognised in profit or loss	(2 718)	(4 163)
Deferred tax	1 680	1 575
Movement in fair value of debt instruments measured at FVOCI	(237)	339
Fair value (losses)/ gains	(364)	691
Release to profit or loss	(7)	(120)
Deferred tax	134	(232)
Total comprehensive income for the reporting period	16 189	18 210
Total comprehensive income attributable to:		
Ordinary equity holders	14 175	16 376
Non-controlling interest – ordinary shares	1 139	1 007
Non-controlling interest – preference shares	266	242
Other equity – Additional Tier 1 capital	609	585
	16 189	18 210

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

2022

	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	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital Rm	Total equity Rm
Balance at the beginning of the reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)	1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309
Total comprehensive income	—	—	—	20 531	(6 356)	—	(147)	(4 477)	(1 732)	—	—	—	14 175	1 139	266	609	16 189
Profit for the period	—	—	—	20 555	—	—	—	—	—	—	—	—	20 555	1 281	266	609	22 711
Other comprehensive income	—	—	—	(24)	(6 356)	—	(147)	(4 477)	(1 732)	—	—	—	(6 380)	(142)	—	—	(6 522)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—	—	—	—	—	—	(9 343)	(532)	(266)	—	(10 141)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(609)	(609)
Movement in Additional Tier 1 capital[1]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	499	499
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(163)	—	—	—	—	—	—	—	—	(520)	—	—	—	(520)
Elimination of the movement in Treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—	—	—	—	—	—	(459)	—	—	—	(459)
Movement in share-based payment reserve	—	—	357	—	423	—	—	—	—	—	423	—	780	—	—	—	780
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—	—	—	—	(357)	—	—	—	—	—	—
Value of employee services	—	—	—	—	652	—	—	—	—	—	652	—	652	—	—	—	652
Deferred tax	—	—	—	—	128	—	—	—	—	—	128	—	128	—	—	—	128
Movement in general credit risk reserve	—	—	—	17	(17)	(17)	—	—	—	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—	—	—	—	—	137	—	—	—	—	—
Balance at the end of the reporting period	827 426	1 654	10 191	121 764	887	808	(992)	(3 215)	1 391	57	1 102	1 736	134 496	6 405	4 644	7 503	153 048

[1] Movement in Additional Tier 1 capital includes an issuance of **R1 999m** and an expiry of **R1 500m**.

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

2021

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

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

Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2022 Rm	Restated 2021 Rm
Cash generated from operating activities		24 327	6 500
Income taxes paid		(10 351)	(7 692)
Net cash generated from other operating activities[1]		34 678	14 192
Net cash utilised in investing activities[1]		(5 283)	(3 519)
Purchase of property and equipment		(2 214)	(1 475)
Purchase of intangible assets		(3 674)	(2 975)
Proceeds from sale of non-current assets held for sale		54	113
Net cash generated from other investing activities		551	818
Net cash (utilised in)/generated from financing activities		(12 616)	(515)
Issue of Additional Tier 1 capital		1 999	—
Expiry of Additional Tier 1 capital		(1 499)	—
Proceeds from borrowed funds		1 916	6 866
Repayment of borrowed funds		(2 204)	(2 381)
Dividends paid		(10 141)	(3 007)
Net cash utilised in other financing activities		(2 687)	(1 993)
Net (decrease)/increase in cash and cash equivalents[1]		6 428	2 466
Cash and cash equivalents at the beginning of the reporting period[1]	1	62 874	59 327
Effect of foreign exchange rate movements on cash and cash equivalents		1 173	1 081
Cash and cash equivalents at the end of the reporting period[1]	2	70 475	62 874

Notes to the summary consolidated statement of cash flows

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

	2022 Rm	Restated 2021 Rm
Mandatory reserve balances with the SARB and other central banks[1]	28 705	25 049
Coins and bank notes	14 577	14 403
Loans and advances to banks[1][2]	17 897	17 668
Money market assets[1]	1 695	2 207
	62 874	59 327

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

	2022 Rm	Restated 2021 Rm
Mandatory reserve balances with the SARB and other central banks[1]	31 842	28 705
Coins and bank notes	14 303	14 577
Loans and advances to banks[1][2]	22 319	19 592
Money market assets[1]	2 011	1 695
	70 475	62 874

[1] These numbers have been restated, refer to reporting changes overview note 15.
[2] Includes call advances, which are used as working capital by the Group.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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 have disposed of the Absa Investment Cluster (comprising Absa Asset Management (Pty) Limited, Absa Alternative Asset Management (Pty) Limited, Absa Fund Managers (Pty) Limited and the multi-manager business, a division of Absa Investment Management Services (Pty) Limited. The total carrying amount for the assets disposed is R4.07bn and the total carrying amount for the liabilities disposed is R3.4bn. The disposed funds have resulted in a de-consolidation from the investment funds. The disposal resulted in a gross profit of R759m. Please refer to acquisitions and disposals of business note for further details. The remaining investment funds will be disposed off in the 2023 financial period.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R67m to non-current assets held for sale.
- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R35m. The disposal resulted in a gross profit of R19m.

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R93m.
- Following a strategic review of the business, Absa have agreed a transaction to sell the Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers Ltd (excluding the Absa Prudential Money Market Fund), Absa Multi-Managers (a division of Absa Investment Management (Pty) Ltd). While the transaction does not directly include the disposal of investment funds held by the Group in a number of related unit trust investment funds, it will result in the de-consolidation of these funds linked to the transaction. Consequently, these funds were also reclassified as non-current assets and liabilities held for sale. Total assets of R4 196m and total liabilities of R3 465m were reclassified into the non-current assets and liabilities held for sale category relating to the sale targeted for conclusion before the end of 2022. The assets and liabilities transferred into non-current asset and liabilities for sale comprised mainly investments linked to investment contracts, cash and bank balances, investment securities, trade receivables, goodwill and intangible assets and liabilities linked to investment contracts.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R15m to non-current assets held for sale and a R1m impairment was recognised on remaining assets previously classified as held for sale.
- Foreign exchange movements resulted in a R2m decrease in assets.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

	2022										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	351 517	1 534	0.44	33 308	2 209	6.63	29 587	10 315	34.86	400 354
Home Loans	—	257 438	496	0.19	22 363	926	4.14	21 178	6 156	29.07	293 401
Vehicle and Asset Finance	—	94 079	1 038	1.10	10 945	1 283	11.72	8 409	4 159	49.46	106 953
Everyday Banking	—	59 289	2 503	4.22	10 688	2 897	27.11	11 655	8 749	75.07	67 483
Card	—	39 401	1 359	3.45	5 692	1 664	29.23	7 202	5 288	73.42	43 984
Personal Loans	—	17 279	908	5.25	4 147	1 009	24.33	3 919	3 046	77.72	20 382
Transactions and Deposits	—	2 609	236	9.05	849	224	26.38	482	363	75.31	3 117
Other	—	—	—	—	—	—	—	52	52	100	—
Relationship Banking	—	119 087	544	0.46	12 844	747	5.82	7 674	3 536	46.08	134 778
ARO RBB	—	65 793	1 139	1.73	6 091	898	14.74	6 054	3 784	62.50	72 117
CIB	73 802	329 387	1 166	0.35	23 076	746	3.23	11 622	4 361	37.52	431 614
CIB SA	73 802	275 483	761	0.28	10 894	303	2.78	5 876	2 177	37.05	362 814
CIB ARO	—	53 904	405	0.75	12 182	443	3.64	5 746	2 184	38.01	68 800
Head Office, Treasury and other operations	—	3 163	(157)	—	2	(135)	—	—	(26)	—	3 483
Loans and advances to customers	—	3 163	3	0.09	2	—	—	—	—	—	3 162
Reclassification to provisions[1]	—	—	(160)	—	—	(135)	—	—	(26)	—	321
Loans and advances to customers	73 802	928 236	6 729	0.72	86 009	7 362	8.56	66 592	30 719	46.13	1 109 829
Loans and advances to banks	41 274	55 224	67	0.12	7 151	12	0.17	—	—	—	103 570
Total loans and advances	115 076	983 460	6 796	0.69	93 160	7 374	7.92	66 592	30 719	46.13	1 213 399

[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.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

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

		2021[1]									
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	323 356	1 535	0.47	31 017	2 001	6.45	27 134	9 620	35.45	368 351
Home Loans	—	236 205	638	0.27	21 210	803	3.79	19 999	5 699	28.50	270 274
Vehicle and Asset Finance	—	87 151	897	1.03	9 807	1 198	12.22	7 135	3 921	54.95	98 077
Everyday Banking	—	54 132	2 285	4.22	8 166	2 396	29.34	10 708	7 920	73.96	60 405
Card	—	35 294	1 270	3.60	4 732	1 504	31.78	6 753	5 045	74.71	38 960
Personal Loans	—	16 454	805	4.89	2 726	697	25.57	3 391	2 459	72.52	18 610
Transactions and Deposits	—	2 384	210	8.81	708	195	27.54	511	364	71.23	2 834
Other	—	—	—	—	—	—	—	53	52	98.11	1
Relationship Banking	—	108 760	682	0.63	13 730	913	6.65	8 349	3 641	43.61	125 603
ARO RBB	—	56 714	1 116	1.97	7 069	1 117	15.80	5 468	3 292	60.20	63 726
CIB[2]	89 988	264 785	1 403	0.53	39 034	737	1.89	9 918	3 058	30.83	398 527
CIB SA	89 988	216 495	1 097	0.51	29 200	250	0.86	5 434	1 529	28.14	338 241
CIB ARO	—	48 290	306	0.63	9 834	487	4.95	4 484	1 529	34.10	60 286
Head Office, Treasury and other operations	—	352	(162)	—	64	(139)	—	—	(57)	—	774
Loans and advances to customers	—	352	4	1.14	64	—	—	—	—	—	412
Reclassification to provisions[2]	—	—	(166)	—	—	(139)	—	—	(57)	—	362
Loans and advances to customers	89 988	808 099	6 859	0.85	99 080	7 025	7.09	61 577	27 474	44.62	1 017 386
Loans and advances to banks	28 218	43 602	74	0.17	3 133	8	0.26	—	—	—	74 871
Total loans and advances	118 206	851 701	6 933	0.81	102 213	7 033	6.88	61 577	27 474	44.62	1 092 257

[1] These numbers have been restated, refer to the reporting changes overview, note 15.
[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.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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 and undrawn facilities:

2022

	Product Solutions Cluster	Everyday Banking	Relationship Banking	ARO RBB	CIB SA	CIB ARO	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	14 058	14 149	4 827	5 821	3 267	3 081	(314)	44 889
Stage 1	1 534	2 503	544	1 139	779	454	(157)	6 796
Stage 2	2 209	2 897	747	898	311	443	(131)	7 374
Stage 3	10 315	8 749	3 536	3 784	2 177	2 184	(26)	30 719
Undrawn facilities	—	—	—	34	—	104	325	463
Stage 1	—	—	—	24	—	74	163	261
Stage 2	—	—	—	10	—	15	136	161
Stage 3	—	—	—	—	—	15	26	41
Total loans and advances and undrawn facilities	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352

2021[1]

	Product Solutions Cluster	Everyday Banking	Relationship Banking	ARO RBB	CIB SA	CIB ARO	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	13 156	12 601	5 236	5 525	2 922	2 360	(360)	41 440
Stage 1	1 535	2 285	682	1 116	1 137	342	(164)	6 933
Stage 2	2 001	2 396	913	1 117	256	489	(139)	7 033
Stage 3	9 620	7 920	3 641	3 292	1 529	1 529	(57)	27 474
Undrawn facilities	—	—	—	31	—	87	362	480
Stage 1	—	—	—	19	—	61	166	246
Stage 2	—	—	—	12	—	12	139	163
Stage 3	—	—	—	—	—	14	57	71
Total loans and advances and undrawn facilities	13 156	12 601	5 236	5 556	2 922	2 447	2	41 920

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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, by market segment:

2022

Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster	Everyday Banking	Relationship Banking	ARO RBB	CIB SA	CIB ARO	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 156	12 601	5 236	5 556	2 922	2 447	2	41 920
Stage 1	1 535	2 285	682	1 135	1 137	403	2	7 179
Stage 2	2 001	2 396	913	1 129	256	501	—	7 196
Stage 3	9 620	7 920	3 641	3 292	1 529	1 543	—	27 545
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	546	107	337	281	(47)	53	—	1 277
Transfers (from)/to stage 1	805	558	409	336	(56)	88	—	2 140
Transfers from/(to) stage 2	(159)	(243)	(42)	(37)	8	(19)	—	(492)
Transfers from/(to) stage 3	(100)	(208)	(30)	(18)	1	(16)	—	(371)
Stage 2 net transfers	(200)	(996)	(411)	(484)	48	(72)	—	(2 115)
Transfers from/(to) stage 1	(500)	(497)	(351)	(291)	56	(88)	—	(1 671)
Transfers (from)/to stage 2	909	225	110	58	(8)	19	—	1 313
Transfers from/(to) stage 3	(609)	(724)	(170)	(251)	—	(3)	—	(1 757)
Stage 3 net transfers	(346)	889	74	203	(1)	19	—	838
Transfers from/(to) stage 1	(305)	(62)	(58)	(45)	—	—	—	(470)
Transfers from/(to) stage 2	(750)	19	(68)	(21)	—	—	—	(820)
Transfers (from)/to stage 3	709	932	200	269	(1)	19	—	2 128
Credit impairment charges raised[1]	2 607	5 900	771	1 434	333	716	10	11 771
Amounts written off	(2 678)	(5 279)	(1 648)	(1 252)	(173)	(119)	(1)	(11 150)
Net change in interest[1]	973	927	468	292	185	227	—	3 072
Foreign exchange movements	—	—	—	(175)	—	(86)	—	(261)
Balance at the end of the reporting period	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352
Stage 1	1 534	2 503	544	1 163	779	528	6	7 057
Stage 2	2 209	2 897	747	908	311	458	5	7 535
Stage 3	10 315	8 749	3 536	3 784	2 177	2 199	—	30 760

[1] Previously the Group presented the credit impairment charges and net change in interest as one line item. To enhance the disclosure, this has been disaggregated to provide users with more granularity.

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, by market segment:

2021[1]

Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster	Everyday Banking	Relationship Banking	ARO RBB	CIB SA	CIB ARO	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 198	15 762	5 446	4 651	2 885	2 329	19	44 290
Stage 1	1 601	2 161	800	1 007	1 335	482	19	7 405
Stage 2	1 789	3 435	1 228	1 220	381	508	—	8 561
Stage 3	9 808	10 166	3 418	2 424	1 169	1 339	—	28 324
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	704	625	240	(18)	(52)	34	—	1 533
Transfers (from)/to stage 1	946	1 061	332	203	(61)	69	—	2 550
Transfers from/(to) stage 2	(153)	(164)	(54)	(157)	9	(35)	—	(554)
Transfers from/(to) stage 3	(89)	(272)	(38)	(64)	—	—	—	(463)
Stage 2 net transfers	506	(1 059)	(280)	(232)	48	(26)	—	(1 043)
Transfers from/(to) stage 1	(526)	(897)	(272)	(189)	61	(69)	—	(1 892)
Transfers (from)/to stage 2	1 549	926	99	165	(13)	46	—	2 772
Transfers from/(to) stage 3	(517)	(1 088)	(107)	(208)	—	(3)	—	(1 923)
Stage 3 net transfers	(1 210)	434	40	250	4	(8)	—	(490)
Transfers from/(to) stage 1	(420)	(164)	(60)	(14)	—	—	—	(658)
Transfers from/(to) stage 2	(1 396)	(762)	(45)	(8)	4	(11)	—	(2 218)
Transfers from/(to) stage 3	606	1 360	145	272	—	3	—	2 386
Credit impairment charges raised	999	3 961	980	1 414	237	93	(17)	7 667
Amounts written off	(1 729)	(8 088)	(1 719)	(1 475)	(321)	(173)	—	(13 505)
Net change in interest	688	966	529	471	121	42	—	2 817
Foreign exchange movements	—	—	—	495	—	156	—	651
Balance at the end of the reporting period	13 156	12 601	5 236	5 556	2 922	2 447	2	41 920
Stage 1	1 535	2 285	682	1 135	1 137	403	2	7 179
Stage 2	2 001	2 396	913	1 129	256	501	—	7 196
Stage 3	9 620	7 920	3 641	3 292	1 529	1 543	—	27 545

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

2. Loans and advances (continued)

2.3 Macro-overlays, payment relief and forward-looking assumptions

Macro-overlays

The Group continues to use macro-overlays to ensure adequate protection against future losses. The macro-overlay has, however, materially reduced from pandemic-period highs as a larger portion of anticipated risks are now captured through incurred losses or recalibrated IFRS 9 models, which reflect the COVID-19 loss experience. The remaining macro-overlay is primarily held for adjustments to modelled forecast parameters across the ARO portfolio and adjustments for vulnerable sectors in CIB.

Coverage levels have remained fairly stable despite the reduction in the macro-overlay. For further details on expected credit loss analysis by market segment and credit exposure type, please see note 2.1. The segment report per market segment also provides further insights on key credit metrics.

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.

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

Despite the current market conditions being marked by global shocks and high uncertainty, the Group has maintained its probability-weightings of 40%, 30%, and 30% for the baseline, upside, and downside scenarios respectively. However, to address the unprecedented environment, the ranges between the baseline, mild upside, and downside macroeconomic scenarios have been significantly widened compared to the figures presented at 31 December 2021.

The following table shows the key forecast assumptions used for South Africa to calculate the Group's credit impairment charge for the reporting period ended 31 December 2022:

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Real GDP (%)	1.6	1.1	1.8	1.9	2.0	1.9	1.6	2.4	2.5	2.6	0.9	(1.1)	0.6	0.8	0.9
CPI (%)	6.8	5.3	4.5	4.5	4.6	6.7	4.1	4.1	4.0	4.3	7.0	7.8	5.4	5.1	5.5
Average repo rate (%)	5.3	7.3	6.8	6.8	6.8	5.2	6.3	6.0	6.0	6.0	5.3	9.0	8.5	8.1	8.0

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 2021:

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

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2022:

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Botswana															
Real GDP (%)	5.0	4.4	4.0	3.8	3.8	6.6	5.8	5.4	5.2	5.2	4.3	3.0	3.0	2.7	2.7
CPI (%)	12.3	6.2	3.9	3.6	3.6	11.9	4.9	2.4	2.2	2.2	13.0	8.0	5.5	5.4	5.4
Average policy rate (%)	2.8	2.7	2.9	3.4	3.9	2.8	2.7	2.7	3.0	3.2	2.8	3.9	4.6	5.1	5.2
Ghana															
Real GDP (%)	3.4	3.0	3.6	4.4	5.0	4.5	4.8	5.3	6.0	6.6	2.1	0.4	1.6	2.4	2.8
CPI (%)	29.5	25.0	12.1	13.1	11.0	28.0	19.5	8.9	10.5	9.0	30.5	31.0	17.4	15.5	13.0
Average policy rate (%)	19.0	24.2	21.0	20.0	19.1	19.0	22.9	19.7	18.2	17.1	19.5	27.4	22.8	21.6	21.3
Kenya															
Real GDP (%)	5.3	5.0	5.2	5.5	5.5	6.0	6.5	6.5	7.0	7.0	4.0	3.7	4.0	4.3	4.3
CPI (%)	7.5	4.5	4.6	4.7	4.7	7.0	3.5	3.7	3.9	3.9	8.0	6.2	6.3	6.5	6.5
Average policy rate (%)	7.5	8.8	8.8	8.8	8.8	7.4	8.0	8.0	8.0	8.0	7.6	10.4	10.8	11.3	11.3
Mauritius															
Real GDP (%)	7.4	5.5	4.2	4.0	4.0	9.2	7.0	5.5	5.0	5.0	3.9	3.0	2.9	2.9	2.9
CPI (%)	10.5	5.5	4.0	3.8	3.7	10.1	4.0	3.2	2.6	2.5	11.0	7.4	6.3	5.3	5.0
Average policy rate (%)	2.4	4.3	4.5	4.5	4.5	2.3	3.8	4.0	3.8	3.8	2.4	5.1	6.0	6.0	6.0

2. Loans and advances (continued)

2.3 Macro-overlays, payment relief and forward-looking assumptions (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Botswana															
Real GDP (%)	8.3	4.9	4.0	3.8	3.8	9.8	6.6	5.6	5.3	5.3	7.2	3.1	3.0	1.9	1.9
CPI (%)	6.5	5.0	3.7	3.8	3.4	6.2	4.0	2.4	2.4	2.0	7.0	6.5	5.2	5.4	5.2
Average policy rate (%)	3.8	4.0	4.4	4.9	5.0	3.7	3.7	3.8	4.2	4.4	3.8	4.4	5.0	5.3	6.3
Ghana															
Real GDP (%)	3.7	5.7	5.4	5.5	5.5	4.3	8.6	7.2	6.6	6.3	2.3	3.5	3.4	3.1	3.0
CPI (%)	9.4	9.3	9.5	10.5	10.7	9.1	8.0	7.7	8.5	8.5	9.7	11.0	11.4	12.8	13.0
Average policy rate (%)	13.8	14.1	15.4	16.1	16.5	13.8	13.6	14.1	14.6	15.5	14.0	15.1	16.4	17.8	18.9
Kenya															
Real GDP (%)	4.4	5.5	5.3	5.1	5.0	5.5	6.5	6.5	6.8	6.7	2.6	3.1	3.7	4.1	4.4
CPI (%)	6.0	5.4	5.1	4.8	4.4	5.7	4.0	3.5	3.2	3.0	6.3	6.2	6.0	5.9	5.5
Average policy rate (%)	7.0	7.2	8.0	8.3	8.3	6.9	6.9	7.3	7.6	7.8	7.1	7.7	8.5	9.0	9.3
Mauritius															
Real GDP (%)	4.0	9.2	5.8	5.0	4.0	5.5	11.2	7.0	5.6	5.4	2.0	8.0	4.0	3.0	2.5
CPI (%)	3.9	4.0	3.2	3.0	3.0	3.9	3.2	2.2	2.0	2.0	3.9	5.0	4.8	4.5	4.5
Average policy rate (%)	1.9	2.2	2.7	3.4	3.9	1.9	1.9	2.3	3.0	3.2	1.9	2.5	3.2	4.1	4.8

Baseline scenario as at 31 December 2022

South Africa

The global, regional, and domestic economic outlook remains unusually uncertain. Although COVID-19 is no longer an immediate threat to the economy, risks from geopolitical uncertainty, particularly those surrounding the Russia/Ukraine conflict, and those arising from heightened tension between some Western countries and China, have risen. Both the duration and intensity of these risks are currently difficult to predict.

These risks have already had an impact on oil, food, and other supply chains, and their ongoing impact is difficult to predict. Global financial conditions have tightened and are expected to tighten further in early 2023. The tightening delivered so far has placed pressure on many emerging assets, and uncertainty over the path of global policy in 2023 is continuing to cause fluctuations in global asset markets more broadly.

In addition to these global shocks, the South African economy faces several uncertainties specific to the country. The most significant of these is electricity load shedding as Eskom's operational difficulties deepened significantly into late 2022.

At the time of the forecast, Absa's expectation was for the South African economy to have expanded by 1.6% in 2022, which is slightly weaker than the previous forecast. Absa expects economic growth to slip to 1.1% in 2023 due to severe short-term electricity constraints. There is a slow improvement toward GDP growth of 2.0% by 2026, with an expectation that load shedding will gradually dissipate.

For the household sector, employment recovered more quickly in 2022 than previously feared, resulting in a similar outperformance in household incomes. Absa expects employment and household income growth to moderate significantly in 2023 and beyond, in line with the very subdued GDP outlook.

Consumer price inflation rose more quickly than expected during 2022, largely due to sharply higher food and fuel prices. Inflation breached the 6% upper-target of the central bank early in 2022, and at the time of the forecast, Absa projected inflation to average 6.8% year-on-year in 2022 and to average 5.3% in 2023 before returning to the middle of the 3-6% target from 2025.

The South African Reserve Bank responded to higher South African inflation and to tighter global financial conditions with 350 bps in interest rate increases from November 2021 through November 2022, which is a significantly faster pace of increase than previously expected. At the time of the forecast, Absa expects the repo rate to peak at 7.5% in early 2023 before declining marginally into late 2023.

House price growth is expected to remain positive in nominal price terms but negative in CPI-adjusted terms throughout the forecast horizon.

South Africa's public finances have been on an improving path, following the immediate COVID-19-related shock, with the fiscal deficit shrinking as a proportion of GDP due to better-than-expected revenue collection and restrained expenditure growth. The Group believes that South Africa's sovereign credit rating has stabilised, but notes the downside risks to this view emanating from the electricity crisis and the poor financial performance of several large state-owned enterprises.

In February 2023, the Financial Action Task Force (FATF) announced that it had added South Africa, along with several other countries, to its 'grey list'. This development was taken into account in our baseline scenario, and Absa's view is that the grey listing is unlikely to have any significant immediate impact on the Group.

2. Loans and advances (continued)

2.3 Macro-overlays, payment relief and forward-looking assumptions (continued)

Macroeconomic scenarios (continued)

ARO

The economic landscape of our presence countries in ARO displays significant diversity in both geographic and economic terms. Based on a GDP-weighted analysis, Absa's projections for economic growth in the ARO region for 2022 have decreased to 4.4%, due in part to the region's stronger than anticipated performance in 2021. However, Absa's projections for economic growth in our presence countries have also been revised downwards for 2023 and the outer years of the forecast due to a number of factors, including tighter global financing conditions, geopolitical uncertainty, and country-specific challenges in Ghana and Zambia.

The persistence of global inflationary pressures in fuel and food prices has led to higher inflation in most ARO markets in 2022. This, along with tighter global financing conditions and heightened country risk premia, has resulted in policy rate increases in most of our presence countries. These challenges have made it more difficult for authorities to address fiscal deficits and improve debt sustainability, prompting some ARO countries to seek financial support from the International Monetary Fund (IMF). For example, Zambia is still dealing with its sovereign debt default, while Ghana has announced plans to restructure much of its domestic public debt in the second half of 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.

	2022	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	14 170	0
Baseline	13 841	(2)
Upside	12 256	(14)
Downside	16 549	17

	2021	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	13 996	—
Baseline	13 752	(2)
Upside	13 722	(2)
Downside	14 444	3

In addition, as at 31 December 2022, the Group assessed what the impact on expected credit losses would be, if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	2022	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 576	1 088
Everyday Banking	2 964	679
Relationship Banking	5 954	319
ARO RBB	3 290	428
CIB SA	13 774	344
CIB ARO	2 695	78

	2021[1]	
	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	16 168	966
Everyday Banking	2 707	680
Relationship Banking	5 438	328
ARO RBB	2 836	392
CIB SA	10 825	38
CIB ARO	2 415	104

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

2. Loans and advances (continued)

2.3 Macro-overlays, payment relief and forward-looking assumptions (continued)

Macroeconomic scenarios (continued)

Payment relief measures

Payment relief provided to clients under Directive 3/2020 has fully matured. Inflows into arrears of the expired payment relief portfolio have stabilised and the portfolio is performing in line with expectation. The credit portfolio is once again managed on a holistic basis and the normal credit stage allocation methodology is applied across the entire portfolio. Please refer to note 2.1 for an ECL analysis by market segment and class of credit exposure for the entire portfolio.

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R1 916m** (2021: R6 866m) of subordinated notes were issued and **R2 204m** (2021: R2 381m) were redeemed.

The Group issued R1.9bn floating rate notes on 16 September 2022. The notes are unsecured and maturing on 16 September 2032.

The three month JIBAR plus 2.10% floating rate with a nominal amount of R1.9bn may be redeemed in full at the option of Absa Group Limited on 16 September 2027. The interest is paid quarterly on 16 March, 16 June, 16 September and 16 December each year until the maturity date, with the first interest determination date being 12 September 2022. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

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:

2022	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO 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	2 534	12 429	5 774	2 992	3 919	(53)	—	27 595
Consulting and administration fees	198	—	128	26	116	11	—	479
Transactional fees and commissions	727	11 272	3 744	2 331	2 975	72	—	21 121
Cheque accounts	—	2 921	1 729	26	158	—	—	4 834
Credit cards	—	2 342	194	318	(1)	43	—	2 896
Electronic banking	—	4 045	1 136	221	1 193	—	—	6 595
Other[1]	727	715	561	1 741	1 627	29	—	5 400
Savings accounts	—	1 249	124	25	(2)	—	—	1 396
Merchant income	—	774	1 717	186	(6)	—	—	2 671
Trust and other fiduciary services fees	258	—	76	4	18	857	—	1 213
Other fees and commissions	155	9	66	104	441	(77)	—	698
Insurance commissions received	1 196	374	4	341	1	(916)	—	1 000
Investment banking fees	—	—	39	—	374	—	—	413
Other income from contracts with customers	—	—	27	—	—	—	—	27
Other non-interest income, net of expenses[2],[3]	2 668	(316)	(696)	1 149	6 406	1 601	(14)	10 798
Total non-interest income	5 202	12 113	5 105	4 141	10 325	1 548	(14)	38 420

[1] Other transactional fees and commissions income include service and credit-related fees of **R2 079m** (2021: R1 766m), exchange commission **R795m** (2021: R680m) and guarantees **R222m** (2021: R325m) and transaction fees **R538m** (2021: R452m).
[2] This amount consists of other sources of income not accounted for under IFRS 15. This amount has been included to reconcile to the total non-interest income amount presented in the consolidated statement of comprehensive income.
[3] Other notable non-interest income items include gains from banking and trading activities of **R6.5bn** (2021: R6.0bn), offset by expenses within CIB. For the Product Solutions Cluster this includes insurance premium income of **R7.6bn** (2021: R7bn) , offset by net insurance claims of **R4.0bn** (2021:R4.7bn).

4. Disaggregation of non-interest income (continued)

2021[4]	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO 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	2 267	11 484	5 405	2 635	3 621	137	—	25 549
Consulting and administration fees	201	—	158	19	97	8	—	483
Transactional fees and commissions	668	10 407	3 538	2 116	2 736	(18)	—	19 447
Cheque accounts	—	2 742	1 804	30	139	—	—	4 715
Credit cards	—	2 075	155	287	1	—	—	2 518
Electronic banking	—	3 515	996	180	1 117	—	—	5 808
Other[1]	668	702	454	1 599	1 479	(18)	—	4 884
Savings accounts	—	1 373	129	20	—	—	—	1 522
Merchant income	—	725	1 558	147	9	—	—	2 439
Trust and other fiduciary services fees	180	2	60	4	18	993	—	1 257
Other fees and commissions	146	9	49	69	403	(120)	—	556
Insurance commissions received	1 072	341	6	280	—	(726)	—	973
Investment banking fees	—	—	36	—	358	—	—	394
Other income from contracts with customers	—	—	37	—	—	—	—	37
Other non-interest income, net of expenses[2],[3]	981	(348)	(494)	633	5 674	544	8	6 998
Total non-interest income	3 248	11 136	4 948	3 268	9 295	681	8	32 584

5. Other impairments

	2022 Rm	2021 Rm
Goodwill	—	94
Intangible assets[5]	237	144
Investments in associates and joint ventures	—	(11)
Non-current assets held for sale	—	1
Property and equipment[6]	354	192
	591	420

[1] Other transactional fees and commissions income include service and credit-related fees of **R2 079m** (2021: R1 766m), exchange commission **R795m** (2021: R680m) and guarantees **R222m** (2021: R325m) and transaction fees **R538m** (2021: R452m).
[2] This amount consists of other sources of income not accounted for under IFRS 15. This amount has been included to reconcile to the total non-interest income amount presented in the consolidated statement of comprehensive income.
[3] Other notable non-interest income items include gains from banking and trading activities of **R6.5bn** (2021: R6.0bn) , offset by expenses within CIB. For the Product Solutions Cluster this includes insurance premium income of **R7.6bn** (2021: R7bn) , offset by net insurance claims of **R4.0bn** (2021:R4.7bn).
[4] These numbers have been restated, refer to the reporting changes overview, note 15.
[5] The Group has impaired certain software assets totalling **R237m** (2021: R144m) for which the value in use is determined to be zero.
[6] Property and equipment amounting to **R354m** (2021: R192m) was impaired without a related transfer to non-current assets held for sale. Included in the **R354m** recognised during 2022, is the impairment of a right-of-use asset of **R117m**, an impairment on furniture and other equipment of **R84m** and an impairment of buildings of **R27m**.

6. Headline earnings

	2022 Gross Rm	2022 Net[(1)] Rm	2021 Gross Rm	2021 Net[(1)] Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group		20 555		17 763
Total headline earnings adjustments:		(291)		62
IFRS 3 – Goodwill impairment	—	—	29	29
IFRS 5 – Profit on disposal of non-current assets held for sale	(778)	(652)	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	1	1
IAS 16 – (Profit) on disposal of property and equipment	(10)	(6)	(90)	(71)
IAS 16 and IAS 36 – Insurance recovery of property and equipment damaged during riots	(126)	(92)	(121)	(87)
IAS 21 – Recycled foreign currency translation reserve	—	—	(96)	(74)
IAS 28 – (Reversal)/impairment of investments in associates and joint ventures	—	—	(11)	(11)
IAS 28 – Profit on disposal of associates and joint ventures	—	—	(1)	(1)
IAS 36 – Impairment of property and equipment	354	254	217	157
IAS 36 – Impairment of intangible assets	237	185	144	110
IAS 38 – Profit on disposal of intangible assets	1	1	1	1
IAS 40 – Change in fair value of investment properties	21	15	31	24
IAS 40 – Profit on disposal of investment property	(0)	(0)	—	—
Change in tax rate	—	4	—	—
Headline earnings/diluted headline earnings		20 264		17 825
Headline earnings per ordinary share (cents)		2 443.2		2 147.1
Diluted headline earnings per ordinary share (cents)		2 439.7		2 143.5

Other non-core assets include assets such as property and equipment and intangible assets that are not core to operations of the Group.

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

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7. Dividends per share

	2022 Rm	2021 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(15 August 2022: 650 cps)** (16 August 2021: 310 cps)	5 510	2 628
Final dividend **(13 March 2023: 650 cps)** (14 March 2022: 475 cps)	5 510	4 027
	11 020	6 655
Dividends declared to ordinary equity holders (net of treasury shares)		
Interim dividend **(15 August 2022: 650 cps)** (16 August 2021: 310 cps)	5 399	2 573
Final dividend **(13 March 2023: 650 cps)** (14 March 2022: 475 cps)	5 378	3 944
	10 777	6 517
Dividends declared to non-controlling preference equity holders		
Interim dividend **(16 August 2022: 2 883.42524 cps)** (16 August 2021: 2 470.13699 cps)	143	122
Final dividend **(13 March 2023: 3 509.58904)** (14 March 2022: 2 494.10959)	174	123
	317	245
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2022: 21 024.73 Rands per note (rpn); 11 January 2021: 20 214.47 (rpn)	26	25
27 January 2022: 20 751.67 rpn; 27 January 2021: 20 085.45 rpn	26	24
28 February 2022: 20 860.19 rpn; 26 February 2021: 19 268.38 rpn	35	32
07 March 2022: 20 236.90 rpn; 05 March 2021: 18 786.19 rpn	28	26
14 March 2022: 23 747.26 rpn; 12 March 2021: 22 301.37 rpn	36	33
11 April 2022: 21 525.81 rpn; 12 April 2021: 20 922.52 rpn	27	26
28 April 2022: 21 087.07 rpn; 28 April 2021: 20 423.89 rpn	26	25
30 May 2022: 21 732.79 rpn; 28 May 2021: 20 299.23 rpn	36	34
06 June 2022: 21 109.51 rpn; 07 June 2021: 20 326.60 rpn	29	28
13 June 2022: 24 744.52 rpn; 14 June 2021: 23 971.29 rpn	37	36
11 July 2022: 22 769.95 rpn; 12 July 2021: 20 984.85 rpn	28	26
27 July 2022: 22 068.49 rpn; 27 July 2021: 20 280.82 rpn[(1)]	27	25
29 August 2022: 23 415.67 rpn; 30 August 2021: 21 074.03 rpn	39	36
05 September 2022: 22 792.38 rpn; 06 September 2021: 19 778.16 rpn	31	27
12 September 2022: 26 345.12 rpn; 13 September 2021: 23 268.58 rpn	40	35
10 October 2022: 24 515.15 rpn; 11 October 2021: 21 047.18 rpn	30	26
27 October 2022: 25 878.67 rpn; 27 October 2021: 20 751.67 rpn	31	25
28 November 2022: 25 574.74; 29 November 2021: 20 361.56 rpn	43	34
05 December 2022: 24 993.84 rpn; 06 December 2021: 19 738.27 rpn	34	27
13 December 2021: 23 248.63 rpn	—	35
	609	585
Dividends paid to ordinary equity holders (net of treasury shares)		
Final dividend **(22 April 2022: 475 cps)** (2021: 0 cps)	3 944	—
Interim dividend **(19 September 2022: 650 cps)** (20 September 2021: 310 cps)	5 399	2 573
	9 343	2 573
Dividends paid to non-controlling preference equity holders		
Final dividend **(22 April 2022: 2 494.10959)** (25 April 2021: 2 429.86301 cps)	123	120
Interim dividend **(19 September 2022: 2 883.42524 cps)** (20 September 2021: 2 470.13699 cps)	143	122
	266	242

[(1)] In December 2021, the Bank inadvertently disclosed an incorrect 'distributions declared' date. This has been corrected to 27 July 2021.

8. Acquisitions and disposals of businesses and other similar transactions

8.1 Acquisitions of businesses and other similar transactions during the current reporting period

The Group acquired an equity interest in Sanlam Investment Holdings (Pty) Limited in exchange for its investment management business (refer note 8.2 below). This resulted in the recognition of an investment in associate to the value of **R679m**.

8.2 Disposals of businesses and other similar transactions during the current reporting period

On 1 December 2022, the Group sold its investment management business, which comprised of Absa Asset Management (Pty) Limited, Absa Alternative Asset Management (Pty) Limited, Absa Fund Managers (Pty) Limited and the multi-manager business, a division of Absa Investment Management Services (Pty) Limited, to Sanlam Investment Holdings (Pty) Limited (refer note 8.1 above). The Group received consideration comprising of ordinary shares **(R679m, 12.6%)**, cumulative, convertible, redeemable preference shares **(R266m, 4.9%)** and a deferred consideration **(R143m)** to be settled in cash.

8.3 Acquisitions of businesses during the previous reporting periods

There were no acquisitions of businesses during the previous reporting periods.

8.4 Disposals of businesses during the previous reporting periods

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

The Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of R12m on disposal.

9. Related parties

Arrie Rautenbach was appointed as Group Chief Executive Officer of Absa Group effective 29 March 2022 whilst Jason Quinn resumed his position as Group Financial Director. Punki Modise was appointed as Interim Group Chief Executive of Retail Business Banking till 30 June 2022 after which she was appointed as Group Chief Strategy and Sustainability Officer effective 1 July 2022.

Sello Moloko commenced the role as Group Chairman after the retirement of Wendy Lucas-Bull with effect from 1 April 2022.

9.1 Prior period related party events and transactions

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

The Board appointed Sello Moloko as an independent non-executive director and Group Chairman designate with effect from 1 December 2021. He commenced his role as Chairman of Absa Group on 1 April 2022, taking over from Wendy Lucas-Bull, who retired from the position with effect from 1 April 2022.

Following the decision to dissolve Integrated Processing Solutions Proprietary Limited, the Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of R12m on disposal.

10. Contingencies, commitments and similar items

	2022 Rm	2021 Rm
Guarantees	**55 851**	48 828
Irrevocable debt facilities[1]	**120 225**	125 598
Letters of credit	**24 269**	17 782
Other	**10**	—
	200 355	192 208
Authorised capital expenditure		
Contracted but not provided for	**690**	938

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

Irrevocable debt facilities do not include other lending facilities which are revocable but for which an impairment provision has been raised (i.e. revolving products). The value of 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.

[1] During the year, the group reviewed its classification of certain undrawn facilities granted to customers. As a result of this review, the classification of certain facilities was amended from irrevocable to revocable. This reclassification more accurately reflects the underlying terms of these facilities. The prior year numbers have been restated from R180 023m to R125 598m to reflect this change.

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10. Contingencies, commitments and similar items (continued)

Legal matters

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

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

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

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

Regulatory developments

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

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

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to the same. The Group undertakes monitoring, review and assurance activities, and has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate. The Group regards the relationship with Regulators as very important and manages 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 was discontinued in its entirety in April 2022.

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.

11. Segment reporting

The Group has identified its operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity. The identified reportable segments are in a manner in which the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

The Group has changed its operating model, which was effective from 1 July 2022. This change is part of the Group's journey to enhance market competitiveness, while also improving its transformation position. In essence, the Group has moved from two commercial businesses, Corporate and Investment Bank (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions, CIB Pan-Africa and Absa Regional Operations RBB).

	2022 Rm	2021 Rm
11.1 Total headline earnings by segment[1]		
Product Solutions Cluster	**3 531**	2 793
Everyday Banking	**4 108**	4 126
Relationship Banking	**4 024**	3 719
RBB ARO	**1 068**	106
CIB	**8 977**	8 250
Head Office, Treasury and other operations[2]	**(692)**	(403)
Barclays PLC separation effects[3]	**(752)**	(766)
	20 264	17 825
11.2 Total income by segment[1]		
Product Solutions Cluster	**14 356**	11 496
Everyday Banking	**26 487**	24 075
Relationship Banking	**14 442**	13 713
RBB ARO	**13 854**	11 640
CIB	**26 783**	23 866
Head Office, Treasury and other operations[2]	**2 952**	1 083
Barclays PLC separation effects[3]	**44**	33
	98 918	85 906
11.3 Total profit by segment[1]		
Product Solutions Cluster	**3 720**	2 959
Everyday Banking	**4 373**	4 320
Relationship Banking	**4 200**	3 886
RBB ARO	**1 657**	585
CIB	**9 801**	8 934
Head Office, Treasury and other operations[2]	**(270)**	(441)
Barclays PLC separation effects[3]	**(770)**	(818)
	22 711	19 425
11.4 Total internal income by segment[1]		
Product Solutions Cluster	**(23 943)**	(16 622)
Everyday Banking	**15 532**	12 805
Relationship Banking	**4 585**	3 752
RBB ARO	**2 199**	2 079
CIB	**(2 209)**	(479)
Head Office, Treasury and other operations[2]	**3 894**	(1 510)
Barclays PLC separation effects[3]	**(58)**	(25)
	—	—
11.5 Total assets by segment[1]		
Product Solutions Cluster	**488 317**	451 584
Everyday Banking	**390 014**	369 600
Relationship Banking	**266 500**	249 273
RBB ARO	**131 090**	118 433
CIB	**1 074 603**	989 070
Head Office, Treasury and other operations[2]	**(559 621)**	541 967
Barclays PLC separation effects[3]	**2 298**	3 539
	1 793 201	1 639 532
11.6 Total liabilities by segment[1]		
Product Solutions Cluster	**478 475**	444 047
Everyday Banking	**384 305**	363 309
Relationship Banking	**262 105**	245 031
RBB ARO	**130 689**	121 135
CIB	**1 066 509**	981 658
Head Office, Treasury and other operations[2]	**(681 190)**	(662 693)
Barclays PLC separation effects[3]	**(740)**	(264)
	1 640 153	1 492 223

[1] These numbers have been restated, refer to the reporting changes overview, note 15.
[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.

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:

	2022		2021	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	**15 564**	**15 564**	17 521	17 521
Balances with the SARB	**31 103**	**31 103**	27 684	27 684
Coins and bank notes	**14 302**	**14 302**	14 577	14 577
Cash, cash balances and balances with central banks	**60 969**	**60 969**	59 782	59 782
Investment securities	**44 721**	**44 295**	36 670	37 689
Other assets	**21 722**	**21 486**	20 995	20 995
Product Solutions Cluster	**400 354**	**384 545**	368 352	367 117
Home Loans	**293 402**	**285 089**	270 276	266 310
Vehicle and Asset Finance	**106 952**	**99 456**	98 076	100 807
Everyday Banking	**67 484**	**65 823**	60 404	60 578
Card	**43 984**	**43 984**	38 960	38 960
Personal Loans	**20 382**	**18 721**	18 610	18 784
Transactions and Deposits	**3 118**	**3 118**	2 834	2 834
Relationship Banking	**134 778**	**133 552**	125 603	130 464
RBB ARO	**72 117**	**72 316**	63 727	63 723
CIB	**357 812**	**360 840**	308 538	308 309
CIB South Africa	**289 014**	**291 937**	248 252	249 275
CIB ARO	**68 798**	**68 903**	60 286	59 034
Head Office, Treasury and other operations	**3 482**	**3 482**	774	774
Loans and advances to customers	**1 036 027**	**1 020 558**	927 398	930 965
Loans and advances to banks	**62 296**	**62 299**	46 653	46 647
Loans and advances	**1 098 323**	**1 082 857**	974 051	977 612
Non-current assets held for sale	**86**	**86**	842	842
Total assets (not held at fair value)	**1 225 821**	**1 209 693**	1 092 340	1 096 920
Financial liabilities				
Other liabilities	**31 990**	**31 803**	43 776	43 776
Call deposits	**121 433**	**121 099**	136 443	136 443
Cheque account deposits	**313 982**	**313 982**	301 215	301 215
Credit card deposits	**2 142**	**2 142**	2 137	2 137
Fixed deposits	**211 070**	**211 082**	182 369	178 783
Foreign currency deposits	**64 408**	**64 408**	54 075	54 075
Notice deposits	**67 562**	**67 562**	70 148	70 148
Other deposits	**1 144**	**1 144**	1 268	1 268
Saving and transmission deposits	**260 086**	**260 086**	249 068	249 068
Deposits due to customers	**1 041 827**	**1 041 505**	996 723	993 137
Deposits from banks	**75 761**	**75 808**	53 862	53 851
Deposits	**1 117 588**	**1 117 313**	1 050 585	1 046 988
Debt securities in issue	**143 913**	**143 804**	106 339	105 662
Borrowed funds	**26 420**	**26 407**	26 600	26 423
Total liabilities (not held at fair value)	**1 319 911**	**1 319 327**	1 227 300	1 222 849

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 Valuation Committee and an Independent Valuation Control (IVC) team, which is independent from the front office.

The Traded Risk and Valuation 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 GACC.

The Traded Risk and Valuation 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 independent external 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 independent external parties 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 independent external 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.

Commodities

The determination of the fair value of commodities uses external data, which includes quoted prices on an active market.

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 unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent 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

Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. 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 (that is, they are unobservable inputs). Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well through employing 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 via 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, depending on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons. For each investment, the relevant methodology is applied consistently over time.

Derivatives

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

Loans and advances

The fair value of loans and advances 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.

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

13.2 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments
(continued)

Deposits, debt securities in issue and borrowed funds

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

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 Group 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.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, 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 reviewed at least annually.

Notes to the summary consolidated 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.

	2022				2021			
Recurring fair value measurements	**Level 1 Rm**	**Level 2 Rm**	**Level 3[1] Rm**	**Total Rm**	Level 1 Rm	Level 2[3] Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	6 210	—	6 210	—	6 259	—	6 259
Investment securities	78 599	81 212	11 105	170 916	56 221	87 446	8 561	152 228
Trading and hedging portfolio assets	123 288	74 701	12 806	210 795	115 035	88 933	2 327	206 295
Debt instruments[3]	81 118	8 796	1 803	91 717	66 659	11 313	122	78 094
Derivative assets	—	59 191	4 370	63 561	—	59 501	1 386	60 887
Commodity derivatives	—	188	—	188	—	907	13	920
Credit derivatives	—	32	192	224	—	2	140	142
Equity derivatives	—	5 009	3 752	8 761	—	7 349	1 232	8 581
Foreign exchange derivatives	—	17 498	426	17 924	—	11 578	1	11 579
Interest rate derivatives	—	36 464	—	36 464	—	39 665	—	39 665
Equity instruments	39 676	—	—	39 676	47 283	—	—	47 283
Money market assets	2 494	6 714	6 633	15 841	1 093	18 119	819	20 031
Other assets	—	2	—	2	—	13	—	13
Loans and advances	—	104 417	10 659	115 076	—	101 477	16 729	118 206
Investments linked to investment contracts	17 011	2 277	—	19 288	17 804	1 999	—	19 803
Total financial assets	218 898	268 819	34 570	522 287	189 060	286 127	27 617	502 804
Financial liabilities								
Trading and hedging portfolio liabilities	38 304	58 300	528	97 132	24 650	51 555	273	76 478
Derivative liabilities	—	58 300	528	58 828	—	51 555	273	51 828
Commodity derivatives	—	117	—	117	—	823	1	824
Credit derivatives	—	678	260	938	—	749	93	842
Equity derivatives	—	4 589	90	4 679	—	2 513	169	2 682
Foreign exchange derivatives	—	18 132	178	18 310	—	12 687	—	12 687
Interest rate derivatives	—	34 784	—	34 784	—	34 783	10	34 793
Short positions	38 304	—	—	38 304	24 650	—	—	24 650
Other liabilities	—	21	—	21	—	59	—	59
Deposits	1	120 560	3 769	124 330	156	119 828	3 197	123 181
Debt securities in issue[3]	609	60 997	—	61 606	536	22 901	—	23 437
Liabilities under investment contracts	—	19 999	—	19 999	—	21 126	—	21 126
Total financial liabilities	38 914	259 877	4 297	303 088	25 342	215 469	3 470	244 281
Non-financial assets								
Commodities	614	—	—	614	642	—	—	642
Investment properties	—	—	397	397	—	—	421	421
Non-recurring fair value measurements								
Non-current assets held for sale[2]	—	—	126	126	—	—	3 417	3 417
Non-current liabilities held for sale[2]	—	—	26	26	—	—	3 465	3 465

[1] As a result of the uncertainties inherent in measuring the fair value of financial instruments, its measurement is estimated based on valuation assumptions and inputs derived from market expectations. Estimation involves judgements based on the latest available, reliable information. Resultantly, any changes in key assumptions relating to their valuation is treated as a change in accounting estimate and has been accounted for prospectively in the financial statements.

[2] Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

[3] These amounts have been restated, refer to reporting changes overview note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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
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 such as the Black Scholes model, 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 option pricing models, such as the Black Scholes model	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 share prices, market interest rates, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Spot price, interest rate curves, repurchase agreements, money market curves and/or volatilities.
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatilities
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances	Discounted cash flow models	Interest rates and/or money market curves
Investment securities and investments linked to investment contracts	Listed equities: market bid price	Underlying price of market traded instruments and/or interest rate curves
Deposits	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 and/or interest rate curves

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:

2022	Trading and hedging portfolio assets Rm	Loans and advances 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	2 327	16 729	8 561	421	—	28 038
Net interest income	—	202	144	—	—	346
Gains and losses from banking and trading activities	(544)	(447)	(114)	(7)	—	(1 112)
Gains and losses from investment activities	—	—	—	(14)	—	(14)
Purchases	5 689	839	868	—	—	7 396
Sales	(304)	(2 464)	(3 751)	(1)	—	(6 519)
Movement in other comprehensive income	—	—	16	—	—	16
Transfer to Level 3	6 178	1 110	5 381	—	—	12 669
Transfer out of Level 3	(539)	(5 310)	—	—	—	(5 849)
Foreign currency conversion on assets/liabilities	—	—	—	(2)	—	(2)
Closing balance at the end of the reporting period	12 807	10 659	11 105	397	—	34 969

2021	Trading and hedging portfolio assets Rm	Loans and advances 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	—	180	47	—	—	227
Other income	—	—	—	(7)	—	(7)
Gains and losses from banking and trading activities	906	(96)	(16)	(25)	—	769
Purchases	626	6 008	920	—	—	7 554
Sales	(42)	(4 136)	(2 892)	(51)	—	(7 121)
Movement in other comprehensive income	—	—	(157)	19	—	(138)
Settlements	—	—	(60)	—	—	(60)
Transferred to/(from) assets/liabilities	—	—	—	(11)	—	(11)
Transfer to Level 3	175	1 176	—	—	—	1 351
Transfer out of Level 3	(1 840)	—	(1 193)	—	(618)	(3 651)
Closing balance at the end of the reporting period	2 327	16 729	8 561	421	—	28 038

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:

2022	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	273	3 197	3 470
Gains and losses from banking and trading activities	(28)	(84)	(112)
Purchases	—	(253)	(253)
Sales	—	(7)	(7)
Issues	403	8 215	8 618
Settlements	(8)	(7 124)	(7 132)
Transfer to Level 3	2	—	2
Transfer out of Level 3	(114)	(18)	(132)
Inter business transfer (out)/in	—	(157)	(157)
Closing balance at the end of the reporting period	528	3 769	4 297

2021	Trading and hedging portfolio liabilities Rm	Deposits 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	48	(118)	(70)
Purchases	—	5	5
Movement in other comprehensive income	—	117	117
Issues	55	6 216	6 271
Settlements	(1)	(7 554)	(7 555)
Transfer out of Level 3	(2)	(151)	(153)
Closing balance at the end of the reporting period	273	3 197	3 470

13.7 Significant transfers between levels

During the 2022 and 2021 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. Transfers between Level 1 and Level 2 are not considered significant for disclosure.

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:

2022	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	2 777	(306)	24	2 495	(30)	354	324

2021	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	576	1 833	19	2 428	189	1 190	1 379

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

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 table reflects the reasonable possible variances applied to significant parameters utilised in our valuations:

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

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

		2022	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/ Absa funding	119/(128)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(103)/106
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

		2021	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/ Absa funding	126/(138)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(240)/251
Loans and advances	Credit spreads	(979)/1 060	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(41)/41	—/—
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.

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	2022 Range of estimates utilised for the unobservable inputs	2021
Loans and advances	Discounted cash flow models and/or yield for debt instruments	Credit spreads	0.035% to 3.21%	1.4% to 3.7%
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 8.5%	Discount rate of 8.5%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	0.305% to 4.020%	0.04% to 4.55%
Derivative assets				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0.1% to 24.22% 15% to 82.3% 49% to 100%	0.035% to 4.502%, 15% to 93.2%, 54% to 100%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	16.4% to 38.9%	17.77% to 68.49%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	5.03% to 40%	0.88% to 20%
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	0.05% to 9.395%	0.052% to 7.3%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	1.150% to 1.575%	1.15% to 1.6%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.150% to 1.575%	1.15% to 1.6%
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% to 8.5% 10% to 15%	1 to 6 years 6% to 8% 8.5% 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.

A majority of the items included in the non-current assets held for sale balance consists of financial instruments which are measured in terms of their respective standards (IFRS 9).

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:

	2022 Rm	2021 Rm
Opening balance at the beginning of the reporting period	**(521)**	(446)
New transactions	**(394)**	(212)
Amounts recognised in profit or loss during the reporting period	**281**	137
Closing balance at the end of the reporting period	**(634)**	(521)

13.12 Third-party credit enhancements

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

14. Interest rate benchmark reform

Background

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

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

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

The GBP, EUR and JPY LIBOR rates and the one-week and two-month USD LIBOR rates were discontinued at 31 December 2021. The remaining USD LIBOR rates are expected to be discontinued post 30 June 2023.

The Group's exposure to IBORs subject to change at 31 December 2021 were not significant compared to those expected to be changed post June 2023. The GBP Libor, EUR Libor, JYP Libor and US Libor have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively as alternative reference rates.

The SARB announced in 2020 that the JIBAR would cease to exist in the near future as it did not comply with the International Organisation of Securities Commissions Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR

The transition journey for JIBAR has made some progress at an industry level however transition timelines are yet to be announced by the SARB. The Group participates in the SARB's MPG which has started the preparations for the transition of JIBAR at an industry level. The Group will leverage the experience it gained in the IBOR transition journey to plan for the upcoming JIBAR transition. The Group's JIBAR journey thus far includes daily submission of transaction data to the SARB for the calculation and publication of ZARONIA.

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 main risks to which the Group is exposed as result of IBOR reform are operational as detailed below:

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 (the Supplement) and ISDA 2020 IBOR Fallbacks Protocol (the 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 have incorporated the ISDA IBOR fallbacks in their rule books for both new and legacy contracts.

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14. Interest rate benchmark reform (continued)

Background (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 Protocol as well as the Supplement. The protocol provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

The Group has been systematically including fallback language in all new contracts as of January 2021 across all LIBOR currencies. For legacy contracts referencing LIBOR, particularly for non-USD currencies, the Group has either included fallback language into the contracts or actively transitioned these to new risk-free rates i.e. re-contracted using the risk-free rates in preparation of the cessation of LIBOR. As at 31 December 2021 all active transactions referencing non-USD LIBOR, either contain fallback language, have been actively transitioned or will naturally roll-off as they do not have further reset dates. Absa is in the process of transiting contracts referencing USD LIBOR either through the use of fallbacks or the active transitions approach and will aim to complete this activity by 30 June 2023.

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. The Group has elected to apply the Phase 2 amendments prospectively from effective date with no restatement of comparatives.

The Group's cash flow hedging relationships of JIBAR and USD LIBOR risks extend beyond the anticipated cessation dates for both IBORs. There is uncertainty over the timing and amount of the replacement rate cash flows which may impact the hedging relationship i.e. its effectiveness assessment and highly probable assessment. For the purposes of these assessments, the Group assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by uncertainty about IBOR reform has not been highly effective throughout the financial reporting period, then the Group evaluates whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

The Group has certain designated hedging relationships where hedged items and/or hedging instruments reference an interest rate benchmark. These rates are in the process of being transitioned to risk free rates (RFRs) as these rates will no longer exist once the interest rate benchmark reform is finalised.

The Group's cash flow hedging relationships of JIBAR and US dollar LIBOR risks extend beyond the anticipated cessation dates for both IBORs. There is uncertainty over the timing and amount of the replacement rate cash flows which may impact the hedging relationship i.e. its effectiveness assessment and highly probable assessment. For the purposes of these assessments, the Group assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by uncertainty about IBOR reform has not been highly effective throughout the financial reporting period, then the Group evaluates whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

The table below provides more information on the hedge accounting relationships that are impacted by interest rate benchmark reform.

2022

	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR[1] Rm	JPY LIBOR[1] Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total notional Rm
Cash flow hedges	200 634	—	—	—	200 634	16 253	216 887
Interest rate swaps	200 634	—	—	—	200 634	—	200 634
Cross currency swaps	—	—	—	—	—	12 337	12 337
Forwards	—	—	—	—	—	3 916	3 916
Fair value hedges	59 800	15 114	—	—	74 914	—	74 914
Interest rate swaps	58 816	15 114	—	—	73 930	—	73 930
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	984	—	—	—	984	—	984

2021

	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total notional Rm
Cash flow hedges	192 956	—	50	128	193 134	2 204	195 338
Interest rate swaps	180 649	—	—	—	180 649	—	180 649
Cross currency swaps	12 307	—	50	128	12 485	—	12 485
Forwards	—	—	—	—	—	2 204	2 204
Fair value hedges	61 052	15 943	—	128	77 123	—	77 123
Interest rate swaps	56 625	15 943	—	128	72 696	—	72 696
Cross currency swaps	2 857	—	—	—	2 857	—	2 857
Inflation rate swaps	1 570	—	—	—	1 570	—	1 570

[1] These exposures have transitioned to the new risk-free rate following the remediation that was undertaken in 2021.

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

The table below provides information on financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period:

2022

	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Other Rm	Total Rm
Non-derivative assets[1]	44 336	—	—	—	—	44 336
Non-derivative liabilities[1]	2 891	—	—	—	—	2 891
Derivative notionals[2]	768 685	—	—	—	—	768 685

2021

	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Other Rm	Total Rm
Non-derivative assets[1]	90 676	1 573	1 697	15	—	93 961
Non-derivative liabilities[1]	5 251	—	—	—	—	5 251
Derivative notionals[2]	972 088	4 001	2 212	63	—	978 364

Financial instrument modifications due to IBOR reforms

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform if the following conditions are met; the change is necessary as a direct consequence of the reform; and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, i.e. the basis immediately before the change.

15. Reporting changes overview

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

15.1 Change in accounting policy for Cash and cash equivalents

The IFRS Interpretation Committee published an agenda decision on 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of cash flows) – Agenda Paper 3' in April 2022. Based on the afore-mentioned agenda decision, the Statement of cash flows of the Group has been reviewed and it was concluded that the mandatory reserves with the SARB and other central banks should be included as 'Cash and cash equivalents' in the Statement of cash flows. The portion which is included in cash and cash equivalents is that which can be utilised by the Group. This is calculated by applying the percentage that is accessible to the Group in accordance with the regulatory terms.

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These changes in accounting policy do not have an impact on the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, or earnings per share of the Group.

The impact of the afore-mentioned restatements is as follows:

31 December 2021

		Accounting policy change	Correction of prior period errors (refer to note 15.2 below)		
Statement of cash flows	As previously reported Rm	Mandatory reserve balances with the SARB and other central banks Rm	Nostros Rm	Short-dated money market instruments Rm	Restated Rm
Cash and cash equivalents	20 318	28 705	13 851	—	62 874
Net cash generated from operating activities	6 475	3 655	(3 118)	(512)	6 500

[1] Includes both on balance sheet and off-balance sheet exposures. Carrying amounts for on balance sheet and notional amounts for off-balance sheet have been included.
[2] Balances represent the notional amount of derivative assets and liabilities directly impacted by the IBOR reform.

15. Reporting changes overview (continued)

15.1 Change in accounting policy for Cash and cash equivalents (continued)

	1 January 2021				
		Accounting policy change	Correction of prior period errors (refer to note 15.2 below)		
Statement of cash flows	As previously reported Rm	Mandatory reserve balances with the SARB and other central banks Rm	Nostros Rm	Short-dated money market instruments Rm	Restated Rm
Cash and cash equivalents	16 796	25 049	15 275	2 207	59 327

15.2 Correction of prior period errors

15.2.1 Nostros and short-dated money market instruments in the Statement of cash flows

As part of the review of what constitutes Cash and cash equivalents, it was identified that nostro balances with foreign banks and short-dated money market instruments were incorrectly excluded from Cash and cash equivalents and the Statement of cash flows has subsequently been corrected. Refer to note 15.1 above for the impact of the afore-mentioned restatement. As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These errors have no impact on the Statement of comprehensive income, Statement of financial position, or earnings per share of the Group.

15.2.2 Trading and Hedging portfolio assets and liabilities and debt securities in the Statement of financial position

In terms of the Group's accounting policy, movements in the fair value of collateral held on certain over the counter (OTC) derivative contracts are, in terms of the requirements of IAS 32, required to be offset against the related derivative market-to-market movement and presented on a net basis on the Statement of financial position. Certain movements in the fair value of the collateral linked to the Group's hedging strategy were historically reported as part of Trading portfolio assets and Trading portfolio liabilities, as opposed to Hedging portfolio assets and Hedging portfolio liabilities, respectively. These items have been adjusted to correctly set off derivative movements from movements in collateral in terms of the requirements of IAS 32.

Furthermore, as part of the Group's ongoing process to improve financial controls and processes, it was identified that the fair value of certain credit linked note (CLN) instruments had been incorrectly recognised as part of Trading portfolio assets, as opposed to Debt securities in issue.

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These errors have no impact on the Statement of comprehensive income, Statement of changes in equity, or earnings per share of the Group.

The impact of the afore-mentioned restatements on the Statement of financial position and Statement of cash flows are as follows:

	31 December 2021			
Statement of financial position	As previously reported Rm	OTC derivatives Rm	Fair value on CLNs Rm	Restated Rm
Assets				
Trading portfolio assets	203 079	1 462	(1 301)	203 240
Hedging portfolio assets	5 159	(1 462)	—	3 697
Liabilities				
Trading portfolio liabilities	(72 819)	(749)	—	(73 568)
Hedging portfolio liabilities	(3 659)	749	—	(2 910)
Debt securities in issue	(131 076)	—	1 301	(129 775)

	1 January 2021			
Statement of financial position	As previously reported Rm	OTC derivatives Rm	Fair value on CLNs Rm	Restated Rm
Assets				
Trading portfolio assets	213 521	3 525	(1 293)	215 753
Hedging portfolio assets	11 000	(3 525)	—	7 475
Liabilities				
Trading portfolio liabilities	(108 976)	145	—	(108 831)
Hedging portfolio liabilities	(4 868)	(145)	—	(5 013)
Debt securities in issue	(145 740)	—	1 293	(144 447)

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolios

15.3.1 Reportable segment changes

The Group has changed its operating model, effective 1 July 2022. This change is part of the Group's journey to enhance market competitiveness, while also improving its transformation position. In essence, the Group has moved from two commercial businesses, Corporate and Investment Banking (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions, CIB Pan-Africa and Absa Regional Operations RBB).

15.3.2 Business portfolio changes

Business portfolio changes below resulted in the restatement of the business units' and geographical financial results for comparative periods but have had no impact on the overall financial position or net earnings of the Group.

(a) Costs related to business units have been reallocated between the relevant segments, resulting in an adjustment to operating expenses and other expenses between segments.

	2021			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Operating expenses				
RBB	(35 110)	—	35 110	—
Product Solutions Cluster	n/a	(560)	(5 340)	(5 900)
Everyday Banking	n/a	603	(13 916)	(13 313)
Relationship Banking	n/a	111	(7 568)	(7 457)
ARO RBB	n/a	(213)	(8 286)	(8 499)
CIB	(11 138)	(79)		(11 217)
Head Office, Treasury and other operations	(1 164)	138		(1 026)
Other expenses				
RBB	(1 199)	—	1 199	—
Product Solutions Cluster	n/a	—	(272)	(272)
Everyday Banking	n/a	—	(439)	(439)
Relationship Banking	n/a	—	(52)	(52)
ARO RBB	n/a	(27)	(436)	(463)
CIB	(325)	(2)	—	(327)
Head Office, Treasury and other operations	(723)	29	—	(694)

(b) The following re-allocations occurred within total income:

i. Revenue received from Islamic Banking in Everyday Banking was aligned to Group's accounting policy and therefore eliminated the adjustment required in Head Office.

ii. Group Treasury refined its allocation methodology to better reflect the underlying performance of the relevant business units which resulted in the reallocation of net interest income.

	2021			
	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Total Income				
RBB	60 095	—	(60 095)	—
Product Solutions Cluster	n/a	197	11 299	11 496
Everyday Banking	n/a	437	23 638	24 075
Relationship Banking	n/a	448	13 265	13 713
ARO RBB	n/a	(253)	11 893	11 640
CIB	23 105	761	—	23 866
Head Office, Treasury and other operations	2 673	(1 590)	—	1 083

Notes to the summary consolidated financial results

for the reporting period ended 31 December

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolios (continued)

15.3.2 Business portfolio changes (continued)

(c) Portions of the Commercial Property Finance portfolio were moved between Relationship Banking and CIB to align with client portfolio segmentation.

	2021			
Statement of financial position	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Loans and advances to customers				
RBB	618 194	(109)	(618 085)	—
Product Solutions Cluster	—	—	368 351	368 351
Everyday Banking	—	—	60 405	60 405
Relationship Banking	—	—	125 603	125 603
ARO RBB	—	—	63 726	63 726
CIB	398 418	109	—	398 527

(d) The reallocations as described in (a) to (b) above, resulted in the following adjustments to the related intercompany balances, which are reported in Other assets and Other liabilities:

	2021				
Statement of financial position	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Fair value correction of CLNs (refer to note 1.12.2) Rm	Restated Rm
Other assets					
RBB	519 465	—	(519 465)	—	—
Product Solutions Cluster	n/a	1	58 631	—	58 632
Everyday Banking	n/a	972	291 786	—	292 758
Relationship Banking	n/a	946	115 942	—	116 888
ARO RBB	n/a	143	53 106	—	53 249
CIB	495 574	(558)	—	(1 301)	493 715
Head Office, Treasury and other operations	(658 900)	(1 503)	—	—	(660 403)
Other liabilities					
RBB	602 526	—	(602 526)	—	—
Product Solutions Cluster	n/a	494	441 638	—	442 132
Everyday Banking	n/a	(410)	85 385	—	84 975
Relationship Banking	n/a	144	56 493	—	56 637
ARO RBB	n/a	574	19 010	—	19 584
CIB	482 617	(1 333)	—	—	481 284
Head Office, Treasury and other operations	(896 196)	531	—	—	(895 665)

Summary consolidated normalised financial results

for the reporting period ended 31 December

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

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

The separation project was completed in December 2020. The Group has reported normalised results to reflect significant post-separation impacts on the income statement and the performance ratios.

Normalised results have therefore been disclosed to reflect the underlying business performance. Refer to page 58 for these 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 summary 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'). 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.

Summary consolidated normalised salient features

for the reporting period ended 31 December

	2022[1]	2021
Statement of comprehensive income (Rm)		
Income	98 874	85 873
Operating expenses	50 907	47 412
Pre-provision profit	47 967	38 461
Credit impairment charges	13 703	8 499
Profit attributable to ordinary equity holders	21 307	18 565
Headline earnings[2]	21 016	18 591
Statement of financial position (Rm)		
Net asset value (NAV)	131 204	125 823
Total assets	1 790 903	1 637 294
Financial performance (%)		
Return on equity (RoE)	16.6	15.8
Return on average assets (RoA)	1.23	1.18
Return on risk-weighted assets (RoRWA)[3]	2.19	2.05
Operating performance (%)		
Net interest margin on average interest-bearing assets	4.56	4.46
Non-interest income as a percentage of total income	38.9	37.9
Cost-to-income ratio	51.5	55.2
JAWS	8	1
Effective tax rate	26.3	27.3
Share statistics (million)		
Number of ordinary shares in issue (excluding treasury shares)	843.4	846.3
Weighted average number of ordinary shares in issue	845.4	846.2
Diluted weighted average number of ordinary shares in issue	846.6	847.6
Share statistics (cents)		
Basic earnings per ordinary share (EPS)	2 520.3	2 193.9
Diluted basic earnings per ordinary share (DEPS)	2 516.8	2 190.3
Headline earnings per ordinary share (HEPS)	2 485.9	2 197.0
Diluted headline earnings per ordinary share (DHEPS)	2 482.4	2 193.4
NAV per ordinary share	15 555	14 868
Tangible NAV per ordinary share	14 262	13 804
Dividend per ordinary share relating to income for the reporting period	1 300	785
Dividend payout ratio (%)	52	36
Capital adequacy (%)		
Absa Group Limited[4]	16.6	17.0
Absa Bank Limited[4]	17.6	17.9
Common Equity Tier 1 (%)		
Absa Group Limited[4]	12.8	12.8
Absa Bank Limited[4]	12.5	12.4

[1] Please refer to the summary consolidated normalised reconciliation for the reporting period ended 31 December 2022 for further information as presented on page 59 to 60.
[2] After allowing for **R266m** (31 December 2021: R242m) profit attributable to preference equity holders and **R609m** (31 December 2022: R585m) profit attributable to Additional Tier 1 capital holders.
[3] The RoRWA includes Insurance cluster returns, but risk-weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.
[4] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	31 December 2022		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	60 498	(58)	60 440
Non-interest income	38 420	14	38 434
Total income	98 918	(44)	98 874
Credit impairment charges	(13 703)	—	(13 703)
Operating expenses	(52 009)	1 102	(50 907)
Other expenses	(2 541)	—	(2 541)
Share of post-tax results of associates and joint ventures	137	—	137
Operating profit before income tax	30 802	1 058	31 860
Tax expenses	(8 091)	(288)	(8 379)
Profit for the reporting period	22 711	770	23 481
Profit attributable to:			
Ordinary equity holders	20 555	752	21 307
Non-controlling interest – ordinary shares	1 281	18	1 299
Non-controlling interest – preference shares	266	—	266
Other equity – Additional Tier 1 capital	609	—	609
	22 711	770	23 481
Headline earnings	20 264	752	21 016
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.56	n/a	4.56
Credit loss ratio	0.96	n/a	0.96
Non-interest income as % of total income	38.8	n/a	38.9
Income growth	15	n/a	15
Operating expenses growth	7	n/a	7
Cost-to-income ratio	52.6	n/a	51.5
Effective tax rate	26.3	n/a	26.3
Statement of financial position (Rm)			
Loans and advances	1 213 399	—	1 213 399
Investment securities	215 637	—	215 637
Other assets	364 165	(2 298)	361 867
Total assets	1 793 201	(2 298)	1 790 903
Deposits	1 241 919	—	1 241 919
Debt securities in issue	205 519	—	205 519
Other liabilities	192 715	740	193 455
Total liabilities	1 640 153	740	1 640 893
Equity	153 048	(3 038)	150 010
Total equity and liabilities	1 793 201	(2 298)	1 790 903
Key performance ratios (%)			
RoA	1.18	n/a	1.23
RoE	15.6	n/a	16.6
Capital adequacy[4]	16.6	n/a	16.6
Common Equity Tier 1[4]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 439.7	n/a	2 482.4

[1] IFRS Group performance presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2022.
[2] Barclays PLC separation effects presents the financial effects of the separation on the summary consolidated financial results of the Group.
[3] Normalised Group performance presents the condensed consolidated 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.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	31 December 2021		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
Credit impairment charges	(8 499)	—	(8 499)
Operating expenses	(48 610)	1 198	(47 412)
Other expenses	(2 205)	(42)	(2 247)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	26 724	1 123	27 847
Tax expenses	(7 299)	(305)	(7 604)
Profit for the reporting period	19 425	818	20 243
Profit attributable to:			
Ordinary equity holders	17 763	802	18 565
Non-controlling interest – ordinary shares	835	16	851
Non-controlling interest – preference shares	242	—	242
Other equity – Additional Tier 1 capital	585	—	585
	19 425	818	20 243
Headline earnings	17 825	766	18 591
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	n/a	4.46
Credit loss ratio	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances	1 092 257	—	1 092 257
Investment securities	188 898	—	188 898
Other assets	358 377	(3 539)	354 838
Total assets[5]	1 639 532	(3 539)	1 635 993
Deposits	1 173 766	—	1 173 766
Debt securities in issue[5]	129 775	—	129 775
Other liabilities	188 682	264[4]	188 946
Total liabilities[5]	1 492 223	264	1 492 487
Equity	147 309	(3 803)	143 506
Total equity and liabilities	1 639 532	(3 539)	1 635 993
Key performance ratios (%)			
RoA	1.13	n/a	1.18
RoE	14.6	n/a	15.8
Capital adequacy[6]	17.0	n/a	17.0
Common Equity Tier 1[6]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

(1) IFRS Group performance presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2021.
(2) Barclays PLC separation effects presents the financial effects of the separation on the summary consolidated financial results of the Group.
(3) Normalised Group performance presents the summary consolidated 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) These numbers have been restated, refer reporting changes overview note 15.
(6) 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.

Glossary

Average loans to deposits and debt securities ratio

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

Capital adequacy ratio

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

Capital – Common Equity Tier 1 capital adequacy ratio

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

Constant currency

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

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

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

Cost-to-income ratio

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

Coverage ratio

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

Credit loss ratio

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

Dividend payout ratio

The total amount of dividends paid out to shareholders per ordinary share divided by the headline earnings per share.

Dividend per ordinary share relating to income for the reporting period

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

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

Earnings per share

Basic earnings per share

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

Diluted basic earnings per share

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

Headline earnings

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

Headline earnings per share

Headline earnings per share

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

Diluted basic earnings per share

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

Glossary

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

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

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

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

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

Pre-provision profits
Total income less operating expenses.

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

Return on average equity (RoE)
Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital
Measure of efficient use, by segment, of regulatory capital.

Return on average risk-weighted assets
Annualised headline earnings as a proportion of average risk-weighted assets.

Stage 3 loans ratio on gross loans and advances
Stage 3 loans and advances as a percentage of gross loans and advances.

Tangible net asset value per share
Total equity attributable to ordinary equity holders less goodwill and intangible assets, divided by the number of shares in issue. The tangible net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

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

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

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