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Absa Group Limited

Financial results for the reporting period ended 31 December 2022

Report overview

This financial results booklet for the reporting period ended 31 December 2022 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 13 March 2023. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the annual financial results presentation. The full set of documents is available on www.absa.africa.

Reportable segment changes

The 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 Cluster, CIB Pan-Africa and Absa Regional Operations RBB). Refer to the Segment performance overview for further details in this regard.

Business portfolio changes

- Costs related to business units have been allocated between the relevant segments, resulting in the restatement of operating expenses and other expenses between segments.
- Revenue received from Islamic Banking in Everyday Banking was aligned to the Group's accounting policy and therefore eliminated the adjustment required in Head Office.
- Portions of the Commercial Property Finance portfolio were moved between Relationship Banking and CIB to align with client portfolio segmentation.
- Group Treasury refined its allocation methodology to better reflect the underlying performance of the relevant business units. This resulted in the reallocation of net interest income and operating expenses between segments.
- The reallocations as described above resulted in adjustments to the related intercompany balances, specifically loans to and from group companies. These balances are included in 'other assets' and 'other liabilities'.

The afore-mentioned changes resulted in the restatement of the' business units' financial results for comparative periods but have had no impact on the overall financial position or net earnings of the Group.

Accounting policy change

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 central banks should be included as 'Cash and cash equivalents' in the Statement of Cash flows. Refer to note 17 for more information.

Correction of prior period errors

Prior years' statements of financial positions were adjusted for the following:

- Both the 2021 and 2020 Statements of Financial positions were adjusted by R1.3bn between trading portfolio assets and debt securities to ensure appropriate disclosure of fair value recognised on credit linked note instruments.
- Trading portfolio assets and Hedging portfolio assets (2021: R1.5bn; 2020: R3.5bn), and similarly Trading portfolio liabilities and Hedging portfolio liabilities (2021: R0.8bn; 2020: R0.2bn) have been adjusted to ensure appropriate IAS 32 offsetting requirements.

The 2021 statement of cash flows will be corrected for the above-mentioned reclassifications as well as for nostro balances with foreign banks of R4.8bn which were previously excluded from Cash and cash equivalents.

The afore-mentioned restatements have no impact on the statement of comprehensive income, statement of changes in equity or any performance or prudential ratios. Refer to note 18 for more information.

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, J P Quinn CA(SA). Finance is led by the Financial Director who reports directly to the Group Chief Executive, A Rautenbach.

The 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 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 view reports prepared by the businesses, risk and others. They exercise sound independent judgement, and probe and challenge recommendations as well as decisions made by management

Together with the GACC, the Board has reviewed and approved the financial results announcement released on 13 March 2023.

Absa Group Limited (1986/003934/06)

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

Financial results for the reporting period ended 31 December 2022. Date of publication: 13 March 2023.

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

Dividend per share

Final: 650 cents

Key dates

Dividend payment: Monday, 24 April 2023

Financial year-end: 31 December 2022

Shareholder communications

Shareholder information page 160
Contact details page 169

Icons used with this report

Positive increase | Positive decrease | Positive unchanged | Negative increase | Negative decrease

Contents

IFC Report overview
2 The Absa Group today
5 Normalised Group performance
6 Normalised Group performance overview
10 Normalised salient features
11 Normalised salient features by segment
12 Profit commentary
17 Basis of preparation
19 Dividend announcement
20 Consolidated normalised statement of comprehensive income
22 Consolidated normalised statement of financial position
24 Consolidated normalised statement of changes in equity
28 Condensed consolidated normalised statement of cash flows
29 Performance indicators and condensed normalised notes to the consolidated financial statements
70 Segment performance
71 Segment performance overview
74 Segment report per market segment
76 Segment report per geographical segment
78 Product Solutions Cluster
91 Everyday Banking
98 Relationship Banking
101 ARO RBB
104 CIB
116 Head Office, Treasury and other operations
117 International Financial Reporting Standard (IFRS) Group performance
118 Consolidated IFRS salient features
119 Consolidated IFRS statement of comprehensive income
121 Consolidated IFRS statement of financial position
122 Consolidated IFRS statement of changes in equity
126 Condensed consolidated IFRS statement of cash flows
127 Condensed IFRS notes to the consolidated financial statements
132 Reconciliation of IFRS to normalised results
134 Barclays separation effects
136 Risk management
137 Risk management overview
154 Capital management and RWA
158 Appendices
159 Share performance
160 Shareholder information and diary
161 Glossary
167 Abbreviations and acronyms
169 Administration and contact details

The Absa Group today

We are a Pan-African financial services provider with global operations and a presence in 15 countries. We play an integral role in the economic lives of individuals, businesses and nations. Guided by our purpose, we help to create, grow and protect wealth, to play a positive role in Africa's growth while leading the way to a sustainable future for our planet.

We are a diverse business, offering a universal set of products and services across retail, wealth, business and corporate, across multiple geographies. This enables us to be resilient in the face of changing market conditions, while being poised to capture new growth opportunities.

A Pan-African bank...

We are listed on the Johannesburg Stock Exchange, with a secondary listing on the A2X.

We have banks[1] in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and United States; as well as securities entities in the United Kingdom and the United States, along with technology support colleagues in Czech Republic.

... with material scale

R164.4bn 2021: R129.3bn Market capitalisation	**>20%** Market share of assets in South Africa	**R1 242bn** 2021: R1 174bn Deposits
R1 258bn 2021: R1 134bn Gross loans and advances	**11.4 million[2]** 2021: 11.2 million Customers	**997** Outlets

We have an integrated business offering:

Our fully-integrated business offering is guided by our strategy and Purpose, enabling us to offer a diverse range of customer-centric services and solutions to our target segments, enabled by our superior digital capabilities and talented team.

1. **Providing payment services and a safe place to save and invest**
   Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.
2. **Providing funds for purchases and growth**
   Extending secured and unsecured credit, based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.
3. **Managing business and financial risks**
   Providing solutions, including fixed rate loans, pricing and research, as well as hedging, which includes interest rate and foreign exchange.
4. **Providing financial and business support**
   Providing individual and business advice, advisory on large corporate deals and investment research.
5. **Protecting against risks (insurance)**
   Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments.

[1] Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, National Bank of Commerce, Tanzania 55% and Seychelles 99.8%.
[2] 9.7m South Africa; 1.7m ARO.

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

Where we have come from

We have made great progress over the last few years and have built a strong foundation for growth. Having successfully navigated the separation from Barclays PLC and the COVID-19 crisis, we are now looking to the future and aim to raise our performance to new levels. To do so, we will bring together the power of business performance and organisational health to focus not only on what we do (our strategy) but also why we are doing it (our Purpose).

Over the last year, we have celebrated some major milestones. We have enjoyed a record jump in profits. We saw Barclays' final divestment from Absa. We have appointed a new CEO and leadership team and embedded our re-anchored strategy across our organisation and business lines. Finally, we have placed an enhanced, deliberate focus on ESG, most notably with the delivery of our bold new green energy finance plans and by supporting home ownership.

> ***"Our new Purpose, resulting from a year-long co-creation journey, has galvanised our organisation and aligns us all behind the next horizon of our strategic journey."***
>
> Arrie Rautenbach Group Chief Executive Officer

Our Purpose is at the core of everything we do

(Empowering Africa's tomorrow, together)
...one story at a time

At Absa, we want our Purpose to be at the heart of everything we do – guiding our strategy, brand, culture and behaviour. Over the past year, we have been on an immersive and inclusive journey to define our Purpose statement, grounded in what the world needs, what we have to offer, and what will make us proud as an organisation. In 2023, we will embed it in everything we do.

We have set our aspiration to be a leading African bank, empowering Africa's tomorrow, together *...one story at a time*

We have the platform to raise our ambition further to truly outperform the market through a transformed organisation anchored in our purpose.

As a Group, we are confident our strategy will enable us to deliver on our ambitious agenda. We have developed this strategy in a truly collaborative way, with the wider organisation and with the ongoing support of our leadership team.

In 2023, we will build on the foundations that have made us successful over the past few years. We have weighed the uncertain operating environment, potential scenarios and risks, and we remain confident that our strategy is resilient and that we are nimble enough to adjust our course as needed. Most importantly, our Purpose will pilot us through any challenging situations that may arise.

A diversified franchise with deliberate, market-leading growth

We will tailor our approaches to our clients, grow in attractive segments and launch new products, allocate our capital sustainably and manage risk.

What we have achieved

- **R98.9bn Revenue** (2021: R85.9bn)
- **16.6% Return on equity** (2021: 15.8%)
- **51.5% Cost-to-income ratio** (2021: 55.2%)
- **34.5% Total shareholder return** (2021: 30%)
- **South African Listed Tracker Awards 2022** – Best total investment returns over the past one-to-ten years in several categories

Our strategic outlook

Here, our ambition is to grow boldly, while delivering sustainable returns in alignment with our strategic choices.

To support growth, we will win in traditional banking pools in the face of a tough economic outlook and increasing competition, by significantly scaling bancassurance and non-banking financial services. We will also capitalise on emerging revenue pools, through partnerships and inorganic growth in both existing and new markets.

We will become a truly Pan-African bank by leveraging our capabilities throughout the continent to drive sustainable growth. Our cross-border network will continue to provide a competitive advantage as it is critical to many clients – especially our corporate clients.

We are committed to making strong investments in technology to enable further growth, efficiency, high quality customer services and financial resilience in a challenging environment.

The primary partner for our clients

We will understand their needs and meet them on every level. We will build a brand our people and clients can be proud of.

What we have achieved

- **11.4 million customers** (2021: 11.2 million)
- **44% Net Promoter Score (Retail)** (2021: 37%)
- **Least complaints** out of the big five banks for the third consecutive year
- **Top 5 position** – Africa's most valuable brands

Our strategic outlook

We continue to challenge ourselves on primacy, and how we shape our business to achieve it, harnessing the full power of the Group's ecosystem. Enabled by our new operating model, we will harmonise sales and customer value management across our businesses, and create shared centres of excellence across products, channels and clients. Doing this will create superior customer experiences, which is key to driving primacy.

We will continue the journey of strengthening our brand by revising our positioning (linked to our Purpose) and investment levels, and will align our marketing operating model to leverage the full power of our brand. We strive to ensure every action is built on our Purpose, to support organisational alignment and build brand affinity for both clients and colleagues.

A digitally powered business

We will offer the best digital experience, use data as a strategic asset and evolve continuously to create an agile organisation.

What we have achieved

- **3m** digitally active customers (2021: 2.7m)
- The Digital Banker – Middle East Africa Retail Banking Innovation Awards: **Best Digital Bank – South Africa**
- **Multiple new products** launched leveraging novel technologies, including automated home loans and Absa Identity Wallet.

Our strategic outlook

Being a digital-first business has never been more critical, and we continue to pursue opportunities to accelerate our digital transformation to respond to increased competition and technological changes that present threats of disruption to our business and client base.

We have successfully developed new digital propositions, and will continue to simplify our offerings and accelerate our speed to market. To gain a competitive advantage, we recognise the need to continuously adapt and enhance our customer propositions supported by modern, agile technology. We will focus on increasing digital adoption, deploying best-in-class customer journeys, continuing the transformation of our technology architecture, and commercialising data. We will continue to drive acceleration of our hiring, training and retention of critical digital skills, a key dependency for the success of our digital agenda.

A winning, talented and diverse team

We will turn our culture into a competitive advantage, attract Africa's top talent and support and enable our people.

What we have achieved

- **R27.9bn** Economic value to employees (2021: R26.2bn)
- **Maintained 94%** high-performer retention rate
- **Top Employer Africa 2023**, score of 87.1% in employee experience and employment practice
- Recognised by Forbes as a **top African organisation** championing women at work

Our strategic outlook

We want Purpose to be the cornerstone of our culture and ways of working. We will inspire our people and our customers by embedding our Purpose into our strategy, culture and behaviours, and brand including our ESG aspirations. We seek to be leaders in shaping a transformed business that fosters diversity, equity and inclusion. Our ambitious diversity and inclusion targets are supported by a comprehensive set of interventions, for example a leadership transformation programme to train and empower our business leaders. We are shifting our mindsets and behaviours to enable distributed leadership, and are mobilising our talent across roles and borders.

An active force for good in everything we do

We will work with our clients and communities in managing an orderly and just transition towards a more sustainable and equitable future. We will manage climate change and biodiversity risks and opportunities, make a difference to the societies in which we operate, ensure the highest standards of governance and ethics and actively influence public policy and regulation.

What we have achieved

- **R30.5bn** sustainability linked financing (2021: R18.6bn)
- **R267m** community investment (2021: R195m)
- **Best Investment Bank in Power/Energy** (Global Sector Award)
- S&P SAM Index **89th** percentile

Our strategic outlook

We want to drive measurable, material change in our communities in a way that brings our Purpose to life, differentiates us from our peers, and strengthens our business. To do this, we have identified three specific ESG focus areas where we will invest: financial inclusion, diversity and inclusion, and climate. We have established a Group Strategy and Sustainability Office as a means to driving execution against these focus areas. We are further integrating climate risk considerations into strategic decision making, business processes and our Enterprise Risk Management Framework (ERMF).

Our Purpose will guide us as we seek to find the right balance between our ESG focus areas and trade-offs will be necessary. We are developing a framework to help us navigate these potential trade-offs and ensure a 'just transition', which aims to ensure that communities, clients and suppliers affected by the transition to a low carbon economy are not left behind, while at the same time leading the way to a sustainable future for our planet.

Normalised Group performance

6 Normalised Group performance overview
10 Normalised salient features
11 Normalised salient features by segment
12 Profit commentary
17 Basis of preparation
19 Dividend announcement
20 Consolidated normalised statement of comprehensive income
22 Consolidated normalised statement of financial position
24 Consolidated normalised statement of changes in equity
28 Condensed consolidated normalised statement of cash flows
29 Performance indicators and condensed normalised notes to the consolidated financial statements

Normalised Group performance overview

for the reporting period ended 31 December

The Group recorded its highest ever

normalised headline earnings of **R21bn** (2021: R18.6bn), reflecting an increase of 13%, or 8% in constant currency (CCY). This is underpinned by strong income-led pre-provision profit growth of 25% (26% CCY), partially offset by 61% (CCY 82%) higher impairments. Strong medium-term performance momentum has seen earnings increase well above pre-COVID levels (c.29% above 2019 results).

Income growth was driven by

growth in both non-interest income and net interest income. Non-interest income growth (18%) was underpinned by strong growth in fees and commission (7%) , trading income (9%; 11% CCY) and further supported by a recovery of the Insurance business and profit on sale of the investment management business. Net interest income growth (13%) has been supported by higher interest rates, an expanding net interest margin of **4.56%** (2021: 4.46%) and strong growth in loans.

Return on equity of 16.6%

(2021: 15.8%) has improved materially from the prior year and is well above cost of equity (14.5%) with most business units improving returns year-on-year.

The Group remains well positioned

for growth and resiliency with its capital position remaining above the Board approved target range and the Common Equity Tier 1 (CET 1) ratio unchanged at 12.8%. The Group loan coverage ratio of 3.93% remains robust and well above the pre-COVID position (2019: 3.27%) notwithstanding the utilisation of a portion of the provisions recognised during 2020.

The cost-to-income ratio

reduced materially to **51.5%** (2021: 55.2%) which is now in line with the medium-term ambition (low 50s). This reflects strong positive JAWS of **8%** following very strong income growth of 15% relative to contained operating expenses growth of 7%.

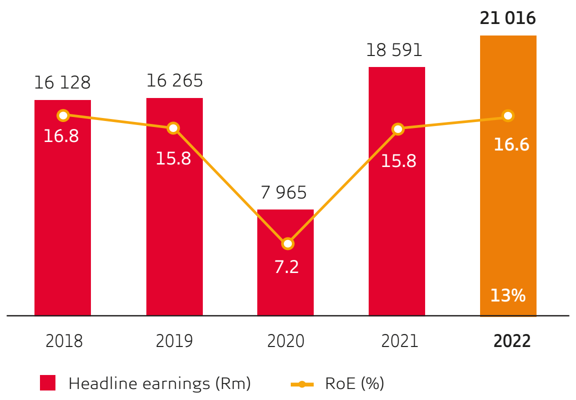
Impairment charges increased

significantly to R13.7bn, following R2.7bn in coverage raised against Ghana sovereign-related exposures and increased delinquencies in the South African retail portfolios.
The credit loss ratio on loans and advances of **0.96%** (2021: 0.77%) is now near the top end of the Group's through-the-cycle target range of 0.75% – 1.00%.

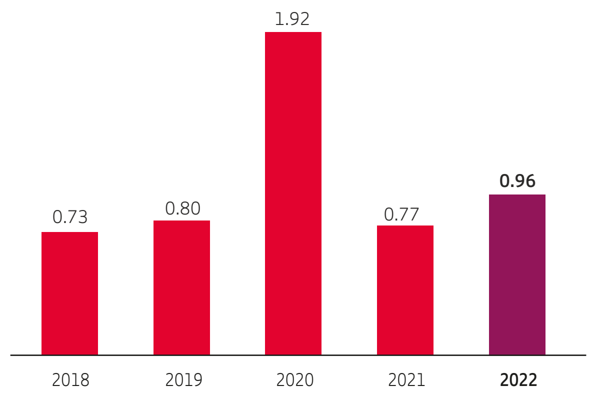
Normalised Group performance overview

for the reporting period ended 31 December

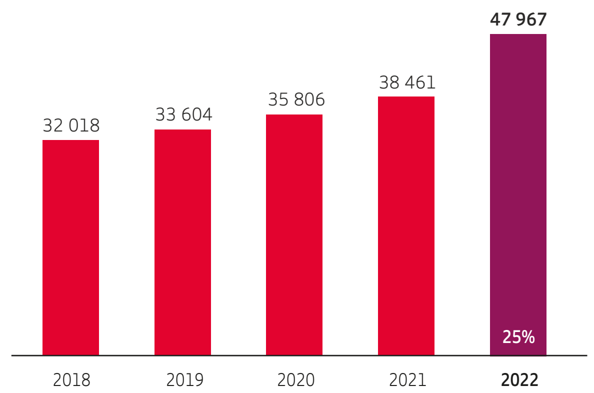
Headline earnings (Rm), RoE (%) and change (%)



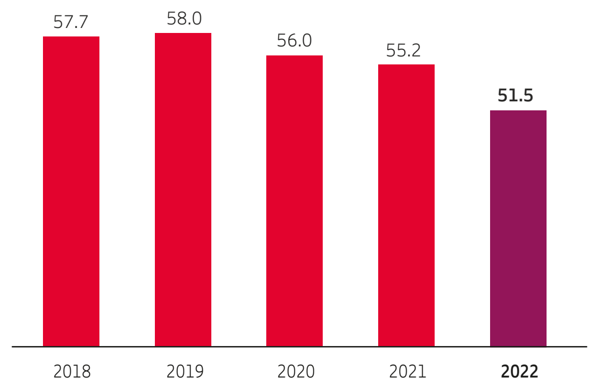
Credit loss ratio (%)



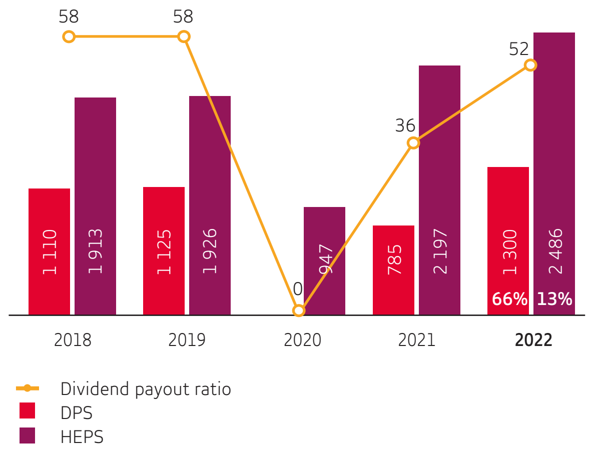
Pre-provision profit (Rm) and change (%)



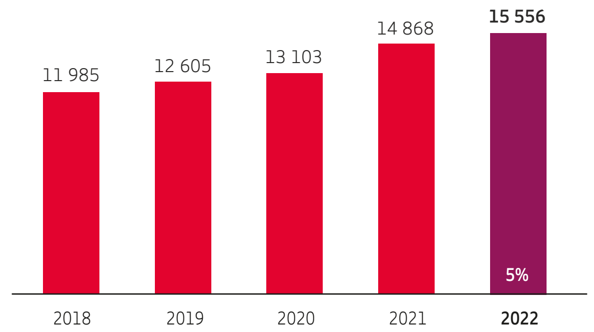
Cost-to-income ratio (%)



Headline earnings per share (cents), dividends per share (cents) and dividend payout ratio (%) and change (%)



Net asset value (NAV) per ordinary share (cents) and change (%)



Normalised Group performance overview

for the reporting period ended 31 December

	2022 IFRS Group performance	2022 Barclays separation effects	2022 Normalised Group performance
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
Loans and advances to customers	1 109 829	—	1 109 829
Loans and advances to banks	103 570	—	103 570
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
Deposits due to customers	1 113 282	—	1 113 282
Deposits due to banks	128 637	—	128 637
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 (%)			
Return on average assets (RoA)	1.18	n/a	1.23
Return on equity (RoE)	15.6	n/a	16.6
Capital adequacy	16.6	n/a	16.6
Common Equity Tier 1	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 439.7	n/a	2 482.4

Normalised Group performance overview

for the reporting period ended 31 December

	2021 IFRS Group performance	2021 Barclays separation effects	2021 Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
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 on gross loans and advances to customers and banks	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances[1]	1 092 257	—	1 092 257
Loans and advances to customers[1]	1 017 386	—	1 017 386
Loans and advances to banks[1]	74 871	—	74 871
Investment securities	188 898	—	188 898
Other assets	358 377	(3 539)	354 838
Total assets	1 639 532	(3 539)	1 635 993
Deposits[1]	1 173 766	—	1 173 766
Deposits due to customers[1]	1 075 736	—	1 075 736
Deposits due to banks[1]	98 030	—	98 030
Debt securities in issue	129 775	—	129 775
Other liabilities	188 682	264	188 946
Total liabilities	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 (%)			
Return on average assets (RoA)	1.13	n/a	1.18
Return on equity (RoE)	14.6	n/a	15.8
Capital adequacy	17.0	n/a	17.0
Common Equity Tier 1	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

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

Normalised salient features

for the reporting period ended 31 December

	2022	2021	Change %
Statement of comprehensive income (Rm)			
Income	98 874	85 873	15
Operating expenses	50 907	47 412	7
Pre-provision profit	47 967	38 461	25
Credit impairments	13 703	8 499	61
Profit attributable to ordinary equity holders	21 307	18 565	15
Headline earnings	21 016	18 591	13
Statement of financial position			
Net asset value (NAV) (Rm)	131 204	125 823	4
Gross loans and advances (Rm)	1 258 288	1 133 697	11
Total assets (Rm)[1]	1 790 903	1 635 993	9
Deposits (Rm)	1 241 919	1 173 766	6
Gross loans to deposits and debt securities ratio (%)	86.9	87.0	
Average loans to deposits and debt securities ratio (%)	84.2	84.3	
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)[2]	2.19	2.05	
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 to customers and banks	0.96	0.77	
Non-interest income as 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	847.8	847.8	
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)			
Headline earnings per ordinary share	2 485.9	2 197.0	13
Diluted headline earnings per ordinary share	2 482.4	2 193.5	13
Basic earnings per ordinary share	2 520.3	2 194.0	15
Diluted basic earnings per ordinary share	2 516.8	2 190.4	15
Dividend per ordinary share relating to income for the reporting period	1 300	785	66
Dividend payout ratio (%)	52	36	43
NAV per ordinary share	15 555	14 868	5
Tangible NAV per ordinary share	14 262	13 804	3
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] These numbers have been restated, refer to report overview.
[2] The RoRWA includes Insurance cluster returns, but risk-weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.

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

Normalised salient features by segment

for the reporting period ended 31 December

	2022	2021	Change %
Headline earnings (Rm)[1]			
Product Solutions Cluster	3 531	2 793	26
Everyday Banking	4 108	4 126	(0)
Relationship Banking	4 024	3 719	8
ARO RBB	1 068	106	>100
CIB	8 977	8 250	9
Head Office, Treasury and other operations	(692)	(403)	72
Return on average risk-weighted assets (%)[1]			
Product Solutions Cluster	2.07	1.81	
Everyday Banking	3.82	4.00	
Relationship Banking	3.08	2.70	
ARO RBB	1.15	0.13	
CIB	2.49	2.37	
Return on regulatory capital (%)[1]			
Product Solutions Cluster	16.2	14.4	
Everyday Banking	32.0	34.5	
Relationship Banking	27.2	23.9	
ARO RBB	10.5	1.1	
CIB	21.4	20.6	
Credit loss ratio (%)[1]			
Product Solutions Cluster	0.65	0.35	
Everyday Banking	6.45	4.99	
Relationship Banking	0.45	0.67	
ARO RBB	1.64	2.03	
CIB	0.27	0.17	
Gross loans and advances (Rm)[1]			
Product Solutions Cluster	416 422	382 745	9
Everyday Banking	90 672	85 869	6
Relationship Banking	140 918	131 510	7
ARO RBB	78 297	69 560	13
CIB	520 289	457 395	14
Head Office, Treasury and other operations	11 690	6 618	77
Deposits (Rm)[1]			
Product Solutions Cluster	1 863	1 915	(3)
Everyday Banking	289 606	278 334	4
Relationship Banking	201 191	188 394	7
ARO RBB	110 714	101 467	9
CIB	499 609	482 385	4
Head Office, Treasury and other operations	138 936	121 271	15

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

Profit commentary

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the Group's normalised financial results for the current reporting period for the year ended 31 December 2022.

Salient features

- Diluted headline earnings per share (DHEPS) grew 13% to 2 482 cents from 2 193 cents.
- Declared an annual ordinary dividend of 1 300 cents per share, up 66% 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 16.6% from 15.8%.
- Revenue grew 15% to R98.9bn, and operating expenses rose 7% to R50.9bn, producing a 51.5% cost-to-income ratio.
- Pre-provision profit grew 25% to R48.0bn.
- 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 5% to 15 556 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.

Overview of results

The Group's headline earnings increased by 13% to R21 016m from R18 591m and DHEPS grew 13% to 2 482 cents from 2 193 cents. The Group's RoE improved to 16.6% from 15.8% and its return on average assets was 1.23% from 1.18%.

Revenue grew 15% to R98 874m, with net interest income rising 13% to R60 440m and non-interest income increasing 18% to R38 434m. 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 R50 907m, the cost-to-income ratio improved to 51.5% from 55.2%. Pre-provision profit grew 25% to R47 967m. 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 payout ratio of 52%. 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 16% to R18 297m, while Africa regions declined 4% to R2 719m.

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 commentary

Group performance

Statement of financial position

Total assets increased 9% to R1 791bn, 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 R131bn and NAV per share grew 5% to 15 556 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 the same in CCY, to R60 440m from R53 297m, 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 434m from R32 576m and accounted for 38.9% 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 totaled 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.

Profit commentary

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 loss 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 loss 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 R50 907m from R47 412m, improving the Group's cost-to-income ratio to 51.5% from 55.2%. Staff costs rose 7% to R27 873m, accounting for 55% of total operating expenses. Within this, salaries and other staff costs increased 4%, in part due to lower restructuring costs. Bonuses grew 20% to R3 256m linked to the Group's performance, while deferred cash and share-based payments increased 25%.

Non-staff costs grew 8%, or 7% in CCY, to R23 034m. IT costs increased 12% to R5 541m, reflecting further investment in digital platforms and increased cybersecurity spend. Amortisation of intangible assets rose 15%, given continued investment in digital, automation and data capabilities. Professional fees grew 22%, mostly due to using external resources on strategic projects and to support technology platforms. Total IT spend, including staff, amortisation and depreciation, increased 8% to R12 638m, or 25% of Group expenses.

Conversely, depreciation fell 10%, 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 10% to R8 379m from R7 604m, 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.

Profit commentary

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).

Geographic split

South Africa

Headline earnings grew 16% to R18 297m, as pre-provision profit grew 22% to R37 451m. Total revenue increased 13% to R74 228m, with non-interest income up 17% and net interest income rising 11%. Operating expenses rose 5% to R36 777m, resulting in a 49.5% cost-to-income ratio from 53.3%. Credit impairments increased 32% to R9 466m, producing a 0.92% credit loss ratio from 0.75%. 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 719m. Pre-provision profit increased 34%, as revenue increased 21%, or 22% in CCY, to R24 646m. 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 14%, or 11% in CCY, to R14 130m, producing a 57.3% cost-to-income ratio from 61.2%. 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.

Profit commentary

Prospects (continued)

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.

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.

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

Basis of presentation

IFRS reporting

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

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

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The 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.

Normalised reporting

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

Normalised results are adjusted for the following items: interest earned on the remaining capital invested; non-interest income; operating expenses mainly relating to amortisation of intangible assets and depreciation; recovery of other operating expenses and the tax impact of the aforementioned items. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Accounting policies

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

The directors have assessed the 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.

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 financial results. 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.

Basis of presentation

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/Bank'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 Board of Directors are not aware of any other events, as defined per IAS 10 *Events after the Reporting Period*, between the reporting date of 31 December 2022 and the date of authorisation of these financial results.

On behalf of the Board

S Moloko
Group Chairman

J Quinn
Group Financial Director

Johannesburg
12 March 2023

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

Dividend announcement

Declaration of 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 interim 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.

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	Note	2022 Rm	2021 Rm	Change %
Net interest income	2	60 440	53 297	13
Interest and similar income		112 232	89 495	25
Effective interest income		110 314	87 844	26
Other interest income		1 918	1 651	16
Interest expense and similar charges		(51 792)	(36 198)	43
Non-interest income	3	38 434	32 576	18
Net fee and commission income		23 710	22 074	7
Fee and commission income	3.1	27 595	25 550	8
Fee and commission expense	3.1	(3 885)	(3 476)	12
Net insurance premium income	3.2	9 453	8 778	8
Net claims and benefits incurred on insurance contracts	3.3	(4 854)	(5 514)	(12)
Changes in investment and insurance contract liabilities	3.4	1 428	(2 799)	<(100)
Gains from banking and trading activities	3.5	7 728	6 590	17
Gains and losses from investment activities	3.6	(532)	2 704	<(100)
Other operating income	3.7	1 501	743	>100
Total income		98 874	85 873	15
Credit impairment charges	4	(13 703)	(8 499)	61
Operating income before operating expenditure		85 171	77 374	10
Operating expenditure	6	(50 907)	(47 412)	7
Other expenses		(2 541)	(2 247)	13
Other impairments		(591)	(384)	54
Indirect taxation	7	(1 950)	(1 863)	5
Share of post-tax results of associates and joint ventures		137	132	4
Operating profit before income tax		31 860	27 847	14
Taxation expense	8	(8 379)	(7 604)	10
Profit for the reporting period		23 481	20 243	16
Profit attributable to:				
Ordinary equity holders		21 307	18 565	15
Non-controlling interest – ordinary shares		1 299	851	53
Non-controlling interest – preference shares		266	242	10
Other equity – Additional Tier 1 capital		609	585	4
		23 481	20 243	16
Earnings per share:				
Basic earnings per share (cents)	1	2 520.3	2 193.9	15
Diluted earnings per share (cents)	1	2 516.8	2 190.3	15

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	2022 Rm	2021 Rm	Change %
Profit for the reporting period	23 481	20 243	16
Other comprehensive income			
Items that will not be reclassified to profit or loss	(19)	83	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	(1)	(133)	(99)
Fair value (losses)	(1)	(172)	(99)
Deferred tax	0	39	(100)
Movement on liabilities designated at FVTPL due to changes in own credit risk	(151)	(26)	>100
Fair value movements	(202)	(36)	>100
Deferred tax	51	10	>100
Movement in retirement benefit fund assets and liabilities	133	242	(45)
Increase/(decrease) in retirement benefit surplus	(36)	108	<(100)
Decrease/(increase) in retirement benefit deficit	148	169	(12)
Deferred tax	21	(35)	<(100)
Items that are or may be subsequently reclassified to profit or loss	(6 514)	(1 163)	>100
Movement in foreign currency translation reserve	(1 799)	2 549	<(100)
Differences in translation of foreign operations	(1 799)	2 645	<(100)
Release to profit or loss	—	(96)	(100)
Movement in cash flow hedging reserve	(4 477)	(4 051)	11
Fair value losses	(3 460)	(1 463)	>100
Amounts transferred within other comprehensive income	21	—	100
Amount removed from other comprehensive income and recognised in profit or loss	(2 718)	(4 163)	(35)
Deferred tax	1 680	1 575	7
Movement in fair value of debt instruments measured at FVOCI	(238)	339	<(100)
Fair value (losses)/gains	(365)	691	<(100)
Release to profit or loss	(7)	(120)	(94)
Deferred tax	134	(232)	<(100)
Total comprehensive income for the reporting period	16 948	19 163	(12)
Total comprehensive income attributable to:			
Ordinary equity holders	14 916	17 314	(14)
Non-controlling interest – ordinary shares	1 157	1 022	13
Non-controlling interest – preference shares	266	242	10
Other equity – Additional Tier 1 capital	609	585	4
	16 948	19 163	(12)

Consolidated normalised statement of financial position

as at 31 December

	Note	2022 Rm	2021 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**67 179**	66 041	2
Investment securities		**215 637**	188 898	14
Trading portfolio assets[1]		**206 436**	203 240	2
Hedging portfolio assets[1]		**4 973**	3 697	35
Other assets		**25 065**	23 982	5
Current tax assets		**656**	529	24
Non-current assets held for sale		**212**	4 259	(95)
Loans and advances	9	**1 213 399**	1 092 257	11
Reinsurance assets		**663**	732	(9)
Investments linked to investment contracts		**19 288**	19 803	(3)
Investments in associates and joint ventures		**2 409**	1 593	51
Investment property		**397**	421	(6)
Property and equipment		**15 016**	15 509	(3)
Goodwill and intangible assets		**10 916**	9 008	21
Deferred tax assets		**8 657**	6 024	44
Total assets[1]		**1 790 903**	1 635 993	9
Liabilities				
Trading portfolio liabilities[1]		**94 895**	73 568	29
Hedging portfolio liabilities[1]		**2 237**	2 910	(23)
Other liabilities		**36 467**	48 068	(24)
Provisions		**5 912**	5 394	10
Current tax liabilities		**869**	1 005	(14)
Non-current liabilities held for sale		**26**	3 465	(99)
Deposits	10	**1 241 919**	1 173 766	6
Debt securities in issue[1]	11	**205 519**	129 775	58
Loans from Barclays separation segment		**895**	693	29
Liabilities under investment contracts		**19 999**	21 126	(5)
Policyholder liabilities under insurance contracts		**5 384**	5 731	(6)
Borrowed funds	12	**26 420**	26 600	(1)
Deferred tax liabilities		**351**	386	(9)
Total liabilities[1]		**1 640 893**	1 492 487	10
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	12	**1 686**	1 692	(0)
Share premium	12	**3 636**	4 089	(11)
Retained earnings		**124 987**	113 327	10
Other reserves		**895**	6 715	(87)
		131 204	125 823	4
Non-controlling interest – ordinary shares		**6 659**	6 035	10
Non-controlling interest – preference shares		**4 644**	4 644	—
Other equity – Additional Tier 1 capital		**7 503**	7 004	7
Total equity		**150 010**	143 506	5
Total liabilities and equity		**1 790 903**	1 635 993	9

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

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

Consolidated normalised 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 comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest: Additional Tier 1 capital[2] Rm	Total equity Rm
Balance at the beginning of the reporting period	846 266	1 692	4 089	113 331	6 715	825	(845)	1 262	3 145	57	672	1 599	125 823	6 035	4 644	7 004	143 506
Total comprehensive income	—	—	—	21 281	(6 365)	—	(147)	(4 477)	(1 741)	—	—	—	14 916	1 157	266	609	16 948
Profit for the period	—	—	—	21 307	—	—	—	—	—	—	—	—	21 307	1 299	266	609	23 481
Other comprehensive income	—	—	—	(26)	(6 365)	—	(147)	(4 477)	(1 741)	—	—	—	(6 391)	(142)	—	—	(6 533)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—	—	—	—	—	—	(9 343)	(533)	(266)	—	(10 142)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(609)	(609)
Issuance of Additional Tier 1 capital[1]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	499	499
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(162)	—	—	—	—	—	—	—	—	(515)	—	—	—	(515)
Elimination of the movement in Treasury shares held by Group entities	(2 860)	(6)	(453)	—	—	—	—	—	—	—	—	—	(459)	—	—	—	(459)
Movement in share-based payment reserve	—	—	357	—	426	—	—	—	—	—	426	—	783	—	—	—	783
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—	—	—	—	(357)	—	—	—	—	—	—
Value of employee services	—	—	—	—	655	—	—	—	—	—	655	—	655	—	—	—	655
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	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	137	—	—	—	—	—
Balance at the end of the reporting period	843 406	1 686	3 636	124 987	895	808	(993)	(3 215)	1 404	57	1 098	1 736	131 204	6 659	4 644	7 503	150 010

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

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

Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

2021	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest: Additional Tier 1 capital[2] Rm	Total equity Rm
Balance at the beginning of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181	(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546
Total comprehensive income	—	—	—	18 664	(1 350)	—	380	(4 051)	2 321	—	—	—	17 314	1 022	242	585	19 163
Profit for the period	—	—	—	18 565	—	—	—	—	—	—	—	—	18 565	851	242	585	20 243
Other comprehensive income	—	—	—	99	(1 350)	—	380	(4 051)	2 321	—	—	—	(1 251)	171	—	—	(1 080)
Dividends paid during the reporting period	—	—	—	(2 573)	—	—	—	—	—	—	—	—	(2 573)	(192)	(242)	—	(3 007)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(585)	(585)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	4	—	—	—	—	—	—	—	—	(276)	—	—	—	(276)
Elimination of the movement in Treasury shares held by Group entities	1 497	3	83	—	—	—	—	—	—	—	—	—	86	—	—	—	86
Movement in share-based payment reserve	—	—	280	—	299	—	—	—	—	—	299	—	579	—	—	—	579
Transfer from share-based payment reserve	—	—	280	—	(280)	—	—	—	—	—	(280)	—	—	—	—	—	—
Value of employee services	—	—	—	—	509	—	—	—	—	—	509	—	509	—	—	—	509
Deferred tax	—	—	—	—	70	—	—	—	—	—	70	—	70	—	—	—	70
Movement in general credit risk reserve	—	—	—	356	(356)	(356)	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—	—	—	—	17	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—	—	—	—	—	—	132	—	—	—	—	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—	—	—	—	—	—	(15)	—	—	—	—	—
Balance at the end of the reporting period	846 266	1 692	4 089	113 327	6 715	825	(845)	1 262	3 145	57	672	1 599	125 823	6 035	4 644	7 004	143 506

[1] On 30 September 2021, the Board of Directors disposed of Integrated Processing Solutions.

Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

	Note	2021 Rm	Restated 2020 Rm	Change %
Net cash generated from operating activities[1]		24 501	7 674	>100
Net cash utilised in investing activities		(5 625)	(4 691)	20
Net cash utilised in financing activities		(12 449)	(518)	>100
Net cash increase in cash and cash equivalent[1]		6 428	2 465	>100
Cash and cash equivalents at the beginning of the reporting period[1]	1	62 874	59 327	6
Effect of foreign exchange rate movement on cash and cash equivalents		1 173	1 081	8
Cash and cash equivalents at the end of the reporting period[1]	2	70 475	62 874	12

Note to the summary consolidated normalised statement of cash flow

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

	2021 Rm	Restated 2020 Rm	Change %
Mandatory reserve balances with the SARB and other central banks[1]	28 705	25 049	15
Coin and notes	14 577	14 403	1
Loans and advances to banks[1,2]	17 897	17 668	1
Money market assets[1]	1 695	2 207	(23)
	62 874	59 327	6

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

	2021 Rm	Restated 2020 Rm	Change %
Mandatory reserve balances with the SARB and other central banks[1]	31 842	28 705	11
Coin and notes	14 303	14 577	(2)
Loans and advances to banks[1, 2]	22 319	17 897	25
Money market assets[1]	2 011	1 695	19
	70 475	62 874	12

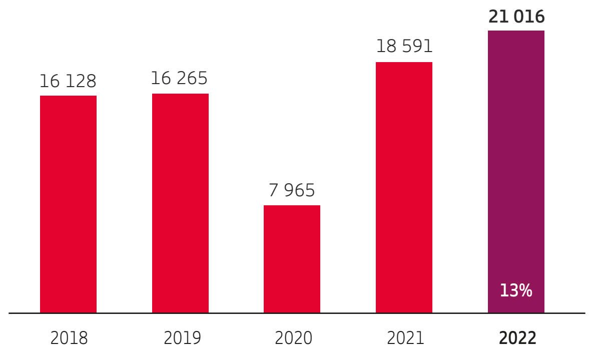
[1] These numbers have been restated, please refer to report overview.
[2] Includes call advances which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



	2022		2021		
Headline earnings	Gross Rm	Net Rm	Gross Rm	Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		21 307		18 565	15
Total headline earnings adjustment		(291)		26	<(100)
IFRS 3 – Goodwill impairment	—	—	29	29	—
IFRS 5 – Profit on disposal of non-current assets held for sale	(778)	(652)	(20)	(16)	>100
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	1	1	—
IAS 16 – Profit on disposal of property and equipment	(10)	(6)	(106)	(81)	(93)
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 – 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	214	154	65
IAS 36 – Impairment of intangible assets	237	185	111	87	—
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	—	—	100
		21 016		18 591	13

Notable adjustments to headline earnings

- 'Profit on disposal of non-current assets held for sale' in the current year primarily relates to the sale of the investment management business.
- 'Profit on disposal of property and equipment' relates mainly to disposal of equipment and branch assets.
- 'Impairment of property and equipment' arose mainly due to impairment of property.
- 'Impairment of intangible assets' arose mainly due to impairment of computer software.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

	2022 Rm	2021 Rm	Change value %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	21 307	18 565	15
Weighted average number of ordinary shares in issue (million)	845.4	846.2	(0.8)
Issued shares at the beginning of the reporting period (million)	847.8	847.8	—
Treasury shares held by Group entities (million)	(2.4)	(1.6)	(0.8)
Basic earnings per ordinary share (cents)	2 520.3	2 193.9	15
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	21 307	18 565	15
Diluted weighted average number of ordinary shares in issue (million)	846.6	847.6	(1.0)
Weighted average number of ordinary shares in issue (million)	845.4	846.2	(0.8)
Adjustments for share options issued at no value (million)	1.2	1.4	(0.2)
Diluted basic earnings per ordinary share (cents)	2 516.8	2 190.3	15
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	21 016	18 591	13
Weighted average number of ordinary shares in issue (million)	845.4	846.2	(0.8)
Headline earnings per ordinary share (cents)	2 485.9	2 197.0	13
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	21 016	18 591	13
Diluted weighted average number of ordinary shares in issue (million)	846.6	847.6	(1.0)
Diluted headline earnings per ordinary share (cents)	2 482.4	2 193.4	13

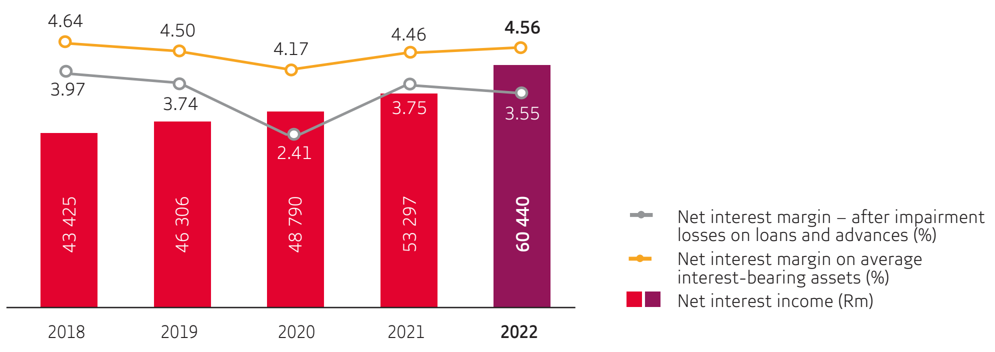
Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income

Net interest income and net interest margin



	2022 Average balance[1] Rm	2022 Average rate %	2022 Interest income/ (expense) Rm	2021 Average balance[1] Rm	2021 Average rate %	2021 Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	3 283	0.69	22	2 622	0.91	24
Investment securities	182 865	7.86	14 373	154 604	7.16	11 064
Loans and advances	1 138 627	8.59	97 837	1 038 348	7.55	78 407
Interest-bearing assets	1 324 775	8.47	112 232	1 195 574	7.49	89 495
Non-interest-bearing assets	390 401	—	—	381 681	—	—
Total assets	1 715 176	—	112 232	1 577 255	—	89 495
Liabilities						
Deposits	950 904	(4.26)	(40 533)	897 581	(3.08)	(27 645)
Debt securities in issue	135 825	(6.36)	(8 637)	109 718	(5.82)	(6 390)
Borrowed funds	25 818	(10.16)	(2 623)	22 856	(9.47)	(2 164)
Interest-bearing liabilities	1 112 547	(4.66)	(51 792)	1 030 155	(3.51)	(36 198)
Non-interest-bearing liabilities	463 248	—	—	415 793	—	—
Total liabilities	1 575 795	—	(51 792)	1 445 948	—	(36 198)
Total equity	139 381	—	—	131 307	—	—
Total equity and liabilities	1 715 176	—	(51 792)	1 577 255	—	(36 198)
Net interest margin on average interest-bearing assets		4.56			4.46	

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income (continued)

	2022 bps	2021[1] bps
Net interest margin at the end of the previous reporting period	**446**	417
Loans and advances to customers (i)	**8**	3
Change in rates (pricing)	7	6
Change in composition	1	(3)
Deposits due to customers (ii)	**12**	(3)
Changes in rate (pricing)	9	(9)
Change in composition	(5)	16
Endowment (iii)	8	(10)
Equity endowment (iii)	**9**	(2)
SA	8	(2)
Absa Regional Operations	1	—
Interest rate risk management (hedging strategy) (iii)	**(14)**	8
Other (iv)	**(5)**	23
Change in net interest margin	**10**	29
Net interest margin at the end of the current reporting period	**456**	446

Performance

The Group's net interest margin of **456 bps** (2021: 446 bps) is 10 bps higher than the previous reporting period (2021: increased by 29 bps) supported by increases in policy rates in South Africa (prime increased by 325 bps during the current reporting period) and across the Absa Regional Operations markets. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Higher interest rates as well as lower suspended interest in Everyday Banking supported Group margin.

(ii) Deposits due to customers

- Deposit margin expansion was supported by the impact of higher policy rates in Corporate and in Everyday Banking.
- Faster growth in wholesale funding had a negative composition effect, partially offset by a decrease in low-margin deposits in Corporate SA which had a positive composition impact on margins.

Performance indicators and condensed normalised notes to the consolidated financial statements

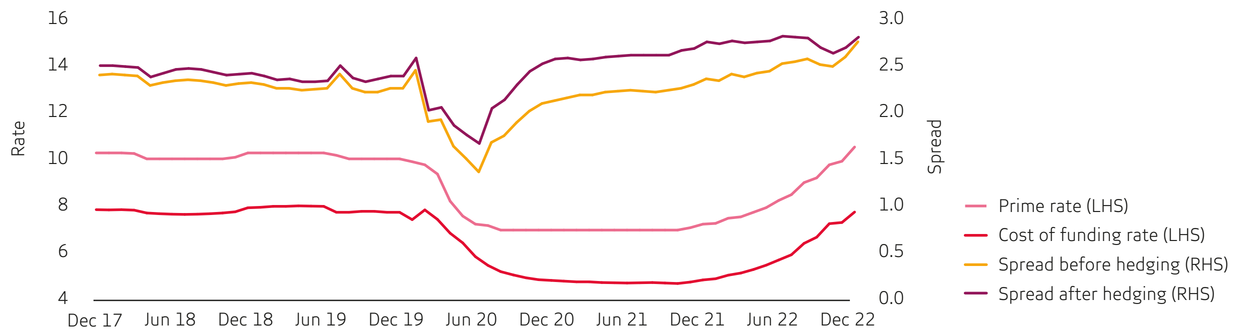
for the reporting period ended 31 December

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on NIM data (%)



- Absa Bank Limited employs a governed interest rate management strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 31 December 2022 an aggregate of **13%** (2021: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme in South Africa. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a debit balance of **R3bn** (2021: R0.8bn credit). The year-on-year impact realised on the structural hedge programme was 14bps lower, releasing a credit of **R1 606m** (2021: R3 158m credit) to the statement of comprehensive income.
- The impact of total endowment after hedging in South Africa year-on-year was (+2 bps). This was a result of positive mix impact of faster growth in hedge balances relative to the Group's overall interest-bearing assets.
- The impact of endowment on equity in ARO on the Group's net interest margin was positive (+1 bps) (2021: flat) reflective of the positive mix impact of higher rates and equity balances across most markets.

(iv) Other

Other items have had a cumulative 5 bps negative impact mainly representing:

- Non-recurrence of a once-off benefit on a true-up on the capitalisation of funding costs on the intangible asset portfolio;
- Excess liquidity invested in lower margin-yielding instruments in ARO markets; partially offset by
- The positive reset impact following the increase in prime rate in the current reporting period.

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.1 Net fee and commission income

	2022 Rm	2021 Rm	Change %
Consulting and administration fees	479	483	(1)
Transactional fees and commissions	21 121	19 447	9
Cheque accounts	4 834	4 715	3
Credit cards (includes card issuing fees)[1]	2 896	2 518	15
Electronic banking	6 595	5 808	14
Other (includes fees on mortgage loans and foreign currency transactions)[2]	5 400	4 884	11
Savings accounts	1 396	1 522	(8)
Insurance commission received	1 000	973	3
Investment, markets execution and investment banking fees	412	394	5
Merchant income	2 671	2 439	10
Other fee and commission income	699	556	26
Trust and other fiduciary services fees	1 213	1 257	(4)
Portfolio and other management fees	875	952	(8)
Trust and estate income	338	305	11
Fee and commission income	27 595	25 549	8
Fee and commission expense	(3 885)	(3 475)	12
Brokerage fees	(103)	(95)	8
Cheque processing fees	(6)	(16)	(63)
Clearing and settlement charges	(1 252)	(1 000)	25
Insurance commission paid	(1 176)	(1 128)	4
Notification fees	(251)	(235)	7
Other	(992)	(881)	13
Valuation fees	(105)	(120)	(13)
	23 710	22 074	7
Segment split[3]			
Product Solutions Cluster	757	663	14
Everyday Banking	11 632	10 751	8
Relationship Banking	4 917	4 746	4
ARO RBB	2 359	2 071	14
CIB	3 441	3 212	7
Head Office, Treasury and other operations	604	631	(4)
	23 710	22 074	7

3.2 Net insurance premium income

	2022 Rm	2021 Rm	Change %
Gross insurance premiums	10 933	9 932	10
Premiums ceded to reinsurers	(1 480)	(1 154)	28
	9 453	8 778	8
Segment split[3]			
Product Solutions Cluster	7 570	7 091	7
Everyday Banking	322	294	10
ARO RBB	1 561	1 393	12
	9 453	8 778	8

[1] Credit cards include acquiring and issuing fees.
[2] Other transactional fees and commissions income include service and credit-related fees of **R2 079m** (31 December 2021: R1 766m), exchange commission **R795m** (31 December 2021: R680m) and guarantees **R222m** (31 December 2021: R325m).
[3] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	2022 Rm	2021 Rm	Change %
Gross claims and benefits incurred on insurance contracts	(5 778)	(6 539)	(12)
Reinsurance recoveries	924	1 025	(10)
	(4 854)	(5 514)	(12)
Segment split[1]			
Product Solutions Cluster	(3 958)	(4 693)	(16)
Everyday Banking	(72)	(74)	(3)
ARO RBB	(732)	(698)	5
Head Office, Treasury and other operations	(92)	(49)	88
	(4 854)	(5 514)	(12)

3.4 Changes in investment and insurance contract liabilities

	2022 Rm	2021 Rm	Change %
Change in insurance contract liabilities	242	(788)	<(100)
Change in investment contract liabilities[2]	1 186	(2 011)	<(100)
	1 428	(2 799)	<(100)
Segment split[1]			
Product Solutions Cluster	1 587	(2 427)	<(100)
Everyday Banking	7	(13)	<(100)
ARO RBB	(173)	(364)	(52)
Head Office, Treasury and other operations	6	5	20
	1 428	(2 799)	<(100)

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	2022 Rm	2021 Rm	Change %
Net gains on investments	272	55	>100
Debt instruments designated at fair value through profit or loss	185	(2)	<(100)
Equity instruments at fair value through profit or loss	80	(63)	<(100)
Unwind from reserves for debt instruments at FVOCI	7	120	(94)
Net trading result	7 481	6 561	14
Net trading income excluding the impact of hedge accounting	7 674	7 066	9
Ineffective portion of hedges	(193)	(505)	(62)
Cash flow hedges	(208)	(539)	(61)
Fair value hedges	15	34	(56)
Other losses	(25)	(26)	(4)
	7 728	6 590	17
Segment split			
Relationship Banking	1	(5)	<(100)
ARO RBB[1]	829	540	54
CIB	6 532	6 034	8
Head Office, Treasury and other operations[3]	366	22	>100
	7 728	6 590	17

3.6 Gains and losses from investment activities

	2022 Rm	2021 Rm	Change %
Net gains on investments from insurance activities	(574)	2 681	<(100)
Policyholder insurance contracts	276	472	(42)
Policyholder investment contracts[2]	(1 159)	1 997	<(100)
Shareholders' funds	309	212	46
Other gains	42	23	83
	(532)	2 704	<(100)
Segment split[1]			
Product Solutions Cluster	(800)	2 578	<(100)
Relationship Banking	—	1	(100)
ARO RBB	229	159	44
Head Office, Treasury and other operations[3]	39	(34)	<(100)
	(532)	2 704	<(100)

[1] These numbers have been restated, refer to the report overview.
[2] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contract liabilities' reported in 'Changes in investment and insurance contract liabilities'.
[3] This includes the elimination of investment returns of Life Insurance Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2022 Rm	2021 Rm	Change %
Property-related income	29	110	(74)
Income from investment properties	(19)	(28)	(32)
Change in fair value	(21)	(31)	(32)
Rentals	2	3	(33)
Property-related income arising from contracts with customers	48	138	(65)
Profit on disposal of property and equipment	10	106	(91)
Profit on sale of developed properties	11	7	57
Profit on sale of repossessed properties	—	4	(100)
Rental income	27	21	29
Insurance proceeds received related to property and equipment[1]	126	96	—
Other operating income	1 346	537	>100
Foreign exchange differences, including recycle from other comprehensive income	(81)	162	<(100)
Income from maintenance contracts[2]	27	37	(27)
Loss on disposal of intangible assets[2]	(1)	(1)	—
Sundry income[3]	1 401	339	>100
	1 501	743	>100
Segment split[4]			
Property-related income	155	206	(25)
Product Solutions Cluster	1	4	(75)
Relationship Banking	4	7	(43)
Everyday Banking	137	117	17
ARO RBB	12	75	(84)
CIB	—	25	(100)
Head Office, Treasury and other operations	1	(22)	<(100)
Other operating income	1 346	537	>100
Product Solutions Cluster	45	31	45
Relationship Banking	183	199	(8)
Everyday Banking	87	61	43
ARO RBB	56	92	(39)
CIB	350	23	>100
Head Office, Treasury and other operations	625	131	>100
	1 501	743	>100

[1] Insurance proceeds of R126m was received during the current financial year for the damaged sustained to property and equipment due to the KZN riots that took place.
[2] Line items not included within the scope of IFRS 15 have been removed from 'Revenue arising from contracts with customers' and are kept within the same note even though it has been removed from revenue.
[3] Sundry income includes profit on disposal of non-core assets and non-interest income includes sale of shares of the Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers (Pty) Ltd and Absa Multi-Managers (a division of Absa Investment Management (Pty) Ltd)) which amounted to a profit on sale before tax of R759m.
[4] These numbers have changed, refer to report overview.

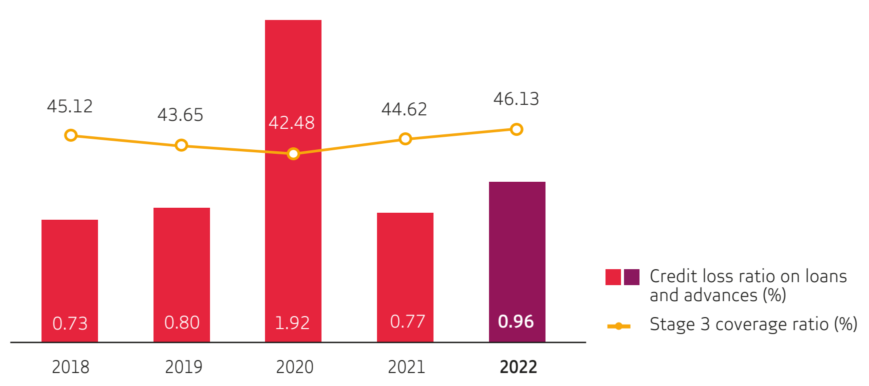
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges

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

Credit loss and Stage 3 coverage ratio



Charge to the statement of comprehensive income by market segment	2022 Rm	2021 Rm	Change %
Product Solutions Cluster			
Home Loans	688	(134)	<(100)
Vehicle and Asset Finance	1 898	1 426	33
Total charge	2 586	1 292	>100
Credit loss ratio (%)	0.65	0.35	
Everyday Banking			
Card	2 888	2 356	23
Personal loans	2 447	1 643	49
Transactions and deposits	438	349	26
Other	2	—	100
Total charge	5 775	4 348	33
Credit loss ratio (%)	6.45	4.99	
Relationship Banking	618	867	(29)
Credit loss ratio (%)	0.45	0.67	
ARO RBB	1 182	1 290	(8)
Credit loss ratio (%)	1.64	2.03	
CIB			
CIB SA	424	660	(36)
CIB ARO	954	76	>100
Total charge	1 378	736	87
Credit loss ratio (%)	0.27	0.17	
Head Office, Treasury and other operations			
Total charge	2 164	(34)	<(100)
Total charge to the statement of comprehensive income	13 703	8 499	61

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

Charge to the statement of comprehensive income by market segment (continued)	2022 Rm	2021 Rm	Change %
Comprising:			
Credit impairment charges raised	14 173	8 883	60
Loans and advances to customers and undrawn facilities	11 778	8 376	41
Loans and advances to banks	(7)	13	<(100)
Other financial instruments subject to credit impairment	2 190	238	>100
Guarantees and letters of credit	212	256	(17)
Recoveries of financial instruments subject to credit impairment previously written off	(1 010)	(775)	30
Modifications	540	391	38
Total charge to the statement of comprehensive income	13 703	8 499	61

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.2 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.

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance

The following tables set 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	Total expected credit losses
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	Total expected credit losses
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 report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

2022 Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	2021[1]							
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance 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 report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.4 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 4.2. 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 impairment charge 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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

Macroeconomic scenarios (continued)

Baseline scenarios 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.

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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

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	2022 % 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	2021 % change
ECL allowance on stage 1 and stage 2 loans and advances	13 966	—
Baseline	13 752	(2)
Upside	13 722	(2)
Downside	14 444	3

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 significant increase in credit risk 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	2022 Stage 2 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] Increase in gross carrying amount Rm	2021[1] 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

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 4.2 for an ECL analysis by market segment and class of credit exposure for the entire portfolio.

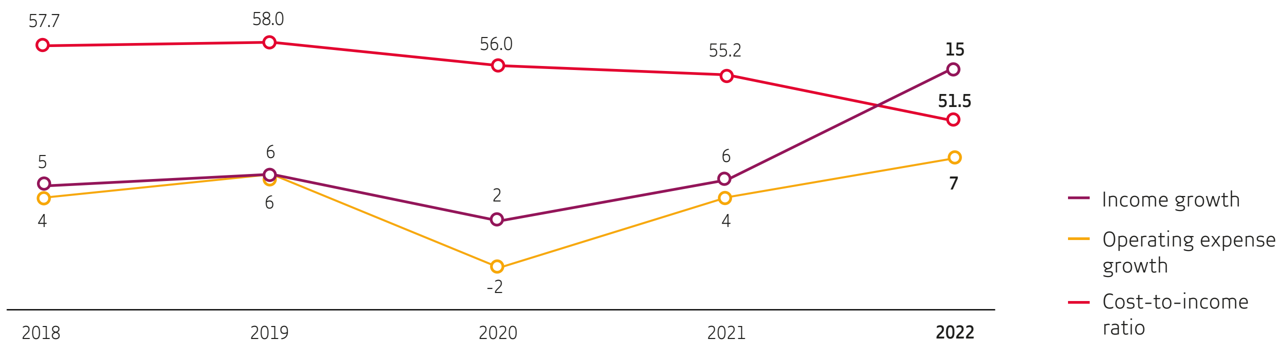
[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	2022 Rm	2021 Rm	Change %
Amortisation of intangible assets	**1 668**	1 445	15
Auditors' remuneration	**496**	450	10
Cash transportation	**1 123**	1 135	(1)
Depreciation	**3 133**	3 465	(10)
Equipment costs	**441**	333	32
Information technology	**5 541**	4 928	12
Marketing costs	**1 720**	1 287	34
Other operating costs (includes net fraud losses, travel and entertainment costs)	**2 459**	2 340	5
Printing and stationery	**319**	288	11
Professional fees	**2 884**	2 358	22
Property costs	**1 862**	1 879	(1)
Staff costs	**27 873**	26 147	7
Bonuses	**3 256**	2 709	20
Deferred cash and share-based payments	**773**	616	25
Other staff costs[1]	**895**	876	2
Salaries and current service costs on post-retirement benefit funds	**22 359**	21 566	4
Training costs	**590**	380	55
Straight-line lease expenses on short-term leases and low value assets	**221**	204	8
Telephone and postage	**1 167**	1 153	1
	50 907	47 412	7

Breakdown of IT-related spend included in operating expenses	2022 Rm	2021 Rm	Change %
Amortisation of intangible assets and depreciation of IT equipment	**2 426**	2 468	(2)
Information technology	**5 541**	4 928	12
Staff costs[2]	**3 181**	2 813	13
of which staff costs pre the capitalisation of project-related resource costs	**3 658**	3 306	11
Other IT-related spend[2]	**1 491**	1 451	3
	12 639	11 660	8

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.
[2] Prior year restated for Staff and Other costs disclosed as IT-related spend in the current reporting period.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses (continued)

Operating costs increased by **7%** (CCY 7%) to **R50 907m** (2021: R47 412m) reflecting an increase in staff costs of **7%** (CCY 6%) whilst non-staff costs increased by **8%** (CCY 7%). Staff cost growth includes higher performance incentives, excluding which salaries and other remaining staff costs growth was inflationary, increasing by **5%** (CCY 4%). Non-staff cost growth mainly reflects higher marketing, professional fees, information technology costs and amortisation charges from investments made, which were partially offset by lower depreciation, property and cash transportation costs.

- Amortisation of intangible assets increased by **15%** (CCY 15%) to **R1 668m**. The Group has continued to invest in new digital, data and automation capabilities which has resulted in an increase in Goodwill and intangible assets to **R10 916m** (2021: R9 008m).
- Cash transportation costs decreased by **1%** (CCY 1%) to **R1 123m** and reflect lower merchant cash volumes supported by a migration towards digital banking and increased cash recycling.
- Depreciation decreased by **10%** (CCY 10%) to **R3 133m** from reduced utilisation of physical IT infrastructure and optimisation of the corporate and retail property footprint.
- Information technology costs increased by **12%** (CCY 13%) to **R5 541m** and mainly reflect continuing investment into digital platforms resulting in higher software licence and maintenance costs as well as increased cybersecurity spend.
- Marketing costs increased by **34%** (CCY 33%) to **R1 720m** following higher campaigns, sponsorship and corporate social investment spend.
- Other operating costs increased by **5%** (CCY 0%) to **R2 459m** due to increased business travel, from a low 2021 base impacted by COVID-19, which was offset by lower operational and fraud losses.
- Professional fees increased by **22%** (CCY 22%) to **R2 884m** mainly reflecting increased use of external resources on strategic projects and to support technology platforms.
- Property costs decreased by **1%** (CCY 1%) to **R1 862m** as the Group continued to benefit from property optimisation on corporate and retail properties.
- Staff costs increased by 7% (CCY 6%) to **R27 873m** (2021: R26 147m). Salaries and Other staff costs of **R23 254m** (up **4%**, CCY 3%) increased by inflation partially offset by restructuring costs in the prior year base. Bonuses of **R3 256m** (2021: R2 709m) increased by **20%** (CCY 20%) linked to the Group's financial performance whilst Deferred cash and share-based payments of **R773m** (2021: R616m) increased by **25%** (CCY 26%).
- Telephone and postage costs increased by **1%** (CCY 0%) to **R1 167m** as higher postage costs were partially offset by reduced communication costs.

6. Indirect taxation

	2022 Rm	2021 Rm	Change %
Training levy	**232**	209	11
Value-added tax net of input credits	**1 718**	1 654	4
	1 950	1 863	5

7. Taxation expense

	2022 Rm	2021 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**31 860**	27 847	14
Share of post-tax results of associates and joint ventures	**(137)**	(132)	4
	31 723	27 715	14
Tax calculated at a tax rate of 28%	**8 882**	7 760	14
Effect of different tax rates in other countries	**384**	274	40
Expenses not deductible for tax purposes[1]	**370**	734	(50)
Assessed losses[2]	**126**	124	2
Dividend income	**(952)**	(856)	11
Non-taxable interest	**(672)**	(526)	28
Other income not subject to tax	**(35)**	(15)	>100
Other	**220**	49	>100
Effect of tax rate changes[3]	**129**	33	>100
Items of a capital nature	**(73)**	27	<(100)
	8 379	7 604	10

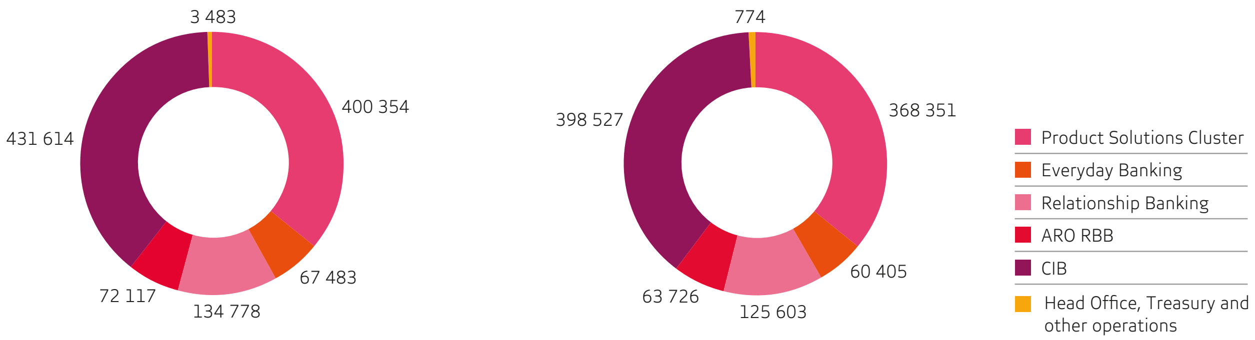
[1] This includes additional tax levies and general non-deductible expenses due to the application of in-country tax legislation.
[2] Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.
[3] During the budget speech presented on 23 February 2022, the finance minister announced that the South African corporate tax rate will be reduced from 28% to 27%, effective for tax assessment years ending after 31 March 2023. This change was substantively enacted at the balance sheet date and has therefore been reflected in the measurement of the Group's deferred tax balances at 31 December 2022.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

8. Loans and advances

Loans and advances to customers by segment (Rm)



2022 2021

	2022 %	2021[1] %
Loans and advances to customers	91.5	93.1
Product Solutions Cluster	33.0	33.7
Everyday Banking	5.6	5.5
Relationship Banking	11.1	11.5
ARO RBB	5.9	5.8
CIB	35.6	36.5
Head Office, Treasury and other operations	0.3	0.1
Loans and advances to banks	8.5	6.9
	100.0	100.0

Loans and advances to customers by segment	2022 Rm	2021[1] Rm	Change %
Product Solutions Cluster			
Instalment credit agreements	87 333	80 096	9
Loans to associates and joint ventures	20 594	21 326	(3)
Mortgages	297 093	273 366	9
Other loans and advances	5 505	2 671	>100
Overdrafts	3 887	4 048	(4)
Personal and term loans	—	—	—
Gross loans and advances to customers	414 412	381 507	9
Credit impairment charges on loans and advances to customers	(14 058)	(13 156)	7
	400 354	368 351	9

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

8. Loans and advances (continued)

Loans and advances to customers by segment (continued)	2022 Rm	2021[1] Rm	Change %
Everyday Banking			
Credit cards	49 707	44 338	12
Instalment credit agreements	6	5	20
Loans to associates and joint ventures	—	—	—
Mortgages	—	—	—
Other loans and advances	5	4	25
Overdrafts	3 927	3 595	9
Personal and term loans	27 987	25 064	12
Gross loans and advances to customers	81 632	73 006	12
Credit impairment charges on loans and advances to customers	(14 149)	(12 601)	12
	67 483	60 405	12
Relationship Banking			
Credit cards	922	772	19
Instalment credit agreements	35 328	32 885	7
Loans to associates and joint ventures	3 055	3 074	(1)
Mortgages	26 767	27 358	(2)
Other loans and advances	996	948	5
Overdrafts	28 159	25 486	10
Personal and term loans	44 378	40 316	10
Gross loans and advances to customers	139 605	130 839	7
Credit impairment charges on loans and advances to customers	(4 827)	(5 236)	(8)
	134 778	125 603	7
ARO RBB			
Gross loans and advances to customers	77 938	69 251	13
Credit impairment charges on loans and advances to customers	(5 821)	(5 525)	5
	72 117	63 726	13
CIB			
CIB SA	366 055	341 117	7
Foreign currency loans	54 476	37 949	44
Mortgages	56 753	52 550	8
Term loans	133 080	115 219	16
Overdrafts	15 762	12 358	28
Overnight finance	23 010	24 759	(7)
Preference shares	30 200	27 450	10
Reverse repurchase agreements	41 948	60 208	(30)
Other loans and advances	10 826	10 624	2
ARO loans and advances	71 832	62 608	15
Gross loans and advances to customers	437 887	403 725	8
Credit impairment charges on loans and advances to customers	(6 273)	(5 198)	21
	431 614	398 527	8

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

Performance indicators and condensed normalised notes to the consolidated financial statements

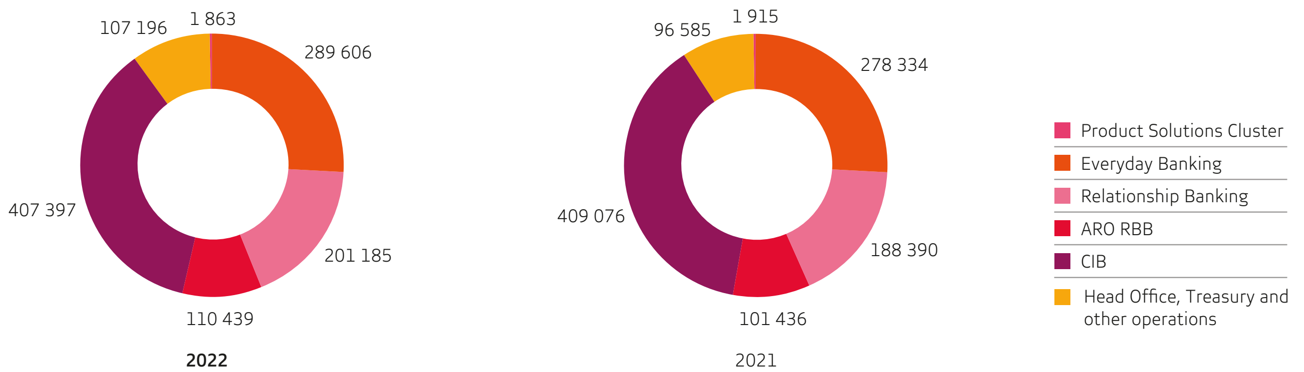
for the reporting period ended 31 December

8. Loans and advances (continued)

Loans and advances to customers by segment (continued)	2022 Rm	2021 Rm	Change %
Head Office, Treasury and other operations			
Gross loans and advances to customers	**3 165**	416	>100
Credit impairment charges on loans and advances to customers	**318**	358	(11)
	3 483	774	>100
Total loans and advances			
Gross loans and advances to customers	**1 154 639**	1 058 744	9
Gross loans and advances to banks	**103 649**	74 953	38
Gross loans and advances	**1 258 288**	1 133 697	11
Credit impairment charges on loans and advances	**(44 889)**	(41 440)	8
Credit impairment charges on loans and advances to customers	**(44 810)**	(41 358)	8
Credit impairment charges on loans and advances to banks	**(79)**	(82)	(4)
Net loans and advances including reverse repurchase agreements	**1 213 399**	1 092 257	11
Less: Reverse repurchase agreements	**(41 948)**	(85 992)	(51)
Net loans and advances excluding reverse repurchase agreements	**1 171 451**	1 006 265	16

9. Deposits

Deposits due to customers by segment (Rm)



Total funding mix	2022 %	2021 %
Deposits due to customers	**76.9**	82.6
Product Solutions Cluster	**0.1**	0.1
Everyday Banking	**20.0**	21.4
Relationship Banking	**13.9**	14.5
ARO RBB	**7.6**	7.8
CIB[1]	**28.1**	31.4
Head Office, Treasury and other operations[1]	**7.2**	7.5
Deposits from banks[1]	**8.9**	7.5
Debt securities in issue	**14.2**	10.0
	100.0	100.0

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits (continued)

Deposits by segment[1]	2022 Rm	2021 Rm	Change %
Product Solutions Cluster	**1 863**	1 915	(3)
Cheque account deposits	**1 605**	1 654	(3)
Fixed deposits	**2**	1	100
Other deposits	**256**	260	(2)
Everyday Banking	**289 606**	278 334	4
Call deposits	**235**	227	4
Cheque account deposits	**36 609**	36 916	(1)
Credit card deposits	**2 032**	2 052	(1)
Fixed deposits	**75 244**	69 037	9
Foreign currency deposits	**884**	919	(4)
Notice deposits	**29 499**	29 805	(1)
Other deposits	**100**	94	6
Saving and transmission deposits	**145 003**	139 284	4
Relationship Banking	**201 185**	188 390	7
Call deposits	**14 559**	15 628	(7)
Cheque account deposits	**75 295**	71 260	6
Credit card deposits	**110**	85	29
Fixed deposits	**24 821**	23 133	7
Foreign currency deposits	**789**	361	>100
Notice deposits	**5 447**	3 818	43
Other deposits	**11**	61	(82)
Saving and transmission deposits	**80 153**	74 044	8
ARO RBB	**110 439**	101 436	9
CIB	**407 397**	409 076	(0)
CIB SA deposits	**318 883**	320 687	(1)
Call deposits	**46 155**	39 515	17
Cheque account deposits	**127 803**	124 199	3
Fixed deposits	**67 002**	75 525	(11)
Foreign currency deposits	**32 089**	28 550	12
Notice deposits	**14 647**	18 542	(21)
Other deposits	**504**	521	(3)
Repurchase agreements	**19 071**	21 863	(13)
Saving and transmission deposits	**11 612**	11 972	(3)
CIB ARO deposits	**88 514**	88 389	0
Head Office, Treasury and other operations	**102 792**	96 585	6
Total deposits due to customers including repurchase agreements	**1 113 282**	1 075 736	3
Total deposits from banks including repurchase agreements	**128 637**	98 030	31
Total deposits including reverse repurchase agreements	**1 241 919**	1 173 766	6
Less: Repurchase agreements	**(88 225)**	(74 404)	19
Total deposits excluding repurchase agreements	**1 153 694**	1 099 362	5

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

10. Debt securities in issue

	2022 Rm	2021 Rm	Change %
Commercial paper	4 802	1 913	>100
Credit-linked notes[1]	19 734	13 864	42
Floating rate notes	51 722	34 693	49
Negotiable certificates of deposit	88 429	38 978	>100
Other	2 121	2 124	(0)
Promissory notes	2	2	—
Senior notes	38 608	38 100	1
Structured notes and bonds	101	101	—
	205 519	129 775	58
Segment split[1]			
ARO RBB	88	84	5
CIB	26 669	17 989	48
Head Office, Treasury and other operations	178 762	111 702	60
	205 519	129 775	58

11. Equity and borrowed funds

	2022 Rm	2021 Rm	Change %
Authorised			
891 774 054 (2021: 891 774 054) ordinary shares of R2.00 each	1 784	1 784	—
Issued			
847 750 679 (2021: 847 750 679) ordinary shares of R2.00	1 696	1 696	—
4 344 343 (2021: 1 485 177) treasury shares held by Group entities	(10)	(4)	>100
	1 686	1 692	(0)
Total issued capital			
Share capital	1 686	1 692	(0)
Share premium	3 636	4 089	(11)
	5 322	5 781	(8)

Number of ordinary shares in issue (after deductions of treasury shares)	2022 Number of shares (million)	2021 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	847.8	847.8	—
Treasury shares held by the Group	(4.3)	(1.5)	>100
	843.5	846.3	(0)

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

11. Equity and borrowed funds (continued)

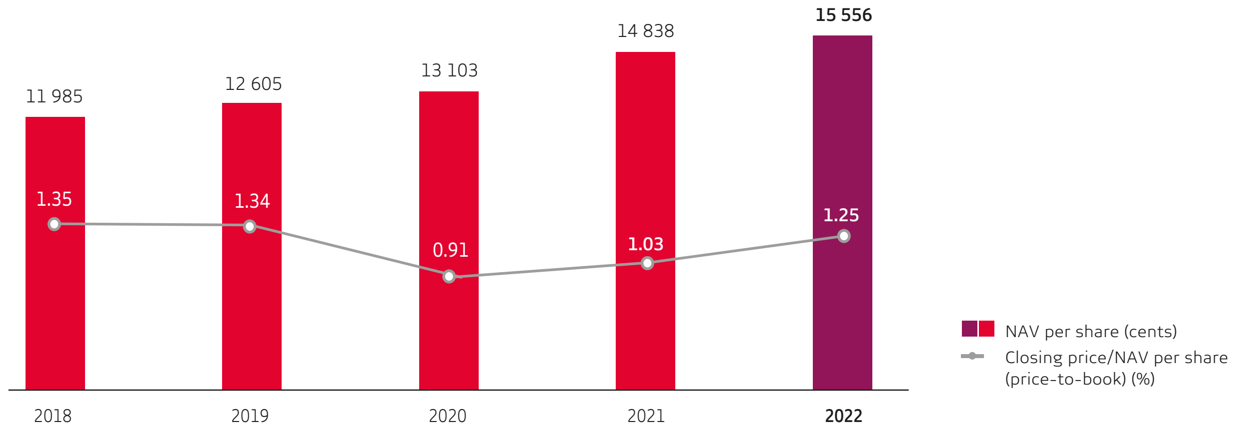
Borrowed funds		2022 Rm	2021 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**			
Consumer price index linked notes fixed at 5.50%	7 December 2028	1 500	1 500	—
Subordinated callable notes issued by Absa Group Limited				
11.81%	3 September 2027	—	737	(100)
Three-months JIBAR + 3.60%	3 September 2027	—	30	(100)
Three-months JIBAR + 3.78%	17 March 2027	—	642	(100)
Three-months JIBAR + 3.85%	25 May 2027	—	500	(100)
Three-months JIBAR + 3.15%	30 September 2027	—	295	(100)
Three-month JIBAR + 2.10%	16 September 2032	1 916	—	100
Three-months JIBAR + 2.13%	17 May 2030	2 676	2 676	—
Three-months JIBAR + 2.40%	11 April 2029	1 580	1 580	—
Three-months JIBAR + 2.45%	29 November 2028	1 500	1 500	—
Three-months JIBAR + 3.85%	14 August 2029	390	390	—
Three-months JIBAR + 3.45%	29 September 2029	1 014	1 014	—
Foreign currency denominated notes				
USD 6.25%	25 April 2028	4 952	4 952	—
USD 6.375%	n/a	6 866	6 866	—
Subordinated callable notes issued by other subsidiaries				
Bank of Botswana limit rate + 2.25%	14 November 2028	136	136	—
Other				
Accrued interest		1 401	1 196	17
Fair value adjustments		(940)	60	<(100)
Foreign exchange movements		3 429	2 526	36
		26 420	26 600	(1)

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

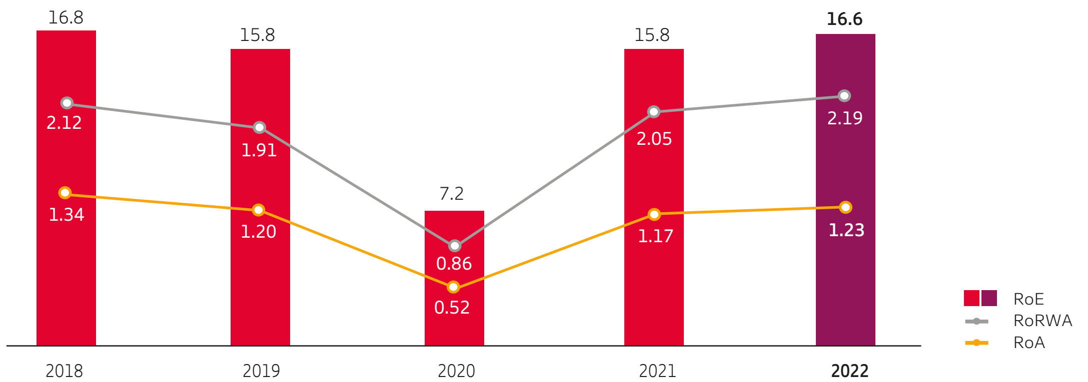
11. Equity and borrowed funds (continued)

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



Returns

RoE, RoA and RoRWA (%)



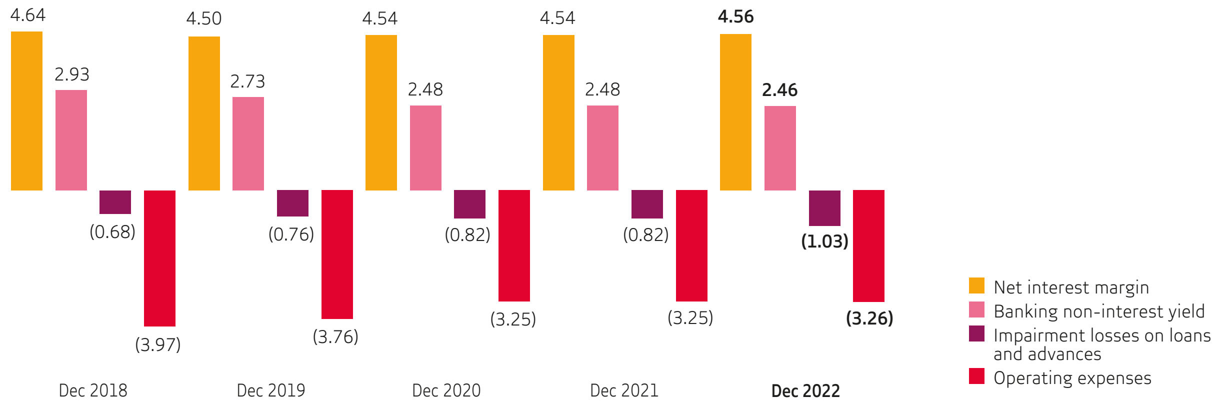
Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

12. RoE decomposition

Major drivers of RoE (%)



		2022 %	2021 %
	Net interest margin on average interest-bearing assets	**4.56**	4.46
Less:	Credit impairment charges/average interest-bearing assets	**1.03**	0.71
Equals:	Net interest margin on average interest-bearing assets – after credit impairment charges	**3.53**	3.75
Multiply:	Average interest-bearing assets/average banking assets	**84.93**	83.06
Equals:	Banking interest yield	**3.00**	3.11
Plus:	Banking non-interest yield	**2.46**	2.26
Equals:	Banking income yield	**5.46**	5.38
Less:	Operating expenses/average banking assets	**3.26**	3.29
Equals:	Net banking return	**2.20**	2.08
Less:	Other[1]	**0.85**	0.79
Equals:	Banking return	**1.35**	1.29
Multiply:	Average banking assets/total average assets	**90.92**	91.26
Equals:	RoA	**1.23**	1.18
Multiply:	Leverage	**13.50**	13.40
Equals:	RoE	**16.60**	15.8

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

13. Off-statement of financial position items

	2022 Rm	2021 Rm	Change %
Contingencies, commitments and similar items			
Guarantees	**55 851**	48 828	14
Irrevocable debt facilities[1]	**120 225**	125 598	(4)
Letter of credit	**24 269**	17 782	36
Other	**10**	—	100
	200 355	192 208	4
Authorised capital expenditure			
Contracted but not provided for	**690**	938	(26)

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

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

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

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

14. Legal proceedings

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.

[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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

14. Legal proceedings (continued)

Regulatory developments

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

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

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

15. 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

16. Change in accounting policy and correction of prior period error

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

16.1 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 16.2 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 increase/(decrease) in other assets	(2 694)	3 655	—	(512)	449
Net increase in loans and advances	(64 279)	—	(3 118)	—	(67 397)
Net cash generated from operating activities	6 475	3 655	(3 118)	(512)	6 500

	1 January 2021				
		Accounting policy change	Correction of prior period errors (refer to note 16.2 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

16.2 Correction of prior period errors

16.2.1 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 16.1 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.

16.2.2 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

16. Change in accounting policy and correction of prior period error (continued)

16.2 Correction of prior period errors (continued)

16.2.1 Trading and hedging portfolio assets and liabilities and debt securities (continued)

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)

	31 December 2021		
Statement of cash flows	As previously reported Rm	Correction of prior period error Rm	Restated Rm
Net increase in trading and hedging portfolio assets	12 653	7	12 660
Net decrease in other liabilities	(2 693)	(7)	(2 700)

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective

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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective
(continued)

IFRS 17 – Insurance Contracts (continued)

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 of:

(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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective
(continued)

IFRS 17 – Insurance Contracts (continued)

Measurement overview

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 experiences 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective
(continued)

IFRS 17 – Insurance Contracts (continued)

Measurement overview

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 where a significant financing component exists	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 number 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:

- 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective

(continued)

IFRS 17 – Insurance Contracts (continued)

Measurement overview

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;
- identify, recognise and measure any assets for insurance acquisition cash flows as if the Standard had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Standards issued not yet effective

(continued)

IFRS 17 – Insurance Contracts (continued)

Measurement overview

Transition (continued)

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 fulfillment 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.

Segment performance

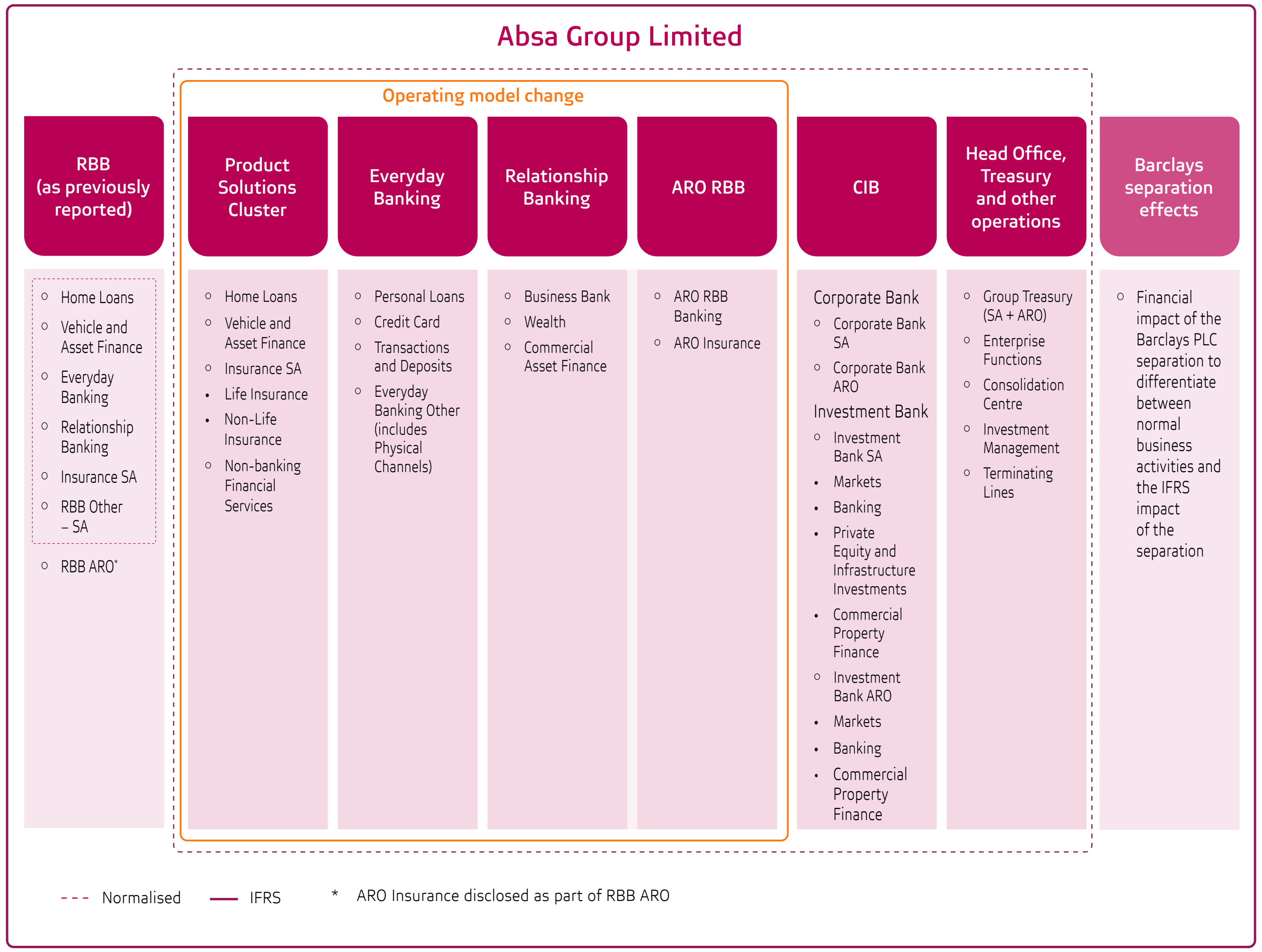
71 Segment performance overview
74 Segment report per market segment
76 Segment report per geographical segment
78 Product Solutions Cluster
91 Everyday Banking
98 Relationship Banking
101 ARO RBB
104 CIB
116 Head Office, Treasury and other operations

Segment performance overview

for the reporting period ended 31 December

Segment reporting structure

The Group has identified its operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity. In the current reporting period the group moved from two commercial businesses to five business units. The identified reportable segments in the below table are disclosed based on how the Group's businesses have been managed and reported at the reporting date to the Group Executive Committee, which is seen as the Chief Operating Decision Maker.



Segment performance overview

for the reporting period ended 31 December

Operational metrics

	2022	2021	Change %	2020
Customer numbers[1]				
South Africa				
Customer number (millions)	**9.7**	9.6	1	9.5
Digitally active customers (thousands)	**2 313**	2 099	10	1 886
Absa Regional Operations				
Active customer numbers	**1.7**	1.6	6	1.6
Digitally active customers (thousands)	**669**	589	20	504
Retail Product Holding				
South Africa (average number)	**2.46**	2.39	3	2.34
Absa Regional Operations	**1.69**	1.71	1	1.71
Market share				
SA Retail Deposits market share (%)[2]	**21.4**	21.9	(2)	21.7
SA Retail Advances market share (%)[2]	**22.3**	22.2	(1)	21.8
Physical footprint				
South Africa[4]				
Outlets (including number of branches and sales centres)	**621**	616	1	619
ATMs	**5 364**	7 613	(30)	8 660
Absa Regional Operations				
Outlets (including number of branches and sales centres)[3]	**376**	391	1	372
ATMs	**1 052**	1 053	(0)	1 074
Number of permanent and temporary employees	**35 451**	35 267	1	36 737
South Africa (excludes WFS employees)	**25 719**	25 908	(1)	27 160
Absa Regional Operations	**9 556**	9 180	4	9 543
International operations outside Africa[5]	**176**	179	(2)	34

[1] Absa regional operations customer numbers are calculated based on active customer numbers and not total customers.
[2] Source: BA900.
[3] Prior year figures have been restated.
[4] South Africa includes Everyday Banking and Relationship Banking.
[5] Headcount as disclosed is in relation to the Group's international offices in the United States, the United Kingdom and the Czech Republic.

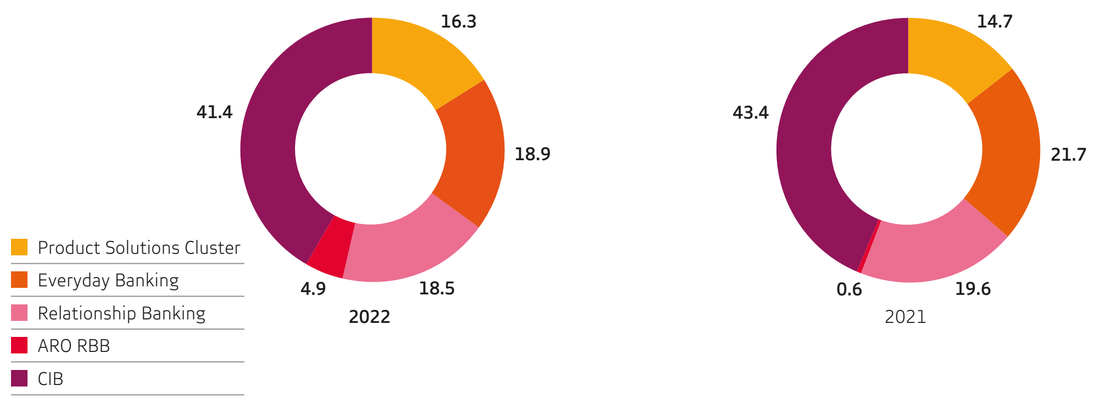
Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Segment performance overview

for the reporting period ended 31 December

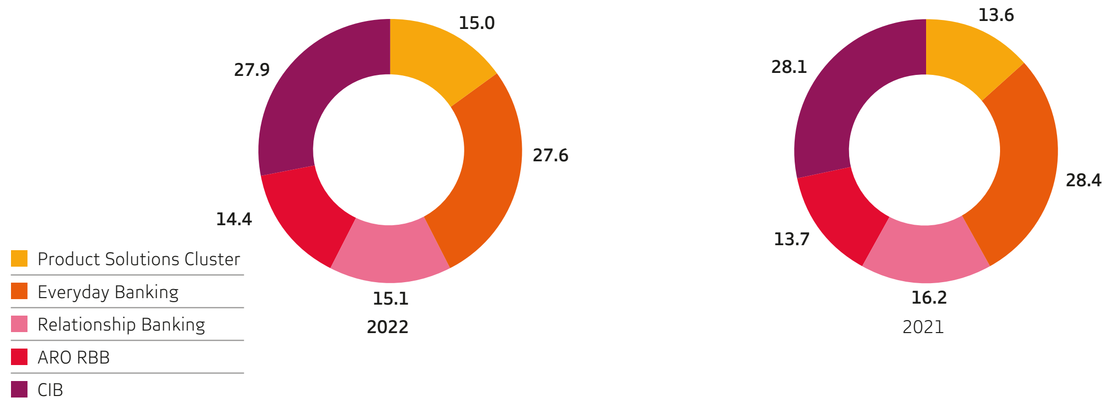
Performance per market segment

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



Headline earnings[1]	2022 Rm	2021 Rm	Change %
Product Solutions Cluster	**3 531**	2 793	26
Everyday Banking	**4 108**	4 126	(0)
Relationship Banking	**4 024**	3 719	8
ARO RBB	**1 068**	106	>100
CIB	**8 977**	8 250	9
Head Office, Treasury and other operations	**(692)**	(403)	72
	21 016	18 591	13

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



Income	2022 Rm	2021 Rm	Change %
Product Solutions Cluster	**14 356**	11 496	25
Everyday Banking	**26 487**	24 075	10
Relationship Banking	**14 442**	13 713	5
ARO RBB	**13 854**	11 640	19
CIB	**26 783**	23 866	12
Head Office, Treasury and other operations	**2 952**	1 083	>100
	98 874	85 873	15

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

Segment report per market segment

for the reporting period ended 31 December

	Product Solutions Cluster			Everyday Banking			Relationship Banking		
	2022	2021[1]	Change %	2022	2021[1]	Change %	2022	2021[1]	Change %
Statement of comprehensive income (Rm)									
Net interest income	9 154	8 248	11	14 373	12 939	11	9 337	8 765	7
Non-interest income	5 202	3 248	60	12 114	11 136	9	5 105	4 948	3
Total income	14 356	11 496	25	26 487	24 075	10	14 442	13 713	5
Credit impairment charges	(2 586)	(1 292)	>100	(5 775)	(4 348)	33	(618)	(867)	(29)
Operating expenses	(6 435)	(5 900)	9	(13 917)	(13 313)	5	(7 933)	(7 457)	6
Other expenses	(219)	(182)	20	(576)	(439)	31	(30)	(30)	—
Operating profit before income tax	5 116	4 122	24	6 219	5 975	4	5 861	5 359	9
Tax expense	(1 396)	(1 163)	20	(1 846)	(1 655)	12	(1 661)	(1 473)	13
Profit for the reporting period	3 720	2 959	26	4 373	4 320	1	4 200	3 886	8
Profit attributable to:									
Ordinary equity holders	3 505	2 769	27	4 078	4 121	(1)	4 018	3 700	9
Non-controlling interest – ordinary shares	—	—	—	158	79	100	—	—	—
Non-controlling interest – preference shares	65	55	18	42	35	20	56	55	2
Other equity – Additional Tier 1 capital	150	135	11	95	85	12	126	131	(4)
	3 720	2 959	26	4 373	4 320	1	4 200	3 886	8
Headline earnings	3 531	2 793	26	4 108	4 126	(0)	4 024	3 719	8
Operating performance (%)									
Net interest margin on average interest-bearing assets	2.19	2.17		3.97	3.83		3.82	3.88	
Credit loss ratio	0.65	0.35		6.45	4.99		0.45	0.67	
Non-interest income as % of income	36.2	28.3		45.7	46.3		35.3	36.1	
Income growth	25	0		10	(1)		5	4	
Operating expenses growth	9	8		5	7		6	2	
Cost-to-income ratio	44.8	51.3		52.5	55.3		54.9	54.4	
Statement of financial position (Rm)									
Loans and advances	402 364	369 589	9	76 523	73 268	4	136 091	126 274	8
Loans and advances to customers	400 354	368 351	9	67 483	60 405	12	134 778	125 603	7
Loans and advances to banks	2 010	1 238	62	9 040	12 863	(30)	1 313	671	96
Investment securities	26 718	23 363	14	3 901	3 574	9	6 590	6 111	8
Other assets	59 235	58 632	1	309 590	292 758	6	123 819	116 888	6
Total assets	488 317	451 584	8	390 014	369 600	6	266 500	249 273	7
Deposits	1 863	1 915	(3)	289 606	278 334	4	201 191	188 394	7
Deposits due to customers	1 863	1 915	(3)	289 606	278 334	4	201 185	188 390	7
Deposits due to banks	—	—	—	—	—	—	6	4	50
Debt securities in issue	—	—	—	—	—	—	—	—	—
Other liabilities	476 612	442 132	8	94 699	84 975	11	60 914	56 637	8
Total liabilities	478 475	444 047	8	384 305	363 309	6	262 105	245 031	7
Financial performance (%)									
RoRWA[2]	2.07	1.81		3.82	4.00		3.08	2.70	
RoA	0.75	0.65		1.14	1.22		1.57	1.57	
RoRC	16.2	14.4		32.0	34.5		27.2	23.9	

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

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

	ARO RBB				CIB				Head Office, Treasury and other operations				Normalised Group performance			
	2022	2021[1]	CCY %	Change %	2022	2021[1]	CCY %	Change %	2022	2021[1]	CCY %	Change %	2022	2021[1]	CCY %	Change %
Statement of comprehensive income (Rm)																
Net interest income	9 713	8 372	16	16	16 458	14 571	14	13	1 405	402	>100	>100	60 440	53 297	13	13
Non-interest income	4 141	3 268	25	27	10 325	9 295	13	11	1 547	681	>100	>100	38 434	32 576	18	18
Total income	13 854	11 640	18	19	26 783	23 866	13	12	2 952	1 083	>100	>100	98 874	85 873	15	15
Credit impairment charges	(1 182)	(1 290)	(4)	(8)	(1 378)	(736)	>100	87	(2 164)	34	<(100)	<(100)	(13 703)	(8 499)	82	61
Operating expenses	(9 777)	(8 499)	13	15	(12 508)	(11 217)	11	12	(337)	(1 026)	(67)	(67)	(50 907)	(47 412)	7	7
Other expenses	(425)	(463)	(9)	(8)	(281)	(318)	(12)	(12)	(873)	(683)	28	28	(2 404)	(2 115)	13	14
Operating profit before income tax	2 470	1 388	80	78	12 616	11 595	7	9	(422)	(592)	>100	(29)	31 860	27 847	10	14
Tax expense	(813)	(803)	6	1	(2 815)	(2 661)	5	6	152	151	>100	1	(8 379)	(7 604)	5	10
Profit for the reporting period	1 657	585	>100	>100	9 801	8 934	8	10	(270)	(441)	>100	(39)	23 481	20 243	11	16
Profit attributable to:																
Ordinary equity holders	1 036	122	>100	>100	8 965	8 229	7	9	(295)	(376)	>100	(22)	21 307	18 565	13	15
Non-controlling interest – ordinary shares	621	463	31	34	495	374	29	32	25	(65)	<(100)	>100	1 299	851	49	53
Non-controlling interest – preference shares	—	—	—	—	103	97	7	6	—	—	—	—	266	242	10	10
Other equity – Additional Tier 1 capital	—	—	—	—	238	234	2	2	—	—	—	—	609	585	4	4
	1 657	585	>100	>100	9 801	8 934	8	10	(270)	(441)	>100	(39)	23 481	20 243	11	16
Headline earnings	1 068	106	>100	>100	8 977	8 250	7	9	(692)	(403)	>100	72	21 016	18 591	8	13
Operating performance (%)																
Net interest margin on average interest-bearing assets	8.90	8.69			2.52	2.41			n/a	n/a			4.56	4.46		
Credit loss ratio	1.64	2.03			0.27	0.17			n/a	n/a			0.96	0.77		
Non-interest income as % of income	29.9	28.1			38.6	38.9			n/a	n/a			38.9	37.9		
Income growth	19	(5)			12	10			n/a	n/a			15	6		
Operating expenses growth	15	(7)			12	10			n/a	n/a			7	4		
Cost-to-income ratio	70.6	73.0			46.7	47.0			n/a	n/a			51.5	55.2		
Statement of financial position (Rm)																
Loans and advances	72 476	64 035	16	13	513 942	452 113	14	14	12 003	6 978	78	72	1 213 399	1 092 257	11	11
Loans and advances to customers	72 117	63 726	16	13	431 614	398 527	9	8	3 483	774	>100	>100	1 109 829	1 017 386	9	9
Loans and advances to banks	359	309	16	16	82 328	53 586	54	54	8 520	6 204	44	37	103 570	74 871	39	38
Investment securities	1 518	1 149	34	32	47 252	43 242	9	9	129 658	111 459	17	16	215 637	188 898	15	14
Other assets	57 096	53 249	11	7	513 409	493 715	5	4	(701 282)	(660 404)	6	6	361 867	354 838	4	2
Total assets	131 090	118 433	14	11	1 074 603	989 070	9	9	(559 621)	(541 967)	2	3	1 790 903	1 635 993	10	9
Deposits	110 714	101 467	13	9	499 609	482 385	4	4	138 936	121 271	14	15	1 241 919	1 173 766	6	6
Deposits due to customers	110 439	101 436	13	9	407 397	409 076	0	(0)	102 792	96 585	7	6	1 113 282	1 075 736	4	3
Deposits due to banks	275	31	>100	>100	92 212	73 309	26	26	36 144	24 686	42	46	128 637	98 030	30	31
Debt securities in issue	88	84	0	5	26 669	17 989	38	48	178 762	111 702	61	60	205 519	129 775	58	58
Other liabilities	19 887	19 584	0	2	540 231	481 284	13	12	(998 888)	(895 666)	11	12	193 455	188 946	5	2
Total liabilities	130 689	121 135	11	8	1 066 509	981 658	9	9	(681 190)	(662 693)	2	3	1 640 893	1 492 487	11	10
Financial performance (%)																
RoRWA	1.15	0.13			2.49	2.37			n/a	n/a			2.19	2.05		
RoA	0.88	0.10			0.88	0.86			n/a	n/a			1.23	1.18		
RoRC	10.5	1.1			21.4	20. 6			n/a	n/a			n/a	n/a		

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

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

Segment report per geographical segment

for the reporting period ended 31 December

	South Africa			Africa regions				Normalised Group performance			
	2022	2021[1]	Change %	2022	2021[1]	CCY %	Change %	2022	2021[1]	CCY %	Change %
Statement of comprehensive income (Rm)											
Net interest income	43 965	39 767	11	16 475	13 530	22	22	60 440	53 297	13	13
Non-interest income	30 263	25 792	17	8 171	6 784	21	20	38 434	32 576	18	18
Total income	74 228	65 559	13	24 646	20 314	22	21	98 874	85 873	15	15
Credit impairment charges	(9 466)	(7 163)	32	(4 237)	(1 336)	>100	>100	(13 703)	(8 499)	82	61
Operating expenses	(36 777)	(34 970)	5	(14 130)	(12 442)	11	14	(50 907)	(47 412)	7	7
Other expenses	(1 881)	(1 578)	19	(523)	(537)	5	(3)	(2 404)	(2 115)	(5)	14
Operating profit before income tax	26 104	21 848	19	5 756	5 999	(23)	(4)	31 860	27 847	10	14
Tax expenses	(6 441)	(5 242)	23	(1 938)	(2 362)	(31)	(18)	(8 379)	(7 604)	5	10
Profit for the reporting period	19 663	16 606	18	3 818	3 637	(18)	5	23 481	20 243	11	16
Profit attributable to:											
Ordinary equity holders	18 631	15 702	19	2 676	2 863	(8)	(7)	21 307	18 565	13	15
Non-controlling interest – ordinary shares	158	76	>100	1 141	775	44	47	1 299	851	49	53
Non-controlling interest – preference shares	266	242	10	—	—	—	—	266	242	10	10
Other equity – Additional Tier 1 capital	609	585	4	—	—	—	—	609	585	4	4
	19 664	16 605	18	3 817	3 638	(18)	5	23 481	20 243	11	16
Headline earnings	18 297	15 762	16	2 719	2 829	(32)	(4)	21 016	18 591	8	13
Operating performance (%)											
Net interest margin on average interest-bearing assets	4.07	4.00		6.75	6.72			4.56	4.46		
Credit loss ratio	0.92	0.75		1.22	0.94			0.96	0.77		
Non-interest income as % of income	40.8	39.3		33.2	33.4			38.9	37.9		
Income growth	13	8		21	(2)			15	6		
Cost growth	5	7		14	(4)			7	4		
Cost-to-income ratio	49.5	53.3		57.3	61.2			51.5	55.2		
Statement of financial position (Rm)											
Loans and advances	1 043 465	940 457	11	169 934	151 800	15	12	1 213 399	1 092 257		11
Loans and advances to customers	968 914	893 373	8	140 915	124 013	17	14	1 109 829	1 017 386	9	9
Loans and advances to banks	74 551	47 084	58	29 019	27 787	6	6	103 570	74 871	39	38
Investment securities	135 957	122 906	11	79 680	65 992	23	21	215 637	188 898	15	14
Other assets	301 685	285 874	6	60 182	68 964	(1)	(13)	361 867	354 838	4	2
Total assets	1 481 107	1 349 237	10	309 796	286 756	13	8	1 790 903	1 635 993	10	9
Deposits	1 003 941	966 352	4	237 978	207 414	17	15	1 241 919	1 173 766	6	6
Deposits due to customers	908 272	880 247	3	205 010	195 489	8	5	1 113 282	1 075 736	4	3
Deposits due to banks	95 669	86 105	11	32 968	11 925	>100	>100	128 637	98 030	30	31
Debt securities in issue	202 511	126 681	60	3 008	3 094	29	(3)	205 519	129 775	58	58
Other liabilities	149 229	138 535	8	44 226	50 411	(1)	(12)	193 455	188 946	(21)	2
Total liabilities	1 355 681	1 231 568	10	285 212	260 919	14	9	1 640 893	1 492 487	11	10
Financial performance (%)											
RoRWA	2.69	2.36		0.96	1.17			2.19	2.05		
RoA	1.29	1.24		0.93	0.93			1.23	1.18		
RoRC	17.1	15.8		10.1	12.2			n/a	n/a		

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

Product Solutions Cluster

for the reporting period ended 31 December

Product Solutions Cluster headline earnings increased by **26%** to **R3.5bn** (2021: R2.8bn), as pre-provision profit grew **42%** supported by revenue growth of **25%** and prudent cost management with earnings partially offset by higher credit impairment charges.

Key performance highlights for the period include the following:

Net interest income increased by 11% to **R9.2bn** (2021: R8.2bn) reflecting balance sheet growth and stable underlying margins.

Non-interest income increased by 60% to **R5.2bn** (2021: R3.2bn) as the claims experience in Life Insurance started to normalise, partially offset by higher weather-related claims.

Net customer advances grew by 9% to **R400bn** (2021: R368bn).

Balance sheet resilience maintained across the business with total coverage levels and NPL ratio largely unchanged.

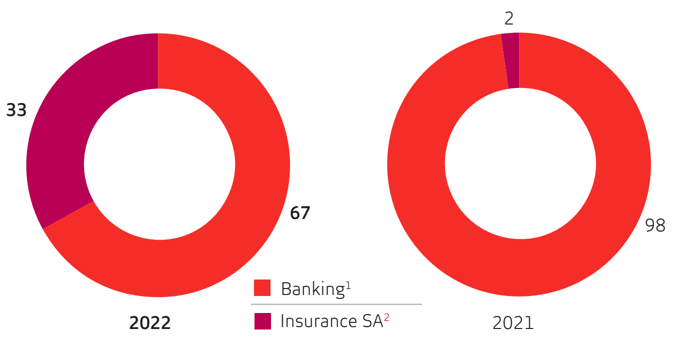
Embedded value of new business increased by 11% to **R605m** (2021: R543m).

Cost-to-income ratio improved to **44.8%** (2021: 51.3%) underpinned by stronger revenue performance resulting in positive **JAWS** of **16%.**

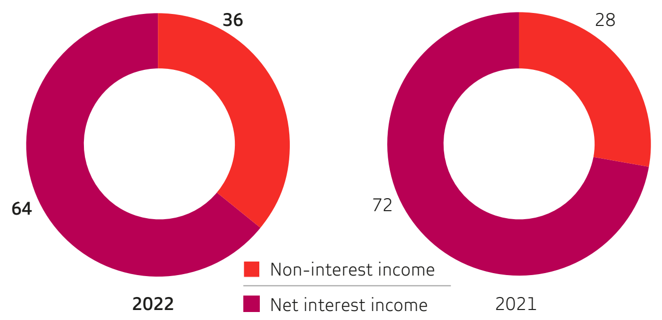
RoRC increased to **16.2%** (2021: 14.4%) as a result of solid headline earnings growth of 26%.

Credit loss ratio increased to **0.65%** (2021: 0.35%) given the non-repeat model enhancement benefits realised in 2021 and the deteriorating macro-economic conditions particularly in the second half of 2022.

Headline earnings contribution (%)



Revenue mix (%)



Salient features	2022	2021	Change %
Income (Rm)[3]	14 356	11 496	25
Pre-provision profit (Rm)[3]	7 921	5 596	42
Headline earnings (Rm)[3]	3 531	2 793	26
Credit loss ratio (%)	0.65	0.35	
Cost-to-income ratio (%)	44.8	51.3	
RoRC (%)	16.2	14.4	

[1] Bank includes Home Loans and Vehicle and Asset Finance
[2] Insurance SA includes Life Insurance and Non-Life Insurance
[3] These numbers have been restated, refer to the report overview.

Product Solutions Cluster

for the reporting period ended 31 December

Business profile

Product Solutions Cluster offers a comprehensive suite of product solutions to the retail consumer segment. Products include mortgages, vehicle financing, both life and non-life insurance products as well as an investment products and advisory services. Customers are served through an extensive distribution network which includes digital channels, branches, mortgage originators, dealerships, financial advisors and partnerships. The focus remains on providing a consistently superior experience across each of the channels tailored to the needs and expectations of each customer.

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships and preferred suppliers. VAF's joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Insurance SA** – includes the following:
  - Life Insurance offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - Non-Life Insurance provides non-life insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions being iDirect and Activate, are also available to the retail market.
- **Non-Banking Financial Services** – includes the following:
  - Absa Insurance and Financial Advisors which include face-to-face advisors, a digital advice platform and a direct sales service centre;
  - Stockbroking and Portfolio Management products and services to core middle market, retail affluent, private banking, wealth, and business clients;
  - Absa Trust facilitates wealth preservation through implementing estate planning solutions, including wills drafting and safe custody of wills, estate administration, trust administration and beneficiary fund administration;
  - The investment in Sanlam Investment Holdings and management of the associated distribution agreement; and
  - Insurance Group holding companies, related consolidation entries, allocated shareholder overhead expenses and investments spend.

Product Solutions Cluster

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance		
	2022	2021[1]	Change %	2022	2021[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**5 463**	5 156	6	**3 504**	3 117	12
Non-interest income	**464**	459	1	**645**	603	7
Total income	**5 927**	5 615	6	**4 149**	3 720	12
Credit impairment charges	**(688)**	134	>100	**(1 898)**	(1 426)	33
Operating expenses	**(1 937)**	(1 815)	7	**(1 511)**	(1 379)	10
Other expenses	**(40)**	(76)	(47)	**13**	53	(75)
Operating profit before income tax	**3 262**	3 858	(15)	**753**	968	(22)
Tax expenses	**(890)**	(1 062)	(16)	**(190)**	(234)	(19)
Profit for the reporting period	**2 372**	2 796	(15)	**563**	734	(23)
Profit attributable to:						
Ordinary equity holders	**2 228**	2 667	(16)	**493**	672	(27)
Non-controlling interest – preference shares	**43**	38	13	**21**	18	17
Other equity – Additional Tier 1 capital	**101**	91	11	**49**	44	11
	2 372	2 796	(15)	**563**	734	(23)
Headline earnings	**2 230**	2 692	(17)	**493**	672	(27)
Operating performance (%)						
Net interest margin on average interest-bearing assets	**1.77**	1.83		**3.21**	3.14	
Credit loss ratio	**0.24**	(0.05)		**1.76**	1.45	
Non-interest income as % of income	**7.8**	8.2		**15.5**	16.2	
Income growth	**6**	11		**12**	16	
Operating expenses growth	**7**	5		**10**	14	
Cost-to-income ratio	**32.7**	32.3		**36.4**	37.1	
Statement of financial position (Rm)						
Loans and advances	**293 691**	270 571	9	**106 952**	98 077	9
Loans and advances to customers	**293 402**	270 275	9	**106 952**	98 077	9
Loans and advances to banks	**289**	296	(2)	**—**	—	—
Investment securities	**15 559**	13 785	13	**5 337**	4 742	13
Other assets[1]	**30 507**	26 874	14	**3 948**	3 666	8
Total assets	**339 757**	311 230	9	**116 237**	106 485	9
Deposits	**1 863**	1 915	(3)	**—**	—	—
Deposits due to customers	**1 863**	1 915	(3)	**—**	—	—
Other liabilities	**334 147**	305 365	9	**114 728**	104 704	10
Total liabilities	**336 010**	307 280	9	**114 728**	104 704	10
Financial performance (%)						
RoRWA	**2.20**	2.89		**0.85**	1.25	
RoA	**0.68**	0.91		**0.45**	0.67	

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

Product Solutions Cluster

for the reporting period ended 31 December

	Insurance SA			Non-Banking Financial Services			Product Solutions Cluster		
	2022	2021	Change %	2022	2021[1]	Change %	2022	2021[1]	Change %
Statement of comprehensive income (Rm)									
Net interest income	**1**	(2)	>100	**186**	(23)	>100	**9 154**	8 248	11
Non-interest income	**3 119**	1 284	>100	**974**	902	8	**5 202**	3 248	60
Total income	**3 120**	1 282	>100	**1 160**	879	32	**14 356**	11 496	25
Credit impairment charges							**(2 586)**	(1 292)	>100
Operating expenses	**(1 071)**	(932)	15	**(1 916)**	(1 774)	8	**(6 435)**	(5 900)	9
Other expenses	**(152)**	(147)	3	**(40)**	(12)	>100	**(219)**	(182)	20
Operating profit before income tax	**1 897**	203	>100	**(796)**	(907)	(12)	**5 116**	4 122	24
Tax expenses	**(543)**	(135)	>100	**227**	268	(15)	**(1 396)**	(1 163)	20
Profit for the reporting period	**1 354**	68	>100	**(569)**	(639)	(11)	**3 720**	2 959	26
Profit attributable to:									
Ordinary equity holders	**1 354**	68	>100	**(570)**	(638)	(11)	**3 505**	2 769	27
Non-controlling interest – preference shares	**—**	—	—	**1**	(1)	>100	**65**	55	18
Other equity – Additional Tier 1 capital	**—**	—	—	**—**	—	—	**150**	135	11
	1 354	68	>100	**(569)**	(639)	(11)	**3 720**	2 959	26
Headline earnings	**1 354**	68	>100	**(546)**	(639)	(15)	**3 531**	2 793	26
Operating performance (%)									
Net interest margin on average interest-bearing assets	**n/a**	n/a		**n/a**	n/a		**2.19**	2.17	
Credit loss ratio	**n/a**	n/a		**n/a**	n/a		**0.65**	0.35	
Non-interest income as % of income	**n/a**	n/a		**n/a**	n/a		**36.2**	28.3	
Income growth	**n/a**	n/a		**n/a**	n/a		**25**	0	
Operating expenses growth	**n/a**	n/a		**n/a**	n/a		**9**	8	
Cost-to-income ratio	**n/a**	n/a		**n/a**	n/a		**44.8**	51.3	
Statement of financial position (Rm)									
Loans and advances	**541**	581	(7)	**1 180**	360	>100	**402 364**	369 589	9
Loans and advances to customers	**—**	—	—	**—**	(1)	(100)	**400 354**	368 351	9
Loans and advances to banks	**541**	581	(7)	**1 180**	361	>100	**2 010**	1 238	62
Investment securities	**5 603**	4 910	14	**219**	(74)	>100	**26 718**	23 363	14
Other assets[1]	**21 555**	22 691	(5)	**3 225**	5 401	(40)	**59 235**	58 632	1
Total assets	**27 699**	28 182	(2)	**4 624**	5 687	(19)	**488 317**	451 584	8
Deposits	**—**	—	—	**—**	—	—	**1 863**	1 915	(3)
Deposits due to customers	**—**	—	—	**—**	—	—	**1 863**	1 915	(3)
Other liabilities	**24 863**	26 258	(5)	**2 874**	5 805	(50)	**476 612**	442 132	8
Total liabilities	**24 863**	26 258	(5)	**2 874**	5 805	(50)	**478 475**	444 047	8
Financial performance (%)									
RoRWA	**n/a**	n/a		**n/a**	n/a		**2.07**	1.81	
RoA	**n/a**	n/a		**n/a**	n/a		**0.75**	0.65	

Product Solutions Cluster

for the reporting period ended 31 December

Business performance

Product Solutions Cluster's performance was underpinned by consistent strategy execution, which sustained the underlying business momentum and supported growth sustainably and consistently across the cluster. The lending businesses maintained growth momentum, notwithstanding the weaker macro environment and supply chain challenges. The higher interest rates started manifesting in consumer strain evident in increased early cycle credit delinquencies during the second half of the financial year. Life Insurance reported healthy underlying growth as it continues to deliver on the integrated bancassurance model. The impact of lower mortality claims and the release of short-term COVID-19 provisions improved its financial performance to above pre-pandemic levels. Materially higher weather-related claims were incurred in Non-Life Insurance in the first half of the year, particularly following the floods in KwaZulu-Natal and the Western Cape. Key performance indicators in the Trust and Advisory business continued to trend positively in line with expectations as the business focused on digitisation and automation, which resulted in an improved customer experience. The sale of the Investment Management business to Sanlam Investment Holdings was successfully concluded during the latter part of 2022.

Product Solutions Cluster key performance indicators continued to trend positively in line with expectations:

- First-time home buyer market share for new mortgages registered over the past 12 months increased to **20.8%** (2021: 20.4%)
- VAF production increased by 5%
- Embedded value of new business increased by 11% to **R605m** (2021: R543m) supported by new business volumes growth
- Life Insurance claims decreased by 36% as mortality and retrenchment claims reduced
- Insurance lapse rates remained stable at 2.5% per month
- Non-Life Insurance claims increased by 10% given weather-related incidents.

Growth of 9% in advances was supported by continued momentum in the lending portfolios driven by solid production despite the more challenging macroeconomic conditions. Market share of Mortgage advances, per the BA 900, increased to **23.8%** (2021: 23.5%). The business remains prudent in its loss expectations as the macro-economic outlook has weakened, particularly from the second quarter of 2022. The overall book coverage of 3.4% has remained largely in line with the 2021 level and coverage ratios remain significantly higher than 2019 levels.

The South African Insurance Cluster's financial performance rebounded to levels higher than pre-COVID-19 reflecting resilient premium growth in a challenging environment with new business volumes increasing by 25% and policy losses within the Life business remaining relatively stable. Overall claims decreased by 16% as lower COVID-19-related mortality and retrenchment claims in the life business were partially offset by claims from weather-related events, particularly the floods in KwaZulu-Natal and the Western Cape and load shedding-related claims in the Non-Life business.

Investing in digitisation and automation of products and processes, both internally and customer-led, has enhanced the features of the mobile app and connected banking platform as these self-service platforms enable customers to interact across the bank.

The continued integration with Relationship Banking and Everyday Banking, including next-generation propositions and closer collaboration with the bankers delivered broader franchise value.

Financial performance

Revenue outperformance has been driven by both Net interest income and Non-interest income, with total revenue up 25% to **R14.4bn** (2021: R11.5bn). Net Interest Income increased by 11% to **R9.2bn** (2021: R8.2bn) reflecting balance sheet growth and stable underlying margins. Non-interest income increased by 60% to **R5.2bn** (2021: R3.2bn) as the claims experience in Life Insurance started to normalise, partially offset by higher weather-related claims.

Net customer advances grew by 9% to **R400bn** (2021: R368bn) on the back of firm production levels in Home Loan and Vehicle Asset Finance.

Balance sheet resilience maintained across the business with total coverage and non-performing loan (NPL) ratio largely unchanged. Credit loss ratio increased to **0.65%** (2021: 0.35%) given the non-repeat model enhancement benefits realised in 2021 and the deteriorating macro-economic conditions particularly in the second half of 2022.

Product Solutions Cluster Earnings growth of 26% to **R3.5bn** (2021: R2.8bn) is reinforced by strong pre-provision profit growth of 42% year on year, supported by revenue growth of 25% and prudent cost management with earnings partially offset by higher credit impairment charges. Cost-to-income ratio improved to **44.8%** (2021: 51.3%) underpinned by stronger revenue performance resulting in positive JAWS of **16%** and RoRC increased to **16.2%** (2021: 14.4%).

Looking ahead, Product Solutions Cluster will focus on:

- Strengthening risk management capabilities and targeting balance sheet acquisitions to support margins and returns in an adverse macro environment;
- Delivering growth in bancassurance and wealth revenues through upgraded value propositions and seamless integration with the Bank;
- Building stronger relationships with partners to drive further customer acquisitions, improving product performance and increasing primacy;
- Improving customer experience by further digitising key customer journeys through modernising core technology and deploying digital sales tools;
- Nurturing and enabling colleagues to thrive as the business evolves and grows the talent pipeline; and
- Being an active force for social good in the relevant markets in support of the Group's overall ESG ambitions.

Product Solutions Cluster

for the reporting period ended 31 December

Home Loans

Salient features	2022	2021	Change %
Net interest income (Rm)[1]	**5 463**	5 156	6
Credit impairment charges (Rm)[1]	**(688)**	134	>100
Headline earnings (Rm)[1]	**2 230**	2 692	(17)
Gross loans and advances (Rm)[1]	**300 979**	277 414	8

Business unit performance

The South African housing market remained strong in the first half of 2022. However, higher inflation and rising interest rates led to a slowdown in the second half. Application volumes across the industry decreased compared to 2021. This was, however, partially offset by higher average application values.

Despite the slowdown, the overall confidence in the South African property market remained stable:

- Absa average **homeowner sentiment index** remained stable at **79%** (2021: 79%), although the buying sentiment decreased by nine percentage points to **76%** in the fourth quarter mainly driven by the increasing cost of living and debt financing costs
- The national house price index increased by **3.9%** in 2022 (2021: 5.6%).

Home Loans remains committed to its ambition to *'House the Nation and shape the industry in a meaningful way'* and as such continues to focus on value creation by executing a consistent strategy:

- Deployed more digital features on the mobile app and connected banking platform, enabling customers to self-serve and interact with the bank with ease and speed
- Successfully launched an integrated and simple sustainable energy solution, helping customers manage their electricity challenges as they contend with the persistent load shedding and the rising cost of electricity
- Launched the home loan credit protection plan, which assists in protecting customers' legacies and easing financial burdens due to loss of income
- Housed 6 898 households through the R2bn loan secured from the International Finance Corporation, as the business continues to play an active role in the affordable housing market
- Enhanced collections strategies through collateral asset realisation and sustainable solutions for distressed customers in their time of need.

The above has resulted in:

- First-time home buyer market share for new mortgages registered over the past 12 months increased to **20.8%** (2021: 20.4%)
- Increasing digital adoption for the digital sales capability, with growth in new mortgages registered over the past 12 months rising by 77% relative to the prior year
- Digital applications increased by 18% year-on-year
- Mortgages originated through mortgage originators as a percentage of business remained strong at **66.3%** (2021: 64.8%).

Financial performance

Gross loans and advances increased by 8% to **R301bn** (2021: R277bn) on the back of new mortgages registered. Absa's home loans market share increased to **23.8%** from 23.5% in 2021 (BA900).

Net interest income increased 6% to **R5 463m** (2021: R5 156m), reflecting the growth in advances although partially offset by increasing pricing pressures in the market and higher funding costs.

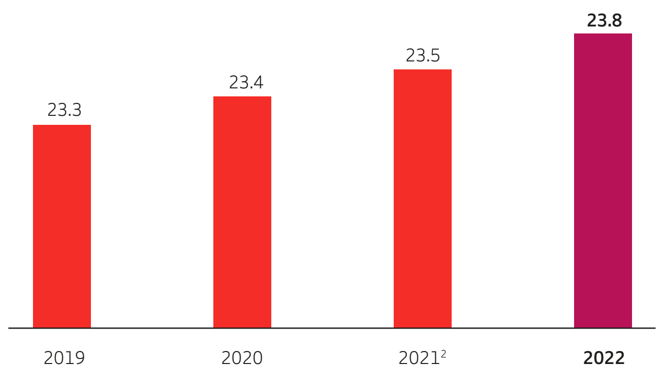
Credit impairment charges increased to **R688m** (2021: (R134m)), driven primarily by the ageing within the legal book as a result of the continued challenges in the sale in execution process, a deteriorating construct across early cycles within pre-legal, due to customers impacted by the increasing interest rate cycle and higher inflation. The current year credit loss ratio of **0.24%** (2021: (0.05%)) remains within the through-the-cycle range. The release in the prior year reflects the non-repeat model enhancement benefits realised. The NPL ratio decreased to **7.0%** (2021: 7.3%) due to an increase in asset sales and total coverage reduced to **2.5%** (2021: 2.6%) whilst NPL coverage increased to **29.1%** (2021: 28.5%) due to positive book growth.

Headline earnings decreased to **R2 230m** (2021: R2 692m), as pre-provision profit growth of 5% was offset by higher credit impairment charges.

Looking ahead, Home Loans will focus on:

- Embedding the integrated and simple sustainable energy solutions to reach more customers as South Africa contends with load shedding and a high cost of living;
- Ensuring a superior home loans experience through the delivery of digitally enabled capabilities for acquisitions and collections;
- Maintaining a consistent market presence through strategic partner platforms and stakeholder engagements; and
- Providing sustainable solutions for distressed customers in their time of need.

Mortgages market share (%)[3]



[1] These numbers have been restated, refer to the report overview.
[2] This number has been restated.
[3] Source SARB BA900.

Product Solutions Cluster

for the reporting period ended 31 December

Vehicle and Asset Finance

Salient features	2022	2021	Change %
Net interest income (Rm)[1]	**3 504**	3 117	12
Credit impairment charges (Rm)[1]	**(1 898)**	(1 426)	33
Headline earnings (Rm)[1]	**493**	672	(27)
Gross loans and advances (Rm)[1]	**113 433**	104 093	9

Business performance

The domestic vehicle market remained resilient with 2022 almost on par with 2019, notwithstanding a more challenging macro environment and ongoing vehicle supply chain disruptions. This was characterised by:

- New vehicle sales increasing by 14% for the period ending December 2022 (naamsa)[2];
- New vehicle price inflation averaging **5.9%** for the period ending December 2022 (StatsSA); and
- Financed vehicle market growing by 9.6% for the twelve month period ending December 2022 (Transunion).

VAF continued to focus on achieving its strategic objectives through:

- Enhancing to digital and voice self-service platforms to further improve service levels and decrease turn-around times for customers and dealers
- Developing new customer solutions and revenue streams by implementing the bancassurance sales operating model within the dealer network
- Improving payment capabilities and providing more effective assistance to customers in distress, supported by enhanced risk-differentiated collections and asset realisation strategies
- Providing holistic banking solutions to dealer groups and vehicle manufacturers in collaboration with Relationship and Corporate Banking, which strengthened the Wholesale Finance portfolio
- Supporting the naamsa Automotive Business Council and original equipment manufacturers in positioning the importance of the automotive industry with key stakeholders in the public and private sectors.

The above has resulted in:

- Production increasing by **5%** year on year;
- Wholesale finance book increasing >100%;
- Market share on instalment debtors (per BA900) remaining stable at **23.4%** (2021: 23.4%);
- Stable trend in margins with pressure emerging on new business pricing due to market competition; and
- Improved collections effectiveness and an increased take-up of solutions by distressed customers including voluntary asset disposal.

Financial performance

Gross loans and advances to customers increased by 9% to **R113.4bn** (2021: R104.1bn) driven by firm production levels and a stable back book run-off.

Net interest income grew by 12% to **R3 504m** (2021: R3 117m) supported by the strong book growth with repricing benefits fully absorbed.

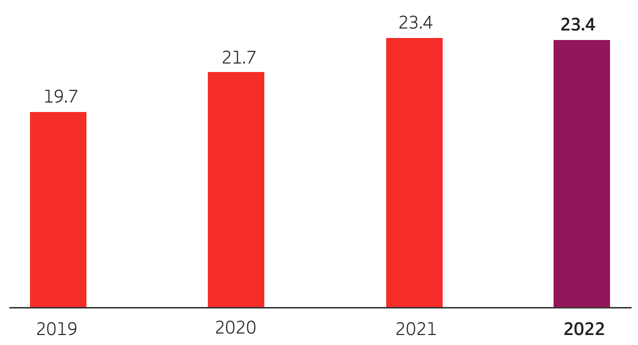
Credit impairment charges increased to **R1 898m** (2021: R1 426m) with the credit loss ratio increasing to **1.76%** (2021: 1.45%) driven by increased customer delinquencies mainly due to payment issues experienced post-DebiCheck implementation that impacted early window debit order success rates whilst economic pressure on customers continued throughout the year. Improvement in payment capabilities and processes contributed to a better performance in the second half of 2022. The NPL ratio increased to **7.4%** (2021: 6.9%) driven by sustained pressure on the legal book and customers in debt review, which also contributed to the credit impairment charge. Total coverage remained stable at **5.7%** (2021: 5.8%) whilst NPL coverage improved to **49.5%** (2021: 55.0%) due to an increase in write-offs.

Headline earnings decreased to **R493m** (2021: R672m) mainly due to higher credit impairment charges with pre-provision profit increasing by 13%. Cost-to-income improved to **36.4%** (2021: 37.1%) supported by robust revenue growth.

Looking ahead, VAF will focus on:

- Enabling acquisitions through best-in-class customer credit risk assessments, payments capabilities and collections operations;
- Utilising existing channels to create enterprise value through customer retention and new vehicle finance customers;
- Continuing to improve on digitally led services and propositions to provide enhanced customer experiences when applying and maintaining a vehicle finance account;
- Develop and leverage strategic partnerships as the preferred financial services partner in the vehicle industry; and
- Support the industry's transformation into new energy vehicles in support of the Group's sustainability goals

VAF market share (%)[3]



[1] These numbers have been restated, refer to the report overview.
[2] The National Association of Automobile Manufacturers of South Africa.
[3] Source SARB BA900.

Product Solutions Cluster

for the reporting period ended 31 December

	Life Insurance			Non-Life Insurance			Insurance SA		
	2022	2021	Change %	2022	2021	Change %	2022	2021	Change %
Statement of comprehensive income (Rm)									
Net insurance premium income	**4 308**	3 971	8	**3 262**	3 120	5	**7 570**	7 091	7
Net insurance claims and benefits paid	**(1 700)**	(2 659)	(36)	**(2 258)**	(2 046)	10	**(3 958)**	(4 705)	(16)
Investment income									
Policyholder investment contracts	**(1 196)**	1 681	<(100)	**—**	—	—	**(1 196)**	1 681	<(100)
Policyholder insurance contracts	**17**	280	(94)	**49**	33	48	**66**	313	(79)
Changes in investment and insurance contract liabilities									
Policyholder investment contracts	**1 237**	(1 641)	>100	**—**	—	—	**1 237**	(1 641)	>100
Policyholder insurance contracts	**408**	(411)	>100	**—**	—	—	**408**	(411)	>100
Other income	**73**	15	>100	**40**	35	14	**113**	50	>100
Gross operating income	**3 147**	1 236	>100	**1 093**	1 142	(4)	**4 240**	2 378	78
Net commission paid by insurance companies	**(782)**	(742)	5	**(536)**	(482)	11	**(1 318)**	(1 224)	8
Operating expenses	**(650)**	(548)	19	**(421)**	(385)	9	**(1 071)**	(933)	15
Other expenses	**(145)**	(141)	3	**(7)**	(6)	17	**(152)**	(147)	3
Net operating income	**1 570**	(195)	>100	**129**	269	(52)	**1 699**	74	>100
Investment income on shareholder funds	**101**	53	91	**97**	76	28	**198**	129	53
Taxation expense	**(472)**	(32)	>100	**(71)**	(103)	(31)	**(543)**	(135)	>100
Profit for the period	**1 199**	(174)	>100	**155**	242	(36)	**1 354**	68	>100
Headline earnings	**1 199**	(174)	>100	**155**	242	(36)	**1 354**	68	>100
Note (Rm)									
Investment income									
Policyholder investment contracts	**(1 196)**	1 681	<(100)	**—**	—	—	**(1 196)**	1 681	<(100)
Net interest income	**405**	524	(23)	**—**	—	—	**405**	524	(23)
Dividend income	**255**	194	31	**—**	—	—	**255**	194	31
Fair value gains/(losses)	**(1 856)**	963	<(100)	**—**	—	—	**(1 856)**	963	<(100)
Policyholder insurance contracts	**17**	280	(94)	**49**	33	48	**66**	313	(79)
Net interest income	**67**	54	24	**49**	33	48	**116**	87	33
Dividend income	**19**	9	>100	**—**	—	—	**19**	9	>100
Fair value gains/(losses)	**(69)**	217	<(100)	**—**	—	—	**(69)**	217	<(100)
Shareholder funds	**101**	53	94	**97**	76	26	**198**	129	53
Net interest income	**103**	53	98	**105**	87	19	**208**	140	49
Dividend income	**—**	—	—	**—**	2	(100)	**—**	2	(100)
Fair value gains/(losses)	**(2)**	0	<(100)	**(8)**	(13)	(38)	**(10)**	(13)	(23)
Total	**(1 078)**	2 013	<(100)	**146**	110	33	**(932)**	2 123	<(100)
Net interest income	**575**	630	(9)	**154**	121	27	**729**	751	(3)
Dividend income	**274**	203	35	**—**	2	(100)	**274**	205	34
Fair value gains/(losses)	**(1 927)**	1 180	<(100)	**(8)**	(13)	(38)	**(1 935)**	1 167	<(100)

	Insurance SA		
	2022	2021	Change %
Statement of financial position			
Assets			
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	**20 155**	21 308	(5)
Cash balances and loans and advances to banks	**859**	1 184	(27)
Investment securities	**19 296**	20 124	(4)
Policyholder insurance contracts	**3 005**	3 224	(7)
Cash balances and loans and advances to banks	**261**	264	(1)
Investment securities	**2 582**	2 798	(8)
Reinsurance assets	**162**	162	—
Shareholder funds	**3 566**	2 714	31
Cash balances and loans and advances to banks	**544**	602	(10)
Investment securities	**3 022**	2 112	43
Other assets	**973**	936	4
Total assets	**27 699**	28 182	(2)
Liabilities			
Liabilities under investment contracts	**20 049**	21 242	(6)
Policyholder liabilities under insurance contracts	**2 774**	3 382	(18)
Other liabilities	**1 875**	1 408	33
Other liabilities	**1 755**	1 321	33
Other liabilities relating to investment contracts	**120**	87	38
Deferred tax liabilities	**165**	226	(27)
Total liabilities	**24 863**	26 258	(5)
Equity			
Capital and reserves	**2 836**	1 924	47
Total equity	**2 836**	1 924	47
Total liabilities and equity	**27 699**	28 182	(2)

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

Insurance SA

Business unit performance

The operating environment remained challenging with ongoing load shedding, sustained higher inflation and the resulting interest rate increases continuing to affect customer affordability and investment markets. While the impact on mortality and retrenchment claims experience from the pandemic was limited compared to the significant increase experienced in the prior year, the business was impacted by the devastating floods in the KwaZulu-Natal province in April 2022. In the context of this environment, we continued to focus on the execution of the opportunities identified in the bancassurance strategy:

- Continued integration of Insurance and Bank value propositions in a way that delivers increased customer value through innovative solutioning across product and channel
- Acceleration of the implementation of digital initiatives and capabilities to simplify customer journeys and improve insurance offerings whilst driving digital adoption
- Collaboration with strategic partners through an ecosystem-based approach to offer or enhance the insurance solutions
- Driving business optimisation initiatives to deliver efficiencies, consistency in customer experience and ensure the operating model enables long-term sustainable growth.

The focus and the progress made in delivering an integrated bancassurance model has driven improvements in the following key indicators:

- Credit Life strike rates of **76%** (2021: 71%) continued to improve as customer journeys are integrated and new products are launched
- Integration of the Instant Life digital onboarding and claims process into the bank branches assisted with growth of 15% in this product
- The business has implemented an integrated operating model with the Vehicle Asset Finance business leading to an increase in the Activate product premium of 238% year on year
- Life Insurance was rated number one in the Life insurance industry for customer satisfaction based on the South African Customer Satisfaction Index (SA-csi) Consulta survey.

The South African Insurance Cluster's financial performance rebounded to levels higher than pre-COVID-19 reflecting resilient premium growth in a challenging environment with new business volumes increasing 25% and policy losses within the Life business remaining relatively stable at **2.5%** (2021: 2.6%). Overall claims decreased by 16% as lower COVID-19-related mortality and retrenchment claims in the life business were partially offset by claims from weather-related events, particularly the floods in KwaZulu-Natal and the Western Cape and load shedding-related claims in the Non-Life business.

The COVID-19 reserve in the Life business was strengthened in December 2021 to R423m to allow for the fourth and potential fifth waves of COVID-19, and this was fully released in the 2022 financial year.

Capital continues to be managed prudently with the Solvency Capital Requirement cover well in excess of the regulatory minimum of 1 time.

Product Solutions Cluster

for the reporting period ended 31 December

Life insurance

Salient features – Life insurance	2022	2021	Change %
Shareholders' net assets (Rm)	1 609	846	90
Cost of solvency capital (Rm)	(276)	(177)	56
Value of business in force (Rm)	4 464	4 232	5
Embedded value (Rm)	5 797	4 901	18
Embedded value earnings (Rm)	1 416	74	>100
Return on embedded value (%)	28.9	1.4	>100
EVNB (Rm)	605	543	11
Value of new business as a percentage of the present value of future premiums (%) (gross)	11.4	7.2	58

Business performance

Life Insurance South Africa continued to gain traction on its key strategic initiatives, despite the tougher operating environment that placed downside pressure on new business sales and persistency. Within this context, the business:

- Completed enhancements to key integrated bancassurance propositions to ensure they are differentiated and attractive to customers
- Leveraged the bank's distribution channels and digital capabilities to provide seamless access to our leading life insurance value propositions
- Instant Life, one of SA's first fully digital underwritten Life products benefits' were further expanded to accelerate new business sales growth and drive customer primacy resulting in market leading digital penetration rates
- Collaborated with strategic partners to develop life insurance solutions for their customers and drive growth in our Group life offerings.

Headline earnings increased to a profit of **R1 199m** (2021: R174m loss) reflecting 8% growth in net premiums, a 36% decrease in mortality and retrenchment claims and releases of R423m from the COVID-19 reserving provisions.

Net premiums increased by 8% to **R4 308m** (2021: R3 971m), driven by growth in the funeral, digital and personal loans credit life business due to the closer integration with bank operations. Life Insurance sold 950 000 policies during the year with digital sales growing by 15%.

Net insurance claims declined by 36% to **R1 700m** (2021: R2 659m) primarily due to a 28% decrease in mortality claims.

The impact on mortality of the fourth and fifth waves of infections was less severe than forecasted, at the end of 2021, due to the Omicron variant having a less severe impact on mortality, natural immunity and the improving national vaccination rate. Accordingly, the COVID-19-specific provisions were reassessed as at 31 December 2022 and fully released. A partly offseting allowance has been made in reserving assumptions to provide for the uncertainty of the long-term impact on mortality and morbidity from pandemics and to allow for the higher inflation outlook in forecasted policy expenses.

Year-on-year the embedded value has increased by 18%, primarily due to premium growth, lower claims experience and the release of COVID-19 specific reserves. The value of in-force business increased by 5% supported by the growth in the in-force book. The embedded value of new business (EVNB) increased by 11% from higher new business volumes. We have continued to see strong uptake of funeral, digital and fully underwritten life products by the Absa customer base, which assisted with new business growth.

Product Solutions Cluster

for the reporting period ended 31 December

Non-Life insurance

Salient features – Non-Life insurance	2022	2021	Change %
Headline earnings (Rm)	155	242	(36)
Net premium income (Rm)	3 262	3 120	5
Underwriting margin (%)	2.5	7.5	
Loss ratio (%)	69	66	

Business unit performance

The Non-Life business continues to progress in delivering on the integrated bancassurance model. During 2022, the business was impacted by the most significant weather-related event in its history. Despite this, the business delivered premium growth of 5%, with momentum accelerating into the second half of the year. The business continued to focus on delivering against its strategic objectives, including:

- Optimising and accelerating the integration with the bank;
- Developing new products and channels;
- Enhancing digital capabilities and offerings;
- Simplifying the business.

Progress in executing these objectives includes the delivery of an integrated operating model with the Vehicle Asset Finance business and integrating the sales journey for the products into the Absa mobile app. These actions have delivered growth in new business sales in the Digital Motor product of 210% year-on-year.

The net insurance premium income increased by 5% to **R3 262m** (2021: R3 120m), driven by underlying growth in the recently launched digital insurance product, 'Activate', in the value-added motor products and personal lines intermediated business, partially offset by a reinsurance reinstatement premium related to the flooding in KwaZulu-Natal.

As mentioned, the Non-Life business was significantly impacted by adverse weather in the first half of the year, particularly the devastating KwaZulu-Natal floods the largest natural catastrophe the business has ever seen. The business incurred claims of R242m related to the floods in KwaZulu-Natal and the Western Cape, although the comprehensive reinsurance programme in place limited the net loss. Claims increased by 10% driven by the increased rainfall over the year due to the current La Nina cycle, surge claims driven by the more frequent load shedding and an increased cost of claims.

Headline earnings decreased to **R155m** (2021: R242m) reflecting a significant increase in claims experience leading to an increased claims ratio of **69.2%** (2021: 65.5%) reducing the underwriting margin to **2.5%** (2021: 7.5%).

Looking ahead, the South African Insurance Cluster will continue to focus on:

- Enhancing digital insurance capabilities and offerings as well as customer self-service functionality;
- Improving product propositions and creating seamless integration in the customer banking journey;
- Further enhancements in the usage of data in retention and collections; and
- Playing an active role in the industry by improving customer awareness of the value of insurance and building value propositions that promote customer financial and mental wellness.

Product Solutions Cluster

for the reporting period ended 31 December

Non-Banking Financial Services

Business unit performance

Absa Trusts diverse portfolio demonstrated resilience results despite the negative market growth impacting the trust business, with a marked recovery in the Estates business. Absa Insurance and Financial Advisors (AIFA) experienced muted sales growth due to the more challenging operating environment. In Stock Broking and Portfolio Management (SPM), the negative market movement in 2022 impacted the portfolio management and brokerage business.

The business continued to focus on delivering its strategic and tactical objectives to reduce the impact of headwinds faced in 2022 focusing on improving client experience across all Non-Banking Financial Services businesses, including:

- Embedding the digital intake of Estates capability as well as implementing a new Trust Services Platform (Re-platforming)
- Establishing a target operating model for product supplier agents and registered financial advisors for the Financial Advice Business
- Improving client experience within Stockbroking and Portfolio Management (SPM) through investment in digitising the platform.

Financial performance

- Non-interest income increased by **8%** to **R974m** (2021: R902m) mainly driven by Absa Insurance and Financial Advisors (AIFA) and Absa Trust.
- Operating expenses increased by 8% to **R1 916m** (2021: R1 774m) reflecting continued investment in people and technology and faster performance cost growth reflective of the overall cluster's performance.

The strong financial results have been achieved in an environment where:

- The financial advisory industry is preparing for the implementation of the Retail Distribution Review, focusing on ensuring the provision of high-quality advice to clients
- Overall negative market movements have impacted all the businesses that derive value for clients across the advice and investments industry.

Looking ahead, Non-Banking Financial Services will focus on:

- Improving the customer experience through platform optimisation across the Non-Banking Financial Services suite of businesses
- Embedding the advice tools within Absa Insurance and Financial Advisors (AIFA) to enhance the quality and consistency of financial advice provided to clients
- Aligning and integrating specialist skills and leveraging banking infrastructure to improve client experience and business competitiveness
- Optimising portfolio management for scale and alignment with the internal and external distribution channels.

Everyday Banking

for the reporting period ended 31 December

Headline earnings were in line with the prior year at **R4 108m** (2021: R4 126m) largely driven by a 17% increase in pre-provision profit but neutralised by a 33% increase in credit impairment charges. However, the quality of earnings improved relative to the previous year.

Key performance highlights for the period include the following:

- **Revenue growth of 10%** exceeded the previous year, driven by increased customer activity and the impact of strong production momentum.
- **The loan book grew by 12%,** largely due to strong production momentum and increased customer activity.
- **Interest margins improved** from 3.83% to **3.97%,** with improvement across products.
- **Investment deposits grew by 6%**.
- **Cost-to-income ratio improved** from 55.3% to **52.5%.**
- **Transactional deposits contracted 3%,** largely due to the challenging macroeconomic pressures.
- **Positive JAWS of 5%** was delivered for the year, a function of double-digit revenue growth and single-digit growth in operating expenses.
- **The growth of 33% in credit impairment** charges was due to strong production momentum and a challenging macroeconomic environment. The credit loss ratio, thus, increased by 146 bps to **6.45%**.

Salient features	2022	2021	Change %
Income (Rm)[1]	**26 487**	24 075	10
Pre-provision profit (Rm)[1]	**12 570**	10 762	17
Headline earnings (Rm)[1]	**4 108**	4 126	(0)
Credit loss ratio (%)	**6.45**	4.99	
Cost-to-income ratio (%)	**52.5**	55.3	
RoRWA (%)	**3.82**	4.00	
RoA (%)[1]	**1.14**	1.22	
RoRC (%)	**32.0**	34.5	

Business profile

Everyday Banking offers a comprehensive range of day-to-day banking products and services to a diverse spectrum of retail customers, from those needing basic banking services to those requiring sophisticated financial solutions. Everyday Banking focuses on providing a consistently superior experience across multiple channels designed to match the expectations of each customer segment, including digital and voice channels, as well as an extensive network of branch and ATM channels.

The Everyday Banking product suite includes the following:

- **Card:** offers credit cards through a mix of Absa-branded and co-branded products, including British Airways. This portfolio also includes partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans, and Non-Life insurance products.
- **Personal Loans:** offers unsecured loans through the Absa Mobile Banking app, internet banking, face-to-face engagements, and the contact centre channels.
- **Transactional and Deposits:** offers a full range of transactional banking, savings, and investment products and services through multiple channels.

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

Everyday Banking

for the reporting period ended 31 December

Business performance

Everyday Banking faced economic headwinds in the latter half of the year due to high inflation levels, a rising interest rate environment, and frequent power outages caused by increased incidents of load shedding. Despite these challenges, the business continued to deliver its strategic objectives, including advancing the digital transformation journey and further strengthening customer relationships. The refined operating model has allowed Everyday Banking to successfully transition into a standalone entity within the larger Absa Group in the year, enhancing the speed of business execution.

Throughout the second half of the year, production momentum remained strong, with double-digit growth across the products despite the adverse economic climate. Personal loans achieved record production in 2022, driven by the enhancement of digital channels and investments in marketing activities. Credit card sales and limit production grew 15% and 17%, respectively. Sales of transactional accounts grew 21%, with the Young Adult segment delivering record-breaking sales and a year-on-year increase of 133%, mainly due to the effective product and pricing strategies adopted to drive the segment growth.

Everyday Banking's strategic objectives focused on long-term sustainable growth and were anchored on key strategic choices, including the following:

- Deepening existing and building new relationships with customers to drive growth;
- Further accelerating the rate of digital adoption across segments and products;
- Developing and delivering new digital capabilities and features,
- Scaling up non-traditional acquisition channels;
- Strengthening the resilience of the digital channels while optimising the physical network infrastructure; and
- Maintaining a measured approach to lending amid the challenging economic climate.

Everyday Banking is becoming a digital bank with an empathetic front line, with over 75% of customers in the Core Middle Market and Retail Affluent segments now banking entirely digitally and remotely. The business has addressed legacy stability challenges, and thus the channels were online for over 99% of the time in 2022, providing customers with an uninterrupted digital banking experience.

The business made progress in increasing digital adoption on a large scale by promoting a commercially focused digital culture, resulting in a 12% increase in the number of customers who registered and actively used digital services. This was partly due to the success of Absa Advantage, which drove significant engagement on the app. The participation of Absa Advantage customers increased by 90% in 2022, with over R37m issued in meal vouchers. Absa Rewards has become an effective platform in driving primacy behaviour, with 80% more Rewards customers becoming primary in the year. The rollout of free Absa Rewards in 2023 is expected to address the value perception, improve customer experience and further drive cross-sell.

A robust innovation pipeline has been developed to futureproof the business. Absa was among the first to go to market with Google Wallet, further expanding the digital payment options for customers. The rollout of the Abby chatbot and Absa ID was also effective, with over 2 million enrolments in the first year, leading to a 33% reduction in call centre volumes for in-scope intents. The app now offers a comprehensive suite of savings and investment products and has integrated select personal loan products, closing significant gaps in the digital propositions that initially prompted customers to use high-touch, traditional channels.

The business was awarded more than 15 accolades, including Best Digital Bank and Excellence in Innovation for Abby chatbot, introducing new Marketing technology and alternative remote channel innovation (Branch on the Move).

To further drive growth, Everyday Banking continued to deepen existing relationships with customers and build new ones through hyper-personalisation, which has shown a positive change in the customer base and improved customer experience scores. The Value-For-Money perception in the market has also improved following a strategic pricing review executed over the past two years.

Most notably, the business has explored deep transformational opportunities, leading to the continuous digitisation of non-empathy transactions and, thus, the continued migration to digital platforms. Cash holdings decreased by 20%, largely driven by the strategic implementation of cash predictive tools as well as the exit of a third-party service provider and non-performing ATMs. Optimising the physical network yielded a reduction of 4% in the floor space and 30% in the ATM footprint while still providing customers adequate access to financial services. The strategic direction to align market, branch formats and capabilities led to a four-percentage point increase in the composition of the sales & service branch format to 11% of the total branch network.

Financial performance

Gross loans and advances rose 12% to **R81.6bn** (2021: R73.0bn) due to strong production momentum and growth in the active customer base. Deposit balances grew 4% to **R289.6bn** (2021: R278.3bn), despite the challenging operating environment, with investment deposits growing 6% and the transactional deposit base contracting by 3% due to lower average balances per customer, mostly in the entry-level segment. The business maintained a strong market positioning, particularly in credit card and retail deposits.

The quality of earnings improved relative to the previous year, largely driven by a 17% increase in pre-provision profit. However, the headline earnings remained flat mainly due to higher credit impairment charges, particularly in the latter half of the year, as the macro environment placed increased pressure on household finances. The growth in pre-provision profit was mainly due to a 10% increase in total income, which offset a 5% increase in operating expenses.

Total income growth was primarily a function of increased customer activity and the impact of strong production momentum on book growth.

Net interest income increased by 11% to **R14 373m** (2021: R12 939m) due to growth in advances and deposits, as well as the positive impact of rising interest rates on margins.

- Net interest income on advances grew 15%, reflecting an increase in lending balances, and improved margins across the products, including the impact of a shift in the risk mix composition.
- Net interest income on deposits grew 9%, primarily driven by improved customer margins across investment and transactional deposits, but slightly moderated by the contraction in the transactional deposits.

Everyday Banking

for the reporting period ended 31 December

Financial performance (continued)

Non-interest income increased by 9% to **R12 114m** (2021: R11 136m), primarily driven by growth in the customer base and transactional activity. However, this growth was moderated by the ongoing migration to digital channels, the effects of strategic pricing concessions, and the expansion of the Absa Rewards customer base. The growth in transactional activity was largely a function of the increase in the active customer base and strong adoption of digital channels.

Credit impairment charges increased 33% to **R5 775m** (2021: R4 348m), reflecting the impact of strong production on loan book growth, the absence of one-off model enhancement benefits seen in the previous year, and deterioration in the macroeconomic environment in the latter half of the year. The credit impairment charges rose by 67% in the second half, resulting in an increase of 146 bps in the credit loss ratio to **6.45%** for the year. The NPL (non-performing loan) ratio improved to **14.2%** (2021: 14.6%) through continued efforts to optimise the NPL book, while the portfolio coverage levels remained stable, yet elevated (compared to through-the-cycle) at 18.3% to provide for potential adverse macro conditions. The business's focus and investment in collections and digital capabilities cushioned the impact of the economic headwinds on credit losses. The underlying book quality remained strong and in line with risk tolerance.

Operating expenses were well-managed, with positive effects from optimising the physical network infrastructure and investing in digital capabilities to respond to evolving customer behaviour. The growth of 5% in the operating expenses to **R13 917m** (2021: R13 313m) was largely due to annual salary increases and increased investments in digital capabilities, marketing as well as fraud detection and prevention to counter the global rise in social engineering attacks on customers. The business thus delivered positive JAWS of **5%,** and the cost-to-income ratio improved from 55.3% to **52.5%** in the current year.

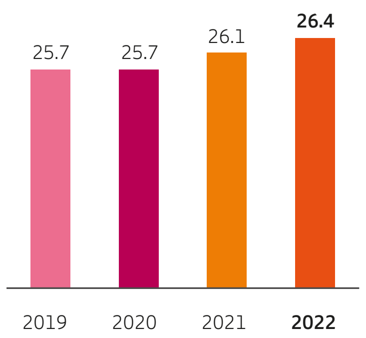
Looking ahead, Everyday Banking will focus on the following:

- Leveraging the digital strength to build affinity with users and drive digital adoption at scale,
- Continuing to drive engagements with the Young Adult segment and to stimulate growth in the Entry-Level & Inclusive Banking segment,
- Delivering integrated propositions to drive cross-sell and retention in Core Middle Market and Retail Affluent segments, using machine learning models and best-in-class marketing technology to drive deeper customer insights and hyper-personalised customer engagements,
- Enhancing customer experience through committing to and delivering customer promises to address existing pain points,
- Driving digital product roadmap commercialisation and increasing digital sales contribution, as well as future-proofing the business with stage gates linked to the commercialisation approach,
- Continuing to drive service migration to enable us to focus high-touch channels on emotionally charged service requests,
- Further strengthening the stability of the digital channels,
- Expanding the proposition to ensure that the products and services are anchored in a purpose-driven mission by proactively contributing to the financial wellness of South Africans,
- Maintaining a responsible approach to lending in the current economic climate while optimising digital collections capabilities,
- Continuing to invest in the infrastructure optimisation of the physical network, and
- Reducing carbon footprint by implementing alternative power solutions, such as solar, generators, and power walls at key sites across the physical network.

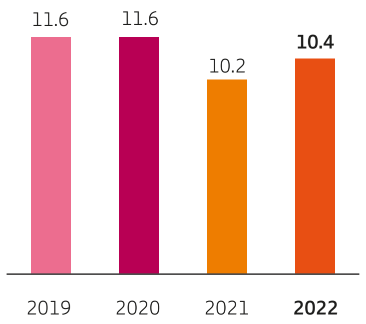
Everyday Banking

for the reporting period ended 31 December

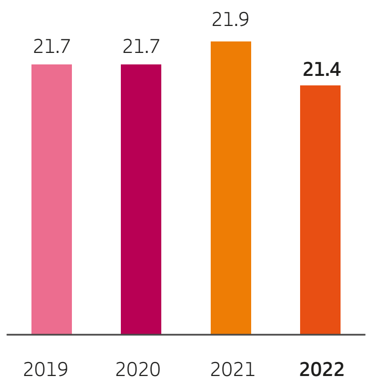
Card market share stock (%)[1]



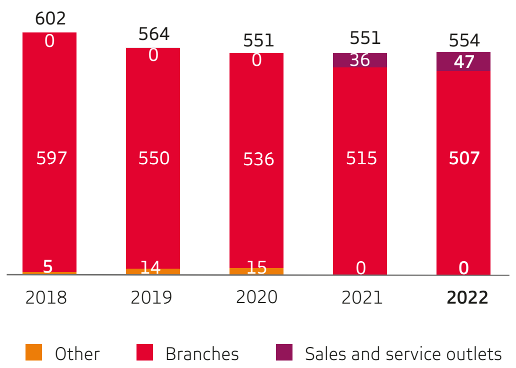
Personal loans market share (%)[1]



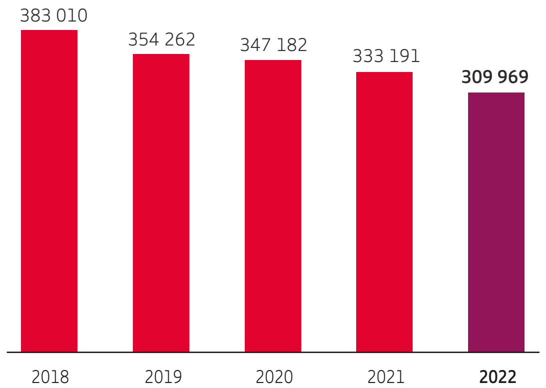
Deposits market share (%)[1]



Branch network mix – number of branches



Branch network mix – square metres

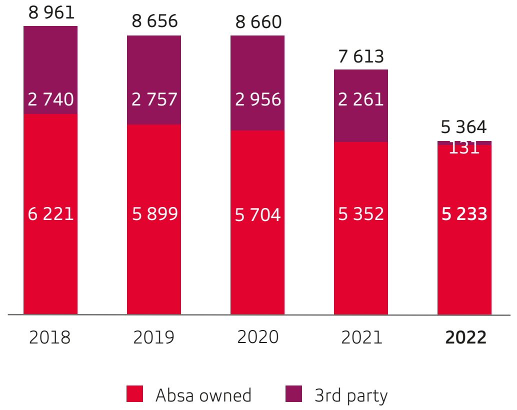


[1] Source SARB BA900.

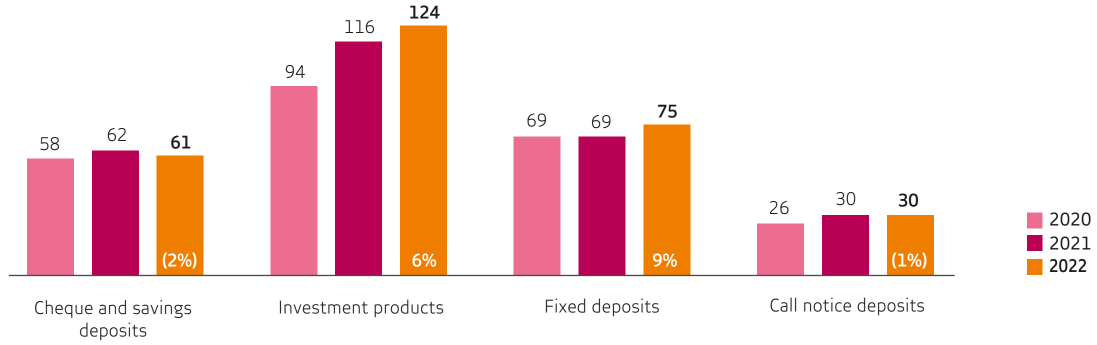
Everyday Banking

for the reporting period ended 31 December

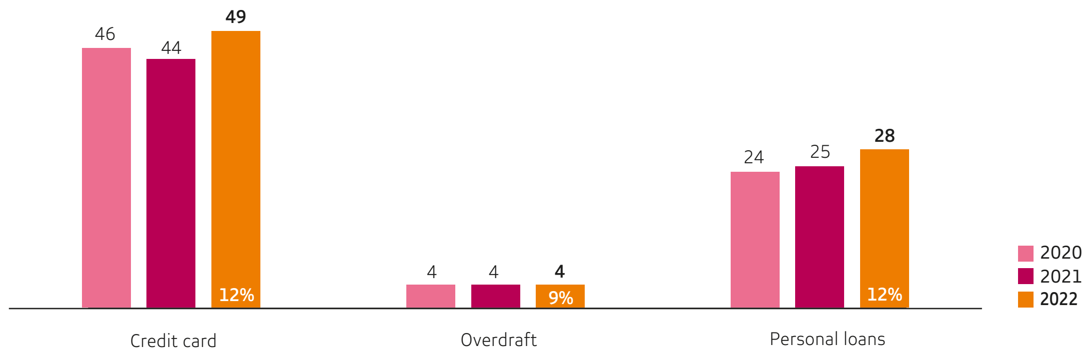
ATM footprint– number of ATMs and cash devices



Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



Everyday Banking

for the reporting period ended 31 December

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

Everyday Banking

for the reporting period ended 31 December

	Card			Personal Loans		
	2022	2021[1]	Change %	2022	2021[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	5 005	4 435	13	3 240	2 714	19
Non-interest income	2 784	2 551	9	370	354	5
Total income	7 789	6 985	12	3 611	3 068	18
Credit impairment charges	(2 888)	(2 356)	23	(2 447)	(1 643)	49
Operating expenses	(3 334)	(3 069)	9	(1 226)	(1 170)	5
Other expenses	(54)	(34)	59	(16)	(14)	14
Operating profit before income tax	1 513	1 527	(1)	(78)	240	<(100)
Tax expenses	(458)	(428)	7	10	(60)	>100
Profit for the reporting period	1 055	1 099	(4)	(68)	180	<(100)
Profit attributable to:						
Ordinary equity holders	856	982	(13)	(108)	146	<(100)
Non-controlling interest – ordinary shares	158	79	100	—	—	—
Non-controlling interest – preference shares	12	11	9	12	10	20
Other equity – Additional Tier 1 capital	29	27	7	28	24	17
	1 055	1 099	(4)	(68)	180	<(100)
Headline earnings	856	981	(13)	(108)	146	<(100)
Operating performance (%)						
Credit loss ratio	5.75	5.01		10.20	7.13	
Non-interest income as % of income	35.7	36.5		10.2	11.5	
Income growth	12	0		18	(7)	
Operating expenses growth	9	6		5	4	
Cost-to-income ratio	42.8	43.9		34.0	38.1	
Statement of financial position (Rm)						
Loans and advances	44 198	39 164	13	20 382	18 610	10
Loans and advances to customers	43 984	38 960	13	20 382	18 610	10
Loans and advances to banks	214	204	5	—	—	—
Investment securities	2 188	1 923	14	1 032	935	10
Other assets	11 686	9 781	19	530	450	18
Total assets	58 072	50 868	14	21 944	19 995	10
Deposits	2 037	2 056	(1)	26	21	24
Deposits due to customers	2 037	2 056	(1)	26	21	24
Other liabilities	53 644	46 408	16	22 024	19 809	11
Total liabilities	55 681	48 464	15	22 050	19 830	11
Financial performance (%)						
RoRWA	1.80	2.16		(0.39)	0.59	
RoA	1.59	1.99		(0.51)	0.74	

	Transactions and Deposits			Everyday Banking Other			Everyday Banking		
	2022	2021[1]	Change %	2022	2021[1]	Change %	2022	2021[1]	Change %
Statement of comprehensive income (Rm)									
Net interest income	6 511	6 217	5	(383)	(427)	(10)	14 373	12 939	11
Non-interest income	8 024	7 357	9	936	874	7	12 114	11 136	9
Total income	14 535	13 574	7	552	448	23	26 487	24 075	10
Credit impairment charges	(438)	(349)	26	(2)	—	100	(5 775)	(4 348)	33
Operating expenses	(9 363)	(8 817)	6	6	(257)	>100	(13 917)	(13 313)	5
Other expenses	(103)	(46)	>100	(403)	(345)	17	(576)	(439)	31
Operating profit before income tax	4 631	4 362	6	153	(154)	>100	6 219	5 975	4
Tax expenses	(1 321)	(1 215)	9	(77)	48	<(100)	(1 846)	(1 655)	12
Profit for the reporting period	3 310	3 147	5	76	(106)	>100	4 373	4 320	1
Profit attributable to:									
Ordinary equity holders	3 271	3 110	5	59	(117)	>100	4 078	4 121	(1)
Non-controlling interest – ordinary shares	—	—	—	—	—	—	158	79	100
Non-controlling interest – preference shares	12	11	9	6	3	100	42	35	20
Other equity – Additional Tier 1 capital	27	26	4	11	8	38	95	85	12
	3 310	3 147	5	76	(106)	>100	4 373	4 320	1
Headline earnings	3 306	3 110	6	54	(111)	>100	4 108	4 126	(0)
Operating performance (%)									
Credit loss ratio	2.94	2.09		0.26	0.09		6.45	4.99	
Non-interest income as % of income	55.2	54.2		169.6	195.1		45.7	46.3	
Income growth	7	(3)		23	339		10	(1)	
Operating expenses growth	6	3		(102)	(376)		5	7	
Cost-to-income ratio	64.4	65.0		(1.1)	57.4		52.5	55.3	
Statement of financial position (Rm)									
Loans and advances	11 530	15 082	(24)	413	412	0	76 523	73 268	4
Loans and advances to customers	3 118	2 834	10	(1)	1	<(100)	67 483	60 405	12
Loans and advances to banks	8 412	12 248	(31)	414	411	1	9 040	12 863	(30)
Investment securities	442	525	(16)	239	191	25	3 901	3 574	9
Other assets	284 758	269 315	6	12 616	13 212	(5)	309 590	292 758	6
Total assets	296 730	284 922	4	13 268	13 815	(4)	390 014	369 600	6
Deposits	287 530	276 246	4	13	11	18	289 606	278 334	4
Deposits due to customers	287 530	276 246	4	13	11	18	289 606	278 334	4
Other liabilities	5 904	5 321	11	13 127	13 437	(2)	94 699	84 975	11
Total liabilities	293 434	281 567	4	13 140	13 448	(2)	384 305	363 309	6
Financial performance (%)									
RoRWA	13.38	12.07		n/a	n/a		3.82	4.00	
RoA	1.18	1.19		0.72	(1.51)		1.14	1.22	

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

Relationship Banking

for the reporting period ended 31 December

Relationship Banking Cluster headline earnings increased by 8% to **R4.0bn** (2021: R3.7bn), as pre-provision profit grew **4%** and impairment charges decreased by **29%.**

Key performance highlights for the period include the following:

- **Returns improved from 23.9% to 27.2%** supported by higher earnings and capital optimisation initiatives.
- **Solid pre-provision profit growth** was supported by net interest income increasing by **7%** in line with loan and deposit growth.
- **Credit loss ratio improved** from 67 bps in 2021 to **45 bps** in 2022 reflective of an improved book construct.
- **Loans and deposits balances** both grew by **7%.**
- **NIR growth has continued** to be impacted by reducing industry-wide cash volumes (down 10% year-on-year) as customers migrate to lower-margin digital channels.
- **Cost-to-income ratio increased** slightly to **54.9%** from 54.4%.

Salient features	2022	2021	Change %
Income (Rm)[1]	**14 442**	13 713	5
Pre-provision profit (Rm)[1]	**6 509**	6 256	4
Headline earnings (Rm)[1]	**4 024**	3 719	8
Credit loss ratio (%)	**0.45**	0.67	
Cost-to-income ratio (%)	**54.9**	54.4	
RoRWA (%)	**3.08**	2.70	
RoA (%)[1]	**1.57**	1.57	
RoRC (%)	**27.2**	23.9	

Business profile

Relationship Banking consists of the business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points within the Group. The businesses within Relationship Banking include Business Banking Services, Commercial Payments and Private Wealth. Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.

Changes in the operating model

In executing on its strategy, the business refined its operating model in the third quarter of 2022. Before the refinement, business followed a structure which placed product as a primary focus, followed by regions as the secondary layer. The refinement, in line with the drive to put the customer at the centre of what we do, places primary focus on client segments. Products and initiatives are tailored to serve the needs of these client segments, through the regions. This model is proving to be efficient in delivering value propositions that meet clients' requirements and by so doing improve customer experience. In essence, the business has identified and services the following client segments:

- **Small and Medium Enterprises (SMEs):** which comprise business customers with an annual turnover of up to R20m, that are serviced using a direct coverage model with a mainly branch-based and virtual interface;
- **Commercial Segment:** which comprises business customers with an annual turnover above R20m before being classified as Corporate. These customers are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions; as well as
- **Private Wealth:** which comprises individuals offered wealth management and private banking services.

Key business areas servicing these customer segments comprise:

- **Business Banking Services** which offers banking solutions spanning lending and transactional banking products as well as savings and investment products. The lending products consist of commercial asset finance, commercial property finance, term lending, structured lending as well as overdrafts;
- **Commercial Payments** which enables business and individual customers to make and accept electronic payments using various payment methods such as cash, debit, credit and prepaid cards as well as mobile payments. Commercial Payments also provides value added services such as money transfer and 'cash back' at point of sale; and
- **Private Wealth** which offers a full suite of banking services to customers in the Private and Wealth segment including transactional, lending, savings and investment products as well as other wealth management services.

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

Relationship Banking

for the reporting period ended 31 December

Business performance

The operating environment in 2022 was challenging and characterised by high levels of inflation, interest rate increases as well as persistent load shedding. This backdrop presented challenges to our clients' business operations, especially the SMEs, as activities were slowed down thus impacting the ability to meet obligations. Despite the tough operating environment, the business continued to deliver on its growth strategic objectives by recording strong performance in production across the lending products as well as solid growth in Card Acquiring, albeit partly as a result of customers migrating from traditional to low-margin digital channels:

- Commercial Property Finance production grew 24%;
- Commercial Asset Finance production grew 18%;
- Term and Agri loan production grew 11%; and
- Card Acquiring turnover grew 12%.
- Cash volumes continue the decreasing trend (down 9%) and reflect the shift by customer towards lower-margin digital channels.

The business made great strides on delivering on its strategic objectives to increase digital adoption, improve customer experience and strengthen customer relationships by:

- Creating simple and easy to use digital solutions for SMEs. This started with the launch of the Business Evolve proposition in 2020, which is continuously updated and is now supported by a holistic offering for customers, including:
  - MobilePay, a merchant acquiring application solution that turns an Android smart phone into a payment accepting device with no device rental or monthly fees; and
  - Absa SME Friday which supports Absa SMEs by rewarding Absa Retail clients for shopping at local Absa SME on a Friday.
- Increasing digital volumes by 4%; and
- Improving primacy by 3% compared to the prior year.

Financial performance

Headline earnings increased by 8% to **R4 024m** (2021: R3 719m) driven by a 4% growth in pre-provision profits and a 29% decrease in credit impairment charges.

Gross loans and advances to customers grew by **7%** to **R140bn** (2021: R131bn) reflecting solid growth in Commercial Asset Finance and Overdrafts benefited from improved business investment confidence, specifically in Transport & Logistics as well as continued momentum in the Agri portfolio.

Deposits due to customers increased by **7%** to **R201bn** (2021: R188bn) reflecting continued growth in transactional, and investments deposits which increased by 5% and 8% respectively. The growth in transactional deposits was supported by growth in the Third Party Fund Management product as well as the build-up of customer liquidity in the past two years. The saving and investments deposits growth was supported by an improvement in shorter term deposits.

Net interest income increased by 7% to **R9 337m** (2021: R8 765m):

- Net interest income on advances increased by 10% driven by a 5% growth in average balances and improved margins across the lending products;
- Net interest income on deposits increased by 5% driven by a 9% growth in average balances which was offset by margin compression from a change in the portfolio mix between transactional and investments deposits.

Non-interest income increased by 3% to **R5 105m** (2021: R4 948m) and was supported by 4% growth in digital volumes and acquiring turnover growth of 12%. This performance was offset by the impact of customer migration from traditional to lower-margin digital channels. Cash volumes decreased by 10% from prior year.

Credit impairment charges decreased by 29% to **R618m** (2021: R867m) due to an improvement in the overall book construct and benefits from enhancements of models, resulting in the credit loss ratio decreasing to **0.45%** (2021: 0.67%). Total book coverage decreased to **3.74%** (2021: 4.53%) given the improved construct and write-offs. NPL ratio decreased to **5.50%** (2021: 6.38%).

Operating expenditure increased by 6% driven by investment spend on digital capabilities as well as investment hires in shared services.

Looking ahead, the business will focus on:

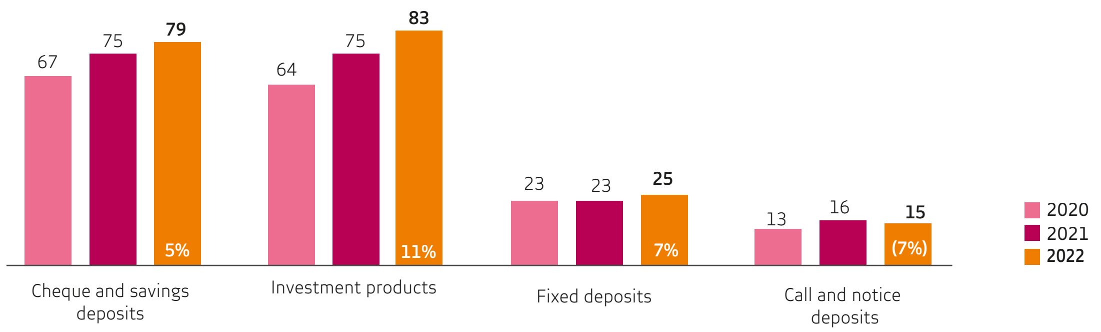
- Investing in holistic digital capabilities, in order to enhance relationships with customer and ensure a positive client experience across all channels;
- Improving customer experience by continuous improvements to the SME proposition to make it easier to bank with us;
- Strengthening customer relationships by continuing to rebuild a personalised service model of specialists in Private Wealth; and
- Delivering in relevant markets in support of the Group's ESG ambitions.

Relationship Banking

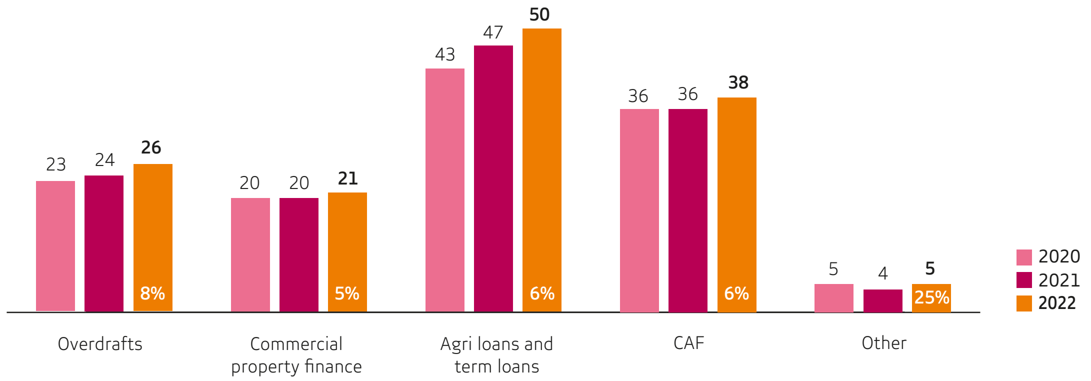
for the reporting period ended 31 December

Financial performance (continued)

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



ARO RBB

for the reporting period ended 31 December

Absa Regional Operations – Retail and Business Banking (ARO RBB) headline earnings increased by more than 100% to **R1 068m** (2021: R106m), driven by strong pre-provision profit growth of **30%** (constant currency (CCY): 34%) coupled with a reduction in credit impairment charges which declined by **8%** (CCY: 4%).

Customer advances grew by **13%** (CCY: 16%) to **R72bn**, supported by solid production levels in personal lending, mortgages and commercial lending.

Deposits due to customers grew by **9%** (CCY: 13%) to **R110bn** supported by both transactional (CCY: 11%) and investment products (CCY: 23%).

Credit loss ratio improved to **1.64%** (2021: 2.03%) as operations normalised and economic activity recovered post the COVID-19 pandemic.

Total income grew by **19%** (CCY: 18%) to **R13.9bn** driven by strong balance sheet growth and improved transactional activity.

Margins expanded by **21 bps** as a result of higher interest rates across ARO markets.

Non-interest income as a percentage of total income increased to **29.9%** (2021: 28.1%) underpinned by a higher active client base and continued cross sell initiatives.

Return on Regulatory Capital (RoRC) increased significantly to **10.5%** (2021: 1.1%) as a result of strong earnings growth and a continued focus on leveraging capital efficiencies but remains below cost of equity (CoE).

Total active customers increased by **6%** to 1.7m supported by improved customer experience and enhanced customer value propositions.

Digitally active customers increased to **60%** (2021: 53%) in line with the business strategy to become a digitally led bank.

Cost-to-income ratio has improved to **70.6%** (2021: 73.0%) and further reduction in this ratio remains a key focus area.

Salient features	2022	2021	CCY %	Change %
Income (Rm)[1]	**13 854**	11 640	18	19
Pre-provision profit (Rm)[1]	**4 077**	3 141	34	30
Headline earnings (Rm)[1]	**1 068**	106	>100	>100
Credit loss ratio (%)	**1.64**	2.03		
Cost-to-income ratio (%)	**70.6**	73.0		
RoRWA (%)	**1.15**	0.13		
RoA (%)[1]	**0.88**	0.10		
RoRC (%)	**10.5**	1.1		

Business profile

ARO RBB offers a comprehensive suite of retail, business banking and insurance products and services for individuals, small to medium enterprises and commercial customers across the region. Various solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. The focus is on delivering a superior customer experience matched closely to the needs and expectations of our customers. This is facilitated through branch, self-service, agency banking and digital channels supported by a relationship-based model with a well-defined coverage structure built on specific customer value propositions.

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

ARO RBB

for the reporting period ended 31 December

Key business areas

- **Retail banking:** Offers day-to-day banking services to individual customers by providing a comprehensive suite of lending, transactional and deposit, cards and payments products across various segments. Key segments include:
  - **Premier banking:** Represents the affluent retail segment in each ARO presence market. Customers are offered exclusive banking with tailor-made solutions through dedicated relationship managers, as part of ARO's premier suites;
  - **Prestige banking:** Represents the emerging affluent retail segment in each market. Customers are serviced through dedicated banking teams, backed by appropriate affordable products and solutions in keeping with customers' aspirations and needs;
  - **Personal banking:** Represents the middle-market segment. Customers have access to direct channels including the branch network and are offered convenient and relevant products and services; and
  - **Financial Inclusion:** Provides access to the financial system and finance to the traditionally under-banked and unbanked population, with specific focus on young people and women in business through digital channels and micro loans.
- **Business banking:** The Business Banking opportunity has been identified as being of particular importance as it contributes significantly to job creation and national economic development in the ARO presence markets. Clients are serviced through a direct coverage and relationship-based model with customised solutions. Key segments include:
  - **Small** and **Medium Enterprise (SME) banking:** Which are serviced using a direct coverage model with a predominantly branch-based interface; and
  - **Commercial banking:** Which includes medium enterprises serviced through a relationship-based model, with dedicated sales and service teams that provide tailored banking solutions such as trade finance and working capital. Commercial and SME banking includes sector overlays focusing on agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.
- **Insurance:** Consists of:
  - **Life Insurance –** The product range covers death, disability and retrenchment, education as well as funeral and life-wrapped investment products; and
  - **Non-Life Insurance –** The product range covers non-life insurance solutions, including motor, medical and workman's compensation, primarily through agents leveraging the banking distribution channels.

Business performance

ARO RBB accelerated execution on its digital-first, customer-centric strategy in 2022, as business activity normalised across markets. This acceleration is depicted by the improvement in performance metrics and positive market share gains across the business:

- Digitally active customers increased to **60%** (2021: 53%) of the transactional customer base, in line with our strategic intent to become a digitally led bank;
- Mobile lending targeting the previously under-banked and unbanked customers continued to accelerate with the value of disbursements increasing by 54% to **R6.7bn** (2021: R4.3bn) in line with our strategy to drive financial inclusion and access to finance;
- Delivered VISA Direct in Kenya which is a first to market solution allowing customers to send funds globally in a seamless, safe, simple and convenient manner;
- Delivered a digital customer onboarding solution reducing reliance on manual processes or access to physical branches for customer acquisition;
- Launched the Dynamic Currency Conversion on Absa ATMs in multiple markets;
- New loan production increased driven by growth in low to medium-risk sectors including secured lending (14%) and personal loans (12%);
- Card-acquiring merchants increased by 10% and Credit and Debit card turnover increased by 29% and 32% respectively; and
- Customer and service experience also improved steadily across the markets.

The following accolades were received during the year:

Absa Bank Botswana

- Top employer 2022 by the Top Employers Institute
- First runner-up for the Service Excellence Award in the Banking sector by the Chartered Institute of Customer Management

Absa Bank Ghana

- Best Retail and Digital Bank by the Asian Banker
- Bancassurance leader by the Ghana Insurance Awards

Absa Bank Kenya

- Most Reputable Bank by Globe Scan in Kenya
- Second in the Retail Banking category by Think Business

Absa Bank Mauritius

- Best Digital Customer service by the Digital Banker
- Best Digital Bank by the Global Business Outlook

Absa Bank Tanzania

- Best Digital Bank by the World Economic Magazine
- Best International Bank 2022 Customer Service by the Tanzania Consumer Choice Awards
- Best Banking Card by the Global Brands Magazine

Absa Bank Zambia

- Best SME Bank and Digital Bank for 2022 by the Global Banking and Finance Review
- Best Customer Experience Organisation of the year

National Bank of Commerce (Tanzania)

- Best SME Bank in Tanzania by Global Finance

Financial performance

FX impact on financial performance

The Rand marginally depreciated on average compared to the basket of ARO currencies in 2022. However, strengthened on a year-on-year spot basis. This had a positive impact on earnings translation and revenue, while having a negative effect on closing balance sheet positions. The commentary below has been provided using CCY growth rates which better reflect the underlying performance.

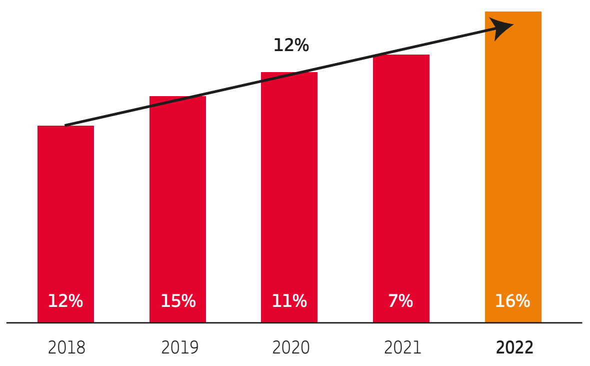
ARO RBB

for the reporting period ended 31 December

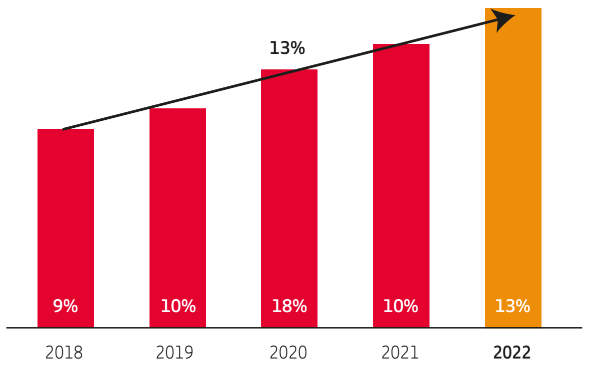
Financial performance (continued)

ARO Banking

Loans to customers growth trend CCY (CAGR)



Deposits to customers growth trend CCY (CAGR)



Loans and advances to customers increased by 16% to **R72bn** driven by growth in the personal lending and mortgage lending portfolios of 12% and 14% respectively, while commercial loans grew by 21%.

Deposits due to customers increased by 13% to **R110bn** driven by growth in investment (23%) and transactional products (11%).

Headline earnings increased tenfold to **R972m** driven by revenue-led solid pre-provision profit growth of 27% and a 4% decline in the credit impairment charge.

Net interest income increased by 15% to **R9.7bn** driven by the strong balance sheet growth across the markets as well as margin expansion on the back of higher average interest rates noted in some key markets.

Non-interest income increased by 18% to **R3.6bn** supported by a higher active client base, up 6% to 1.7m and an improved economic environment that supported increased client activity. Trade (16%) and FX revenues (51%) increased in the commercial segment while retail noted an improvement in the Cards' performance (42%). This was despite the macro-economic pressures on customers from rising inflation and interest rates, limited fee increases and the continued shift in customer activity to our more cost-effective digital channels.

Credit impairment charges declined by 4% to **R1 182m** (2021: R1 290m) with the credit loss ratio improving to **1.64%** (2021: 2.03%), closing below the through-the-cycle range of 180 – 220 bps. The reduction in the credit loss ratio was primarily due to an improved book construct in the Retail segment given the tailored risk appetite, better collection efforts and single-name releases in Business Bank. The NPL ratio reduced to **7.77%** (2021: 7.90%) mainly driven by Retail, while Business Bank increased due to a portfolio deterioration in some markets and the impact of the Ghana sovereign debt crisis. The overall coverage ratio reduced to **7.47%** (2021: 7.98%) driven by an improvement in the risk profile.

Operating expenses increased by 12% to **R9.3bn** relative to average inflation of 11% across the ARO markets, as increased performance costs and investments in technology and digitisation were offset by focused cost management initiatives.

ARO Insurance

The Insurance business revenue increased by more than 100% to **R582m** (2021: R281m) generated from Life Insurance business (R323m) and Non-Life insurance (R254m).

Operating expenses grew by 18% to **R453m** (2021: R384m) due to increased transformational technology investments and marketing activities. The cost-to-income ratio improved to **78.0%** (2021: 136.7%) due to higher net earned premium growth.

Headline earnings increased by more than 100% to **R96m** (2021: loss R87m) generated from Life Insurance business (R77m) and Non-Life insurance (R18m).

Life Insurance

Life Insurance revenue grew by more than 100% to **R323m** (2021: R35m) driven by a 6% increase in net earned premiums from Group risk and education products, coupled with a 9% reduction in claims. The policyholder investments realised a 90% improvement due to the release in COVID-19 reserves coupled with an increase in the investment income by 33% from the favourable interest rates in the markets.

Non-Life Insurance

Non-Life Insurance revenue grew by 3% to **R254m** (2021: R247m) driven by a 21% increase in net earned premiums attributable to new business and renewals. The investment income increased by 75% due to the favourable interest rates in the markets, partially offset by an increase in motor and fire claims.

In summary, the ARO RBB business delivered a solid performance for the year, closing well above pre-COVID-19 levels. This was against a backdrop of macro-economic pressures experienced in our markets that saw rising inflation and interest rates impacting consumers' disposable income. Despite this, the business remains resilient with a positive momentum and commitment to delivering on key strategic goals.

Looking ahead, ARO RBB will focus on:

- Establishing primary relationships with customers by deepening existing and building new customer relationships;
- Leveraging new propositions within mobile lending and payments to augment the existing suite of customer solutions;
- Rolling out an enhanced digital capability for a competitive payment offering while further deepening our Commercial and SME product offering;
- Driving the retail segment with refreshed customer value propositions;
- Extracting further opportunities from the corporate customer ecosystems; and
- Integrating the Insurance and Banking businesses to provide customers with a holistic and seamless financial service through enhancing of frontline and digital capabilities.

CIB

for the reporting period ended 31 December

Headline earnings increased by 9% to **R8 977m** (2021: R8 250m, up **7%** in CCY), driven by strong revenue-led pre-provision growth of 13% (up 16% in CCY) partially offset by credit impairment charges, up 87% (162% in CCY).

Key performance highlights for the period include the following:

Revenue growth of 12% (13% in CCY), benefitting from a strong second half performance across all business areas.

Customer advances, excluding reverse repos, increased by 15% driven mostly by term facilities.

Return on regulatory capital increased to **21.4%** from 20.6%, with returns above 20% across business clusters (the Corporate Bank and the Investment Bank) and regions (SA and ARO).

CIB Absa Access FX platform awarded the Best Online Portal/User Experience Design and Best Mobile Banking app by Global Finance Best Digital Bank Awards.

Strong loan-to-deposit ratio of 98.9% (2021: 91.2%).

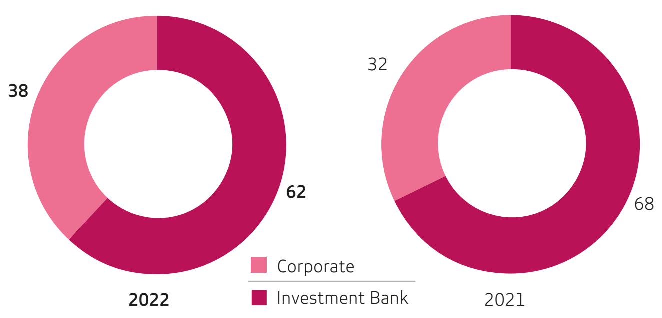
Credit loss ratio of 0.27% (2021: 0.17%) within the through-the-cycle target range of 20 – 30 bps.

Cost-to-income ratio improved to 46.7% from 47.0%.

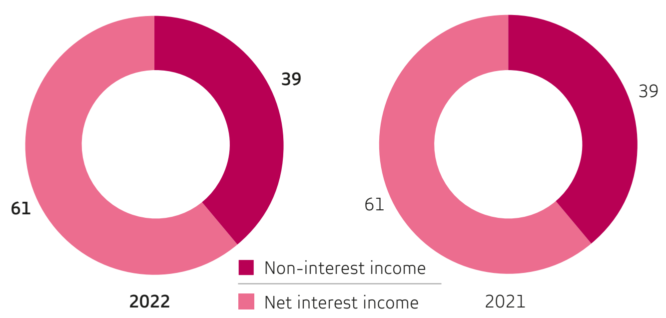
Non-interest income to total income ratio lower than prior year at 38.6% (from 38.9%).

Challenging market conditions in Ghana materially contributed to high impairment charges of R954m (2021: R76m) in ARO.

Headline earnings contribution (%)



Revenue mix (%)



Salient features	2022	2021	CCY %	Change %
Income (Rm)[1]	26 783	23 866	13	12
Headline earnings (Rm)[1]	8 977	8 250	7	9
Pre-provision profit (Rm)[1]	14 275	12 649	16	13
Cost-to-income ratio (%)	46.7	47.0		
Credit loss ratio (%)	0.27	0.17		
RoRWA (%)	2.49	2.37		
RoA (%)	0.88	0.86		
RoA net of internal balances (%)[2]	1.19	1.18		
RoRC (%)	21.4	20.6		

[1] These numbers have been restated, refer to the report overview.
[2] Return on assets metric utilising the impact of net internal assets within the total average assets balance.

CIB

for the reporting period ended 31 December

Business profile

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

Key business areas

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

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

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

CIB

for the reporting period ended 31 December

CIB

for the reporting period ended 31 December

	Corporate Bank[1]				Investment Bank[1]				Total CIB[1]			
	2022	2021	CCY %	Change %	2022	2021	CCY %	Change %	2022	2021	CCY %	Change %
Statement of comprehensive income (Rm)												
Net interest income[1]	**8 987**	7 635	18	18	**7 471**	6 936	8	8	**16 458**	14 571	14	13
Non-interest income	**2 866**	2 287	25	25	**7 459**	7 008	9	6	**10 325**	9 295	13	11
Total income	**11 853**	9 922	20	19	**14 930**	13 944	8	7	**26 783**	23 866	13	12
Credit impairment charges	**(441)**	35	<(100)	<(100)	**(937)**	(771)	64	22	**(1 378)**	(736)	>100	87
Operating expenses[1]	**(6 127)**	(5 717)	6	7	**(6 381)**	(5 500)	15	16	**(12 508)**	(11 217)	11	12
Other expenses	**(59)**	(104)	(43)	(43)	**(222)**	(214)	4	4	**(281)**	(318)	(12)	(12)
Operating profit before income tax	**5 226**	4 136	24	26	**7 390**	7 459	(2)	(1)	**12 616**	11 595	7	9
Tax expenses[1]	**(1 466)**	(1 251)	16	17	**(1 349)**	(1 410)	(5)	(4)	**(2 815)**	(2 661)	5	6
Profit for the reporting period	**3 760**	2 885	27	30	**6 041**	6 049	(1)	(0)	**9 801**	8 934	8	10
Profit attributable to:												
Ordinary equity holders	**3 445**	2 626	28	31	**5 520**	5 603	(3)	(1)	**8 965**	8 229	7	9
Non-controlling interest – ordinary shares	**232**	180	26	29	**263**	194	32	36	**495**	374	29	32
Non-controlling interest – preference shares	**26**	23	14	13	**77**	74	5	4	**103**	97	7	6
Other equity – Additional Tier 1 capital	**57**	56	2	2	**181**	178	2	2	**238**	234	2	2
	3 760	2 885	27	30	**6 041**	6 049	(1)	(0)	**9 801**	8 934	8	10
Headline earnings	**3 451**	2 651	27	30	**5 526**	5 599	(3)	(1)	**8 977**	8 250	7	9
Operating performance (%)												
Net interest margin on average interest-bearing assets	**2.43**	2.25			**2.64**	2.63			**2.52**	2.41		
Credit loss ratio	**0.40**	(0.05)			**0.24**	0.21			**0.27**	0.17		
Non-interest income as % of income	**24.2**	23.0			**50.0**	50.3			**38.6**	38.9		
Income growth	**20**	8			**7**	12			**12**	10		
Operating expenses growth	**7**	7			**16**	14			**12**	10		
Cost-to-income ratio	**51.7**	57.6			**42.7**	39.4			**46.7**	47.0		
Statement of financial position (Rm)												
Loans and advances	**103 232**	87 356	19	18	**410 710**	364 757	13	13	**513 942**	452 113	14	14
Loans and advances to customers	**77 423**	67 802	16	14	**354 191**	330 725	7	7	**431 614**	398 527	9	8
Loans and advances to banks	**25 809**	19 554	30	32	**56 519**	34 032	67	66	**82 328**	53 586	54	54
Investment securities	**3 928**	2 792	41	41	**43 324**	40 450	7	7	**47 252**	43 242	9	9
Other assets[1]	**287 700**	278 937	4	3	**225 709**	214 778	5	5	**513 409**	493 715	5	4
Total assets	**394 860**	369 085	8	7	**679 743**	619 985	10	10	**1 074 603**	989 070	9	9
Deposits	**380 839**	357 669	7	6	**118 770**	124 716	(5)	(5)	**499 609**	482 385	4	4
Deposits due to customers	**351 635**	345 912	2	2	**55 762**	63 164	(12)	(12)	**407 397**	409 076	0	(0)
Deposits due to banks	**29 204**	11 757	>100	>100	**63 008**	61 552	2	2	**92 212**	73 309	26	26
Debt securities in issue	**—**	—	—	—	**26 669**	17 989	38	48	**26 669**	17 989	38	48
Other liabilities[1]	**11 517**	9 707	25	19	**528 714**	471 577	13	12	**540 231**	481 284	13	12
Total liabilities	**392 356**	367 376	8	7	**674 153**	614 282	10	10	**1 066 509**	981 658	9	9
Financial performance (%)												
Return on average risk-weighted assets	**3.13**	2.54			**2.20**	2.29			**2.49**	2.37		
Return on average assets	**0.91**	0.76			**0.86**	0.91			**0.88**	0.86		

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

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

Total CIB

for the reporting period ended 31 December

Total CIB

for the reporting period ended 31 December

	CIB SA			CIB ARO				Total CIB			
	2022	2021	Change %	2022	2021	CCY %	Change %	2022	2021	CCY %	Change %
Statement of comprehensive income (Rm)											
Net interest income[1]	**10 269**	9 693	6	**6 189**	4 878	28	27	**16 458**	14 571	14	13
Non-interest income	**6 195**	5 787	7	**4 130**	3 508	22	18	**10 325**	9 295	13	11
Total income	**16 464**	15 480	6	**10 319**	8 386	25	23	**26 783**	23 866	13	12
Credit impairment charges	**(424)**	(660)	(36)	**(954)**	(76)	>100	>100	**(1 378)**	(736)	>100	87
Operating expenses[1]	**(8 124)**	(7 298)	11	**(4 384)**	(3 919)	9	12	**(12 508)**	(11 217)	11	12
Other expenses	**(191)**	(243)	(21)	**(90)**	(75)	20	20	**(281)**	(318)	(9)	(12)
Operating profit before income tax	**7 725**	7 279	6	**4 891**	4 316	9	13	**12 616**	11 595	7	9
Tax expenses[1]	**(1 314)**	(1 272)	3	**(1 501)**	(1 389)	7	8	**(2 815)**	(2 661)	5	6
Profit for the reporting period	**6 411**	6 007	7	**3 390**	2 927	11	16	**9 801**	8 934	8	10
Profit attributable to:											
Ordinary equity holders	**6 069**	5 676	7	**2 896**	2 553	8	13	**8 965**	8 229	7	9
Non-controlling interest – ordinary shares	**—**	—	—	**495**	374	29	32	**495**	374	29	32
Non-controlling interest – preference shares	**103**	97	6	**—**	—	—	—	**103**	97	7	6
Other equity – Additional Tier 1 capital	**238**	234	2	**—**	—	—	—	**238**	234	2	2
	6 410	6 007	7	**3 391**	2 927	11	16	**9 801**	8 934	8	10
Headline earnings	**6 070**	5 716	6	**2 907**	2 534	9	15	**8 977**	8 250	7	9
Operating performance (%)											
Net interest margin on average interest-bearing assets	**1.97**	2.00		**4.73**	4.12			**2.52**	2.41		
Credit loss ratio	**0.12**	0.18		**1.09**	0.12			**0.27**	0.17		
Non-interest income as % of income	**37.6**	37.4		**40.0**	41.8			**38.6**	38.9		
Income growth	**6**	17		**23**	(1)			**12**	10		
Operating expenses growth	**11**	16		**12**	1			**12**	10		
Cost-to-income ratio	**49.3**	47.1		**42.5**	46.7			**46.7**	47.0		
Statement of financial position (Rm)											
Loans and advances	**433 560**	380 570	14	**80 382**	71 543	15	12	**513 942**	452 113	14	14
Loans and advances to customers	**362 816**	338 241	7	**68 798**	60 286	17	14	**431 614**	398 527	9	8
Loans and advances to banks	**70 744**	42 329	67	**11 584**	11 257	4	3	**82 328**	53 586	54	54
Investment securities	**44 694**	41 927	7	**2 558**	1 315	95	95	**47 252**	43 242	9	9
Other assets[1]	**439 034**	408 712	7	**74 375**	85 003	(8)	(13)	**513 409**	493 715	5	4
Total assets	**917 288**	831 209	10	**157 315**	157 861	3	(0)	**1 074 603**	989 070	9	9
Deposits	**405 777**	392 983	3	**93 832**	89 402	8	5	**499 609**	482 385	4	4
Deposits due to customers	**318 883**	320 687	(1)	**88 514**	88 389	3	0	**407 397**	409 076	0	(0)
Deposits due to banks	**86 894**	72 296	20	**5 318**	1 013	>100	>100	**92 212**	73 309	26	26
Debt securities in issue	**26 669**	17 989	48	**—**	—	—	—	**26 669**	17 989	38	48
Other liabilities[1]	**476 931**	412 705	16	**63 300**	68 579	(3)	(8)	**540 231**	481 284	13	12
Total liabilities	**909 377**	823 677	10	**157 132**	157 981	3	(1)	**1 066 509**	981 658	9	9
Financial performance (%)											
RoRWA	**2.56**	2.37		**2.35**	2.36			**2.49**	2.37		
RoA	**0.69**	0.69		**1.93**	1.86			**0.88**	0.86		

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

Total CIB

for the reporting period ended 31 December

Business performance

CIB continued to deliver on its growth ambition, as the business remained focused on executing the strategic priorities across client and primacy, platforms, digital and data, talent and culture, and ESG. All business units delivered growth with ARO growing faster than SA in line with our focus on diversifying our franchise offering.

CIB's performance was underpinned by many achievements in 2022:

- Increasing primacy and client acquisitions remain a key focus and CIB continued to improve during the period, particularly in ARO. A strong performance in new client acquisition in priority and growth sectors was achieved in both SA and ARO.
- Having achieved 100% ARO client migration to Absa Access in the first half of the year, 64% of the client base is now active on the platform. SA continued to make progress in the migration and activation of clients. The CIB Absa Access FX platform was awarded the Best Online Portal/User Experience Design and Best Mobile Banking App accolades at the prestigious Global Finance Best Digital Bank Awards 2022.
  - CIB will continue to prioritise and make progress in Pan-African migration and activation as well as decommissioning of legacy platforms.
- CIB remains committed to attracting and retaining talent critical to the delivery of the strategy with a continued focus on hiring, promotion, diversity and inclusion; with a strong focus on women and African populations. An increase in the number of women and African leaders was noted during the period.
- Our employees continue to contribute meaningfully to the societies in which we operate, including supporting the following initiatives:
  - Finance and Banking Academy to increase finance and banking skills in societies across the continent;
  - Social Coding to cultivate academic support for science, technology, engineering and maths learners;
  - Built4Biz Entrepreneurship training for SMEs and start-ups owned by women and youth to grow sustainable businesses.
- CIB continues to progress on its sustainability agenda, executing landmark transactions that provide solutions that assist clients to achieve their ESG goals. In the second half of the year, CIB acted as joint mandated lead arranger and lender for South Africa's first utility-scale renewable energy captive power project comprising 200MW of solar power. The transaction adds to Absa's growing renewable energy portfolio, cementing the bank's leadership in the sector.

The following accolades were received during the year:

- Best Investment Bank in Power/Energy (Global Sector Award) and Best Equity Bank (African Region Award) at the Global Finance Awards 2022. The awards acknowledge excellence in advisory, capital raising and financing solutions.
- Most Innovative Bank in Africa for the second consecutive year at the Global Finance Innovators Awards 2022.
- The Best Research House accolade, for the fifth consecutive year, and placed first in seven categories at the JSE Spire Awards 2021. These awards recognise the best achievers in the South African Capital Markets.
- Local Markets Loan House of the Year and Sub-Sahara Africa Investment Bank of the Year at the Annual Bonds and Loans Africa Awards 2022.
- Several accolades were presented to the business at the fifth annual South African Listed Tracker Awards (SALTA) 2022 including being recognised for delivering the best total investment returns over the past three years in several categories.
- Africa's Best Bank for Transaction Services at Euromoney's Awards for Excellence 2022.
- Middle East and Africa Banking Innovation Awards 2022:
  - Best Trade Finance Platform Initiative – Absa Trade Management Online (TMO)
  - Best Bank for Cash Management – Africa
  - Best Bank for Trade Finance – Africa
  - Best Bank for Trade Finance – Ghana
- Europe, Middle East and Africa Finance African Banking Awards 2022:
  - Best Investment Bank
    - Pan-Africa
    - Mauritius
    - South Africa
  - Best Equity house in South Africa
  - Best Loan house in South Africa
- The CIB Corporate Funds Management team was awarded the Financial Inclusion Award at the Association of Black Securities and Investment Professionals Awards. This award is presented to the bank that best demonstrates it is creating access to finance for historically disadvantaged individuals and groups by providing an affordable cluster of products with superior benefits to serve the community.
- The CIB Absa Access FX platform was awarded the Best Online Portal/User Experience Design and Best Mobile Banking App accolades at the Global Finance Best Digital Bank Awards 2022.

Financial performance

Headline earnings growth of 9% to **R8 977m** (2021: R8 250m, up 7% in CCY) was supported by revenue-led pre-provision profit growth of 13% to **R14 275m** (2021: R12 650m, up 16% in CCY), partially offset by impairments growth of 87% to **R1 378m** (2021: R736m, up 162% CCY). Revenue was up 12% to **R26 783m** (2021: R23 866m, up 13% in CCY), with operating expenses up 12% to **R12 508m** (2021: R11 217m, up 11% in CCY). RoRC improved from 20.6% to 21.4%, benefitting from optimisation initiatives and growth in headline earnings.

- ARO headline earnings were up 15% to **R2 907m** (2021: R2 534m up 9% in CCY) driven by strong pre-provision profit growth of 33% to **R5 935m** (2021: R4 467m, up 39% in CCY), partially offset by growth of more than 100% in impairments to **R954m** (2021: R76m, up more than 100% in CCY), stemming mainly from Ghana. Revenue was up 23% to **R10 319m** (2021: R8 386m, up 25% in CCY) with operating expenses up 12% to **R4 384m** (2021: R3 919m, up 9% in CCY).
- SA headline earnings were up 6% to **R6 070m** (2021: R5 716m) benefitting from revenue growth of 6% to **R16 464m** (2021: R15 480m), off a high base, and a decline in impairments of 36% to **R424m** (2021: R660m); this was partially offset by operating expense growth of 11% to **R8 124m** (2021: R7 298m), mainly driven by investment in technology, platforms and people.

Total CIB

for the reporting period ended 31 December

Financial performance (continued)

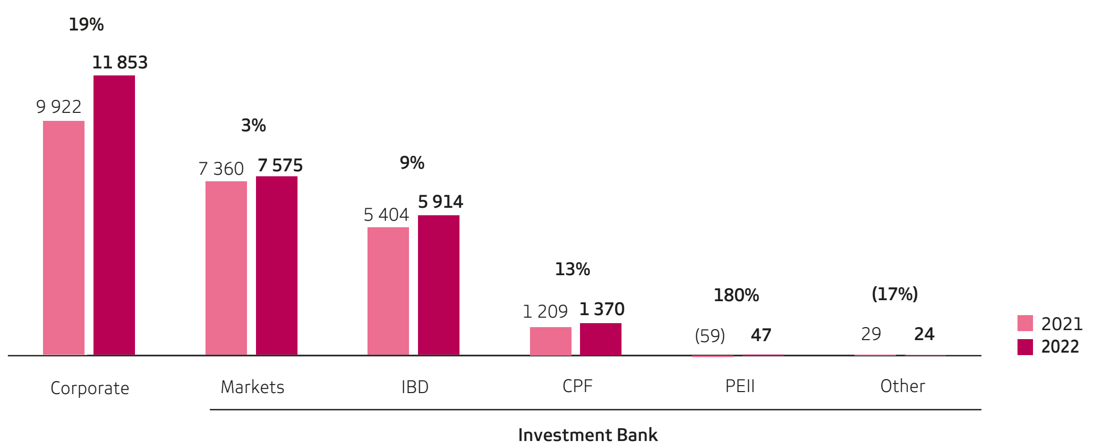
Total income growth was driven by solid growth in the client franchise; in the second half of the year all core product areas delivered double digit growth in constant currency. Net interest income increased by 13% to **R16 458m** (2021: R14 571m, up 14% in CCY) supported by margin expansion of 11 bps to 252 bps with average advances to banks and customers (excluding reverse repurchase agreements) growth of 14% and average deposit growth of 4%, when excluding repurchase agreements. Non-interest income grew by 11% to **R10 325m** (2021: R9 295m, up 13% in CCY) driven mainly by a strong Markets performance in ARO, improved fees in IBD and improved Trade Finance and Transactions volumes in the Corporate Bank.

Growth in credit impairments of 87% was attributable to higher charges in ARO due to challenging market conditions in Ghana. The credit loss ratio was, however, within the through-the-cycle target range (20 – 30 bps) at 27 bps (2021: 17 bps). Excluding Ghana, the credit loss ratio was 11 bps.

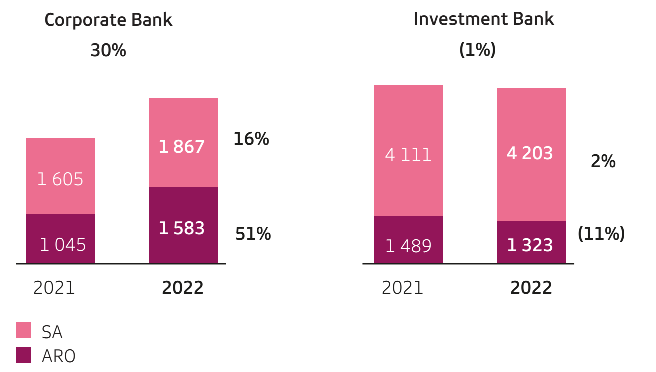
The increase in operating expenses of 12% was driven by growth in both performance and non-performance costs. Performance costs were aligned with our priority of investing in scarce skills; non-performance costs were up due to inflationary pressures across several jurisdictions and continued strategic investment in the development of digital capabilities. Increased spending on training and travel was also noted as 'face-to-face' client activity resumed post-COVID. Cost-to-income ratio decreased to **46.7%** (2021: 47.0%).

CIB's liquidity position remained healthy, with a loan-to-deposit ratio of 98.9%. Advances to banks and customers were up 14% to **R513.9bn** (2021: R452.1bn, up 14% in CCY), and deposits due to banks and customers were up 4% to **R499.6bn** (2021: R482.4bn, up 4% in CCY). Core SA cheque deposits were up 17%. On an average basis, advances to banks and customers excluding reverse repurchase agreements were up 14% to **R367.9bn** (2021: R323.3bn, up 13% in CCY), with average deposits due to banks and customers excluding repurchase agreements increasing 4% to **R415.3bn** (2021: R400.8bn, up 3% in CCY).

Gross income mix (Rm and change %)



Headline earnings (Rm and change %)



- Corporate Bank headline earnings increased by 30% to **R3 451m** (2021: R2 651m, up 27% in CCY), underpinned by pre-provision profit growth of 36%. Revenue increased by 19% to **R11 853m** (2021: R9 922m, up 20% in CCY) benefitting from continued liquidity strength during the period, increased demand for short-term funding and improved sales activity. Operating expense growth was contained to 7% at **R6 127m** (2021: R5 717m, up 6% in CCY) while impairment charges increased by more than 100% to **R441m** (2021: net release of R35m, up more than 100% in CCY).
- Investment Bank headline earnings were down 1% to **R5 526m** (2021: R5 599m, down 3% in CCY). Pre-provision profit growth was 1% with revenue growth of 7% off a high base to **R14 930m** (2021: R13 944m, up 8% in CCY) and growth in operating expenses of 16% to **R6 381m** (2021: R5 500m, up 15% in CCY), mainly driven by investment in people and post-COVID discretionary cost normalisation. Impairment charges increased by 22% to **R937m** (2021: R771m, 64% in CCY).

Total CIB

for the reporting period ended 31 December

Financial performance (continued)

- Corporate Bank income increased by 19% to **R11 853m** (2021: R9 922m, up 20% in CCY), with SA up 15% and ARO up 25% (26% in CCY). Margin expansion on deposits was experienced across the continent due to the increasing interest rate environment, and higher transaction volumes resulted from the increased number of primary banked clients. The performance also benefitted from an effective Pan-African Trade strategy, resulting in higher average balances and volumes, with the Financial Institutions business, in particular, growing strongly. In addition, there was a one-off litigation recovery; excluding this item, growth would have been 16%.
- Investment Bank income growth of 7% to **R14 930m** (2021: R13 944m, up 8% in CCY), was supported by ARO growth of 21% (up 24% in CCY) while SA was up 1%, adversely impacted by a decline in Trading. The performance was underpinned by growth in IBD of 9% (up 9% in CCY), largely driven by a strong balance sheet performance, particularly in the fourth quarter, as well as improved fees. Markets was up 3% (up 5% in CCY), with outperformance in ARO, which grew at 20% (up 26% in CCY) underpinned by robust growth in the FX client franchise benefitting from a digitally led FX strategy as well as deeper collaboration across multiple teams. Markets SA declined by 8% from a high base, impacted by subdued Corporate Client activity and adverse risk management. The CPF business was up 13% (15% in CCY), driven by asset growth and margin expansion.

Business unit performance

Corporate Bank

The Corporate Bank franchise grew income by 19% to **R11 853m** (2021: R9 922m, up 20% in CCY) supported by a strong performance in both ARO, up 25% to **R5 036m** (2021: R4 020m, up 26% in CCY), and SA, up 15% to **R6 817m** (2021: R5 902m).

Net interest income grew by 18% to **R8 987m** (2021: R7 635m, up 18% in CCY) as a result of margin expansion on deposits in an increasing interest rate environment, while average customer and bank deposit balances grew by **8%** (7% in CCY). Additionally, average customer and bank loan balances increased by **32%** (31% in CCY) as demand for short-term funding improved.

Non-interest income was up 25% to **R2 866m** (2021: R2 287, up 25% in CCY). This increase resulted from continued momentum in our Transactions and Trade franchises and a one-off litigation recovery.

Impairments were **R441m**, up more than 100% from a net release of R35m in the prior year, due to higher charges in Ghana and a large impairment on a single name in SA.

Corporate Bank Pan-Africa income was driven by the following:

- Trade Finance revenue increased by 9%, with strong growth in SA and stability in ARO. The growth in Trade Finance can be attributed to increased balances, as well as increased volumes in export letters of credit in line with the overall market. The continued momentum in Trade Finance is a result of the strategic drive to become the trade partner of choice on the continent.
- Cash Management increased 22% driven by growth in net margin and deposit balances, coupled with increased transactional volumes.
  - Deposits revenue increased by 23%, mainly due to higher margins in several jurisdictions. SA deposits revenue was up 9% while ARO was up 40%, with ARO also benefitting from a change in country mix and growth in average customer deposits of 12% (6% in CCY). Overall, Pan-Africa deposits increased by 5% with SA up 3% to **R262bn** (2021: R255bn). Core SA cheque deposits were up 17%.
  - Transactions revenue increased by 19% due to increased client primacy and higher volumes, with SA and ARO increasing by 20% and 14% respectively. This is testament to the continued efforts to modernise our channels and to expand our client propositions across the continent.
- Working capital revenue increased by 7% as a result of higher customer advances across the continent, as well as higher margins.

Corporate Bank salient features	2022	2021	CCY %	Change %
Gross income (Rm)[1]	11 853	9 922	20	19
Credit impairment charges (Rm)	(441)	35	<(100)	<(100)
Net income (Rm)	11 412	9 957	13	15
Average loans and advances to customers (Rbn)	69.1	57.3	20	21
Average deposits due to customers (Rbn)	344.7	329.0	3	5

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

Total CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank

Investment Bank income increased by 7% to **R14 930m** (2021: R13 944m, 8% in CCY), with all business units delivering growth on the prior year. SA was up 1% to **R9 647m** (2021: R9 577m) and ARO was up 21% to **R5 282m** (2021: R4 366m, up 24% in CCY).

Business units performed as follows:

Global Markets

Global Markets income increased by 3% to **R7 575m** (2021: R7 360m, up 5% in CCY), with Markets SA down 8% to **R4 159m** (2021: R4 521m) as a result of a decline in Trading, while Markets ARO was up 20% to **R3 416m** (2021: R2 839m, up 26% in CCY), benefitting from strong client franchise growth.

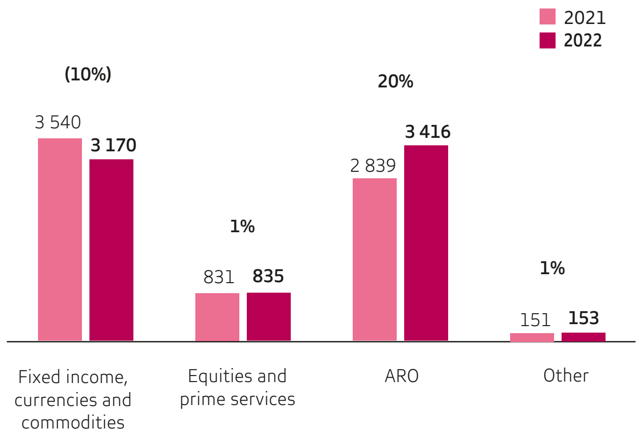
The **Markets SA** performance was driven by:

- **Fixed Income, Currencies and Commodities** revenue decreased by 10% to **R3 170m** (2021: R3 540m). Due to the macro environment the Fixed Income flow franchise was impacted by reduced monetisation of client flows and delays in longer-term corporate hedging activity. This was partially offset by a solid Foreign Exchange performance driven by increased demand for Structured FX solutions and favourable risk management as a result of higher volatility in the market.
- **Equities and Prime** revenue increased by 1% to **R835m** (2021: R831m). Prime Services gained from strong client financing balances due to increased client acquisitions and continued growth in the futures clearing market share. This performance was, however, offset by muted client flow and corporate equity derivative executions in Equities due to challenging market conditions.

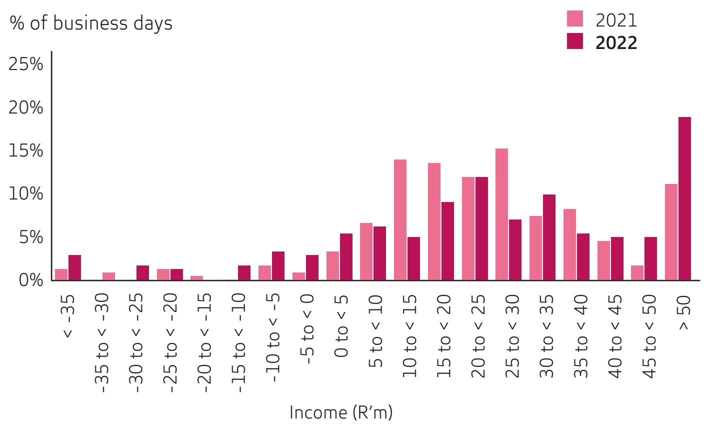
Markets ARO grew by 20% (26% in CCY) driven by robust growth in the FX client franchise across all segments and markets.

- This was due to the embedment of the digitally led FX strategy, which required deep collaboration between product, coverage and research teams, resulting in higher cross sell and increased client flow. A higher customer base led to gains in product market share. In addition, the business saw an increase in derivative revenue of over 100% in line with its focus on diversifying product offerings. Trading revenues increased despite a challenging trading environment, especially in Ghana.

Global markets gross income mix (Rm and change %)



Daily markets income distribution (Rm)



Total CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Investment Banking Division

Income increased by 9% to **R5 914m** (2021: R5 404m, up 9% in CCY), supported by balance sheet growth, notably in the fourth quarter, and improved fees.

Net interest income growth of 9% was supported by average customer loan growth of 9% to **R206.0bn**, driven by the SA Financing business, which grew average balance sheet by 11%. However, margin contraction was seen in some of the larger portfolios. In ARO, average balances increased by 5% from the prior year, with improved margins.

Non-interest revenue was up 13%, with strong growth of 37% in Advisory fees off a low base, while Equity Capital Markets also improved despite fewer Equity Capital opportunities due to lower market activity.

Impairments were down 2% (up 42% in CCY) due to higher charges in Ghana, partially offset by lower stage three and performing impairments in SA.

Salient features	2022	2021	CCY %	Change %
Gross income (Rm)	**5 914**	5 404	9	9
Credit impairment charges (Rm)	**(737)**	(749)	42	(2)
Net income (Rm)	**5 177**	4 655	4	11
Average loans and advances to customers (Rbn)	**206.0**	188.3	9	9

Commercial Property Finance (CPF)

CPF Pan-Africa business income increased by 13% to **R1 370m** (2021: R1 209m, up 15% in CCY), aligned with the strategy of becoming a leading provider of property finance across the African continent.

Net interest income increased by 13% supported by asset growth of 5% across jurisdictions, coupled with margin expansion.

The higher impairment charge is due to specific single-name charges and not reflective of the underlying portfolio quality. CPF continues to originate high-quality business that ensures healthy portfolio diversification.

Salient features	2022	2021	CCY %	Change %
Gross income (Rm)	**1 370**	1 209	15	13
Credit impairment charges (Rm)	**(186)**	(65)	>100	>100
Net income (Rm)	**1 184**	1 144	5	3
Average net portfolio assets (Rbn)	**64.7**	61.4	6	5

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported income of **R47m** (2021: R59m loss) mainly due to profit on the realisation of assets as well as dividend and interest income, partly offset by valuation losses.

Salient features	2022	2021	Change %
Revaluations (Rm)	**(13)**	(90)	(85)
Realisations, dividends, interest and fees (Rm)	**67**	29	>100
Funding (Rm)	**(7)**	3	<(100)
Net income (Rm)	**47**	(59)	>100
Total portfolio size (Rbn)	**1.6**	1.7	(1)

Total CIB

for the reporting period ended 31 December

Looking ahead

The CIB strategy remains resilient and fit for purpose in an increasingly volatile external environment. We note the headwinds experienced in Ghana, one of our big CIB markets. However, CIB has strong and stable leadership, and a proven track record of delivering growth and returns in spite of adverse market conditions. We strive to continue our success in the year ahead.

Key focus areas for 2023:

- Driving client migrations and activations onto our Pan-African digital channels to better serve clients.
- Continuing to build out capabilities for clients and colleagues as we commercialise and invest in platforms to ensure a consistently excellent user experience.
- Winning client primacy and delivering a superior experience as the go-to partner for clients.
- Increasing our market share in ARO by diversifying through new opportunities.
- Building connectivity for global clients through the refined Pan-African operating model and by leveraging our International Office.
- Building on our market-leading credentials in the power, renewables, and infrastructure sectors as we seek to lead in ESG across the continent.
- Working with stakeholders to ensure the continued viability and sustainability of the renewable energy sector.
- Attracting and retaining critical talent to achieve the successful delivery of the strategy.
- Building a diverse and inclusive CIB that is representative of the markets that we serve and seek to serve.
- Continuing to build and nurture a purpose-led culture that drives excellence, learning and collaboration.

Head Office, Treasury and other operations

for the reporting period ended 31 December

Financial performance

Headline earnings within Head office, Treasury and other operations reflects a higher loss of **R692m** for the year (2021: R403m loss). The driver of the year-on-year movement for earnings included higher impairment charges **(R2 164m)** which related to the Ghana sovereign debt impairment charges partially offset by stronger net interest income **(R1 405m)** which is materially higher than the prior year (2021: R402m). Net interest income supported by SA Group Treasury which benefitted from reset benefits following increases in the policy rate (prime rate 325 bps since November 2021 as compared to 25 bps increase in late 2021), higher investment returns coupled with higher endowment earned on stronger earnings. The results of the investment management business are included in the Head Office for eleven months of the year and reflect that headline earnings increased by 20% to **R152m** (2021: R127m). The profit relating to the sale of the investment management business is the main driver of the increase in non-interest income year-on-year (non-headline earnings).

IFRS Group performance

118 Consolidated IFRS salient features
119 Consolidated IFRS statement of comprehensive income
121 Consolidated IFRS statement of financial position
122 Consolidated IFRS statement of changes in equity
126 Condensed consolidated IFRS statement of cash flows
127 Condensed IFRS notes to the consolidated financial statements
132 Reconciliation of IFRS to normalised results
134 Barclays separation effects

Consolidated IFRS salient features

for the reporting period ended 31 December

	2022	2021	Change %
Statement of comprehensive income (Rm)			
Income	**98 918**	85 906	15
Operating expenses	**52 009**	48 610	7
Pre-provision profit	**46 909**	37 296	26
Credit impairment charges	**13 703**	8 499	61
Profit attributable to ordinary equity holders	**20 555**	17 763	16
Headline earnings[1]	**20 264**	17 825	14
Statement of financial position			
Net Asset Value (NAV) (Rm)	**134 496**	129 863	4
Total assets (Rm)	**1 793 201**	1 639 532	9
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	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.56**	4.46	
Non-interest income as 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)			
Headline earnings per ordinary share (HEPS)	**2 443.2**	2 147.1	13.8
Diluted headline earnings per ordinary share (DHEPS)	**2 439.7**	2 143.5	13.8
Basic earnings per ordinary share (EPS)	**2 478.3**	2 139.6	15.8
Diluted basic earnings per ordinary share (DEPS)	**2 474.7**	2 136.0	15.9
Dividend per ordinary share relating to income for the reporting period	**1 300**	785	65.6
Dividend payout ratio	**53**	37	43.8
NAV per ordinary share	**16 255**	15 641	4
Tangible NAV per ordinary share	**14 696**	14 207	3
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.

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

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	Note	2022 Rm	2021 Rm	Change %
Net interest income	2	**60 498**	53 322	13
Interest and similar income		**112 232**	89 495	25
Effective interest income		**110 314**	87 844	26
Other interest income		**1 918**	1 651	16
Interest expense and similar charges		**(51 734)**	(36 173)	43
Non-interest income	3	**38 420**	32 584	18
Net fee and commission income		**23 710**	22 074	7
Fee and commission income	3.1	**27 595**	25 549	8
Fee and commission expense	3.1	**(3 885)**	(3 475)	12
Net insurance premium income	3.2	**9 453**	8 778	8
Net claims and benefits incurred on insurance contracts	3.3	**(4 854)**	(5 514)	(12)
Changes in investment and insurance contract liabilities	3.4	**1 428**	(2 799)	<(100)
Gains and losses from banking and trading activities	3.5	**7 728**	6 606	17
Gains and losses from investment activities	3.6	**(532)**	2 704	<(100)
Other operating income	3.7	**1 487**	735	>100
Total income		**98 918**	85 906	15
Credit impairment charges	4	**(13 703)**	(8 499)	61
Operating income before operating expenditure		**85 215**	77 407	10
Operating expenditure	5	**(52 009)**	(48 610)	7
Other expenses		**(2 541)**	(2 205)	15
Other impairments		**(591)**	(420)	41
Indirect taxation	6	**(1 950)**	(1 785)	9
Share of post-tax results of associates and joint ventures		**137**	132	4
Operating profit before income tax		**30 802**	26 724	15
Taxation expense	7	**(8 091)**	(7 299)	11
Profit for the reporting period		**22 711**	19 425	17
Profit attributable to:				
Ordinary equity holders		**20 555**	17 763	16
Non-controlling interest – ordinary shares		**1 281**	835	53
Non-controlling interest – preference shares		**266**	242	10
Other equity– Additional Tier 1 capital		**609**	585	4
		22 711	19 425	17
Earnings per share:				
Basic earnings per share (cents)	1	**2 478.3**	2 139.6	16
Diluted earnings per share (cents)	1	**2 474.7**	2 136.0	16

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	2022 Rm	2021 Rm	Change %
Profit for the reporting period	**22 711**	19 425	17
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(19)**	83	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(1)**	(133)	(99)
Fair value losses	**(1)**	(172)	(99)
Deferred tax	**0**	39	(100)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(151)**	(26)	>100
Fair value movements	**(202)**	(36)	>100
Deferred tax	**51**	10	>100
Movement in retirement benefit fund assets and liabilities	**133**	242	(45)
Decrease in retirement benefit surplus	**(37)**	108	<(100)
Decrease in retirement benefit deficit	**148**	169	(12)
Deferred tax	**22**	(35)	<(100)
Items that are or may be subsequently reclassified to profit or loss	**(6 503)**	(1 298)	>100
Movement in foreign currency translation reserve	**(1 789)**	2 414	<(100)
Differences in translation of foreign operations	**(1 789)**	2 510	<(100)
Release to profit or loss	**0**	(96)	(100)
Movement in cash flow hedging reserve	**(4 477)**	(4 051)	11
Fair value losses	**(3 460)**	(1 469)	>100
Amounts transferred within other comprehensive income	**21**	6	>100
Amount removed from other comprehensive income and recognised in profit or loss	**(2 718)**	(4 163)	(35)
Deferred tax	**1 680**	1 575	7
Movement in fair value of debt instruments measured at FVOCI	**(237)**	339	<(100)
Fair value (losses)/gains	**(364)**	691	<(100)
Release to profit or loss	**(7)**	(120)	(94)
Deferred tax	**134**	(232)	<(100)
Total comprehensive income for the reporting period	**16 189**	18 210	(11)
Total comprehensive income attributable to:			
Ordinary equity holders	**14 175**	16 376	(13)
Non-controlling interest – ordinary shares	**1 139**	1 007	13
Non-controlling interest – preference shares	**266**	242	10
Other equity – Additional Tier 1 capital	**609**	585	4
	16 189	18 210	(11)

Consolidated IFRS statement of financial position

as at 31 December

	Note	2022 Rm	2021 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**67 179**	66 041	2
Investment securities		**215 637**	188 898	14
Trading portfolio assets[1]		**206 436**	203 240	2
Hedging portfolio assets[1]		**4 973**	3 697	35
Other assets		**25 190**	24 156	4
Current tax assets		**657**	665	(1)
Non-current assets held for sale		**212**	4 259	(95)
Loans and advances	9	**1 213 399**	1 092 257	11
Reinsurance assets		**663**	732	(9)
Investments linked to investment contracts		**19 288**	19 803	(3)
Investments in associates and joint ventures		**2 409**	1 593	51
Investment property		**397**	421	(6)
Property and equipment		**15 325**	15 970	(4)
Goodwill and intangible assets		**12 901**	11 903	8
Deferred tax assets		**8 535**	5 897	45
Total assets[1]		**1 793 201**	1 639 532	9
Liabilities				
Trading portfolio liabilities[1]		**94 895**	73 568	29
Hedging portfolio liabilities[1]		**2 237**	2 910	(23)
Other liabilities		**36 520**	48 409	(25)
Provisions		**5 912**	5 396	10
Current tax liabilities		**971**	1 091	(11)
Non-current liabilities held for sale		**26**	3 465	(99)
Deposits	10	**1 241 919**	1 173 766	6
Debt securities in issue[1]	11	**205 519**	129 775	58
Liabilities under investment contracts		**19 999**	21 126	(5)
Policyholder liabilities under insurance contracts		**5 384**	5 731	(6)
Borrowed funds	12	**26 420**	26 600	(1)
Deferred tax liabilities		**351**	386	(9)
Total liabilities[1]		**1 640 153**	1 492 223	10
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	12	**1 654**	1 660	(0)
Share premium	12	**10 191**	10 644	(4)
Retained earnings		**121 764**	110 859	10
Other reserves		**887**	6 700	(87)
		134 496	129 863	4
Non-controlling interest – ordinary shares		**6 405**	5 798	10
Non-controlling interest – preference shares		**4 644**	4 644	—
Other equity – Additional Tier 1 capital		**7 503**	7 004	7
Total equity		**153 048**	147 309	4
Total liabilities and equity[1]		**1 793 201**	1 639 532	9

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

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

Consolidated IFRS 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 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 end of the previous 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**.

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

Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

2021	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital Rm	Total equity Rm
Balance at the end of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
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

Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

	Note	2022 Rm	Restated 2021 Rm	Change %
Net cash generated from operating activities[1]		**24 327**	6 500	>100
Net cash utilised in investing activities		**(5 283)**	(3 519)	50
Net cash utilised in financing activities		**(12 616)**	(515)	>100
Net increase in cash and cash equivalents[1]		**6 428**	2 466	>100
Cash and cash equivalents at the beginning of the reporting period[1]	1	**62 874**	59 327	6
Effect of foreign exehange rate movement on cash and cash equivalent		**1 173**	1 081	8
Cash and cash equivalent at the end of the reporting period[1]	2	**70 475**	62 874	12

Notes to the condensed consolidated statement of cash flows

	2022 Rm	Restated 2021 Rm	Change %
1. Cash and cash equivalents at the beginning of the reporting period			
Mandatory reserve balances with the SARB and other central banks[1]	**28 705**	25 049	15
Coins and notes	**14 577**	14 403	1
Loans and advances to banks[1,2]	**17 897**	17 668	1
Money market assets[1]	**1 695**	2 207	(23)
	62 874	59 327	6
2. Cash and cash equivalents at the end of the reporting period			
Mandatory reserve balances with the SARB and other central banks[1]	**31 842**	28 705	11
Coins and notes	**14 303**	14 577	(2)
Loans and advances to banks[1,2]	**22 309**	17 897	25
Money market assets[1]	**2 011**	1 695	19
	70 475	62 874	12

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

	2022		2021		
Headline earnings	Gross Rm	Net Rm	Gross Rm	Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		**20 555**		17 763	16
Total headline earnings adjustment		**(291)**		62	<(100)
IFRS 3 – Goodwill impairment	**—**	**—**	29	29	—
IFRS 5 – Profit on disposal of non-current assets held for sale	**(778)**	**(652)**	(20)	(16)	>100
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)	(92)
IAS 16 and 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 – Impairment of investments in associates and joint ventures	**—**	**—**	(11)	(11)	—
IAS 28 – Loss on disposal of associates and joint ventures	**—**	**—**	(1)	(1)	—
IAS 36 – Impairment of property and equipment	**354**	**254**	217	157	62
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**	—	—	—
	—	**20 264**	—	17 825	14

	2022 Rm	2021 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**20 555**	17 763	16
Weighted average number of ordinary shares in issue (million)	**829.4**	830.2	(0.8)
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	-
Treasury shares held by Group entities (million)	**(18.4)**	(17.6)	(0.8)
Basic earnings per ordinary share (cents)	**2 478.3**	2 139.6	16
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**20 555**	17 763	16
Diluted weighted average number of ordinary shares in issue (million)	**830.6**	831.6	(1.1)
Weighted average number of ordinary shares in issue (million)	**829.4**	830.2	(0.8)
Adjustments for share options issued at no value (million)	**1.2**	1.4	(0.2)
Diluted basic earnings per ordinary share (cents)	**2 474.7**	2 136.0	16
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**20 264**	17 825	14
Weighted average number of ordinary shares in issue (million)	**829.4**	830.2	(0.8)
Headline earnings per ordinary share (cents)	**2 443.2**	2 147.1	14
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**20 264**	17 825	14
Diluted weighted average number of ordinary shares in issue (million)	**830.6**	831.6	(1.0)
Diluted headline earnings per ordinary share (cents)	**2 439.7**	2 143.5	14

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	2022 Rm	2021 Rm	Change %
Net gains on investments	**272**	55	>100
Debt instruments designated at fair value through profit or loss	**185**	(2)	<(100)
Equity instruments at fair value through profit or loss	**80**	(63)	<(100)
Unwind from reserves for debt instruments at FVOCI	**7**	120	(94)
Net trading result	**7 481**	6 561	14
Net trading income excluding the impact of hedge accounting	**7 674**	7 066	9
Ineffective portion of hedges	**(193)**	(505)	(62)
Cash flow hedges	**(208)**	(539)	(61)
Fair value hedges	**15**	34	(56)
Other losses	**(25)**	(10)	>100
	7 728	6 606	17
Segment split			
Relationship Banking	**1**	(5)	<(100)
ARO RBB[1]	**829**	540	54
CIB	**6 532**	6 034	8
Head Office, Treasury and other operations[2]	**366**	21	>100
Barclays separation effects	**—**	16	(100)
	7 728	6 606	17

[1] These numbers have been restated, refer to the report overview.
[2] This includes the elimination of investment returns of Life Insurance Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2022 Rm	2021 Rm	Change %
Property-related income	**29**	94	(69)
Income from investment properties	**(19)**	(28)	(32)
Change in fair value	**(21)**	(31)	(32)
Rentals	**2**	3	(33)
Property-related income arising from contracts with customers	**48**	122	(61)
Profit on disposal of property and equipment	**10**	90	(89)
Profit on sale of developed properties	**11**	7	57
Profit on sale of repossessed properties	**—**	4	(100)
Rental income	**27**	21	29
Insurance proceeds received related to property and equipment[1]	**126**	96	—
Other operating income	**1 332**	545	>100
Foreign exchange differences, including recycle from other comprehensive	**(136)**	169	<(100)
Income from maintenance contracts	**27**	37	(27)
Loss on disposal of intangible assets	**(1)**	(1)	—
Sundry income[2]	**1 442**	340	>100
	1 487	735	>100
Segment split[3]			
Property-related income	**155**	190	(18)
Product Solutions Cluster	**1**	4	(80)
Relationship Banking	**4**	7	(35)
Everyday Banking	**137**	117	16
ARO RBB	**12**	75	(84)
CIB	**—**	25	(100)
Head Office, Treasury and other operations	**1**	(21)	<(100)
Barclays separation effects	**—**	(17)	(100)
Other operating income	**1 332**	545	>100
Product Solutions Cluster	**45**	32	40
Relationship Banking	**183**	200	(9)
Everyday Banking	**87**	62	41
ARO RBB	**56**	92	(39)
CIB	**351**	23	>100
Head office, Treasury and other operations	**626**	128	>100
Barclays separation effects	**(15)**	9	<(100)
	1 487	735	>100

[1] Insurance proceeds of R126m was received during the current financial year for damaged sustained to property and equipment due to the KZN riots that took place.
[2] Sundry income includes profit on disposal of non-core assets and non-interest income includes sale of shares of the Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers (Pty) Ltd and Absa Multi-Managers (a division of Absa Investment Management (Pty) Ltd)) which amounted to a profit on sale before tax of R759m.
[3] These numbers have changed, refer to report overview.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

6. Operating expenses

Breakdown of operating expenses	2022 Rm	2021 Rm	Change %
Administration fees	**27**	79	(66)
Amortisation of intangible assets	**2 578**	2 417	7
Auditors' remuneration	**493**	450	10
Cash transportation	**1 123**	1 135	(1)
Depreciation	**3 268**	3 608	(9)
Equipment costs	**441**	333	32
Information technology	**5 543**	4 980	11
Marketing costs	**1 720**	1 287	34
Other operating costs (includes net fraud losses, travel and entertainment costs)	**2 460**	2 299	7
Printing and stationery	**319**	288	11
Professional fees	**2 914**	2 362	23
Property costs	**1 862**	1 882	(1)
Staff costs	**27 873**	26 133	7
Bonuses	**3 256**	2 695	21
Deferred cash and share-based payments	**773**	616	25
Other[1]	**895**	878	2
Salaries and current service costs on post-retirement benefit funds	**22 359**	21 564	4
Training costs	**590**	380	55
Straight-line lease expenses on short-term leases and low value assets	**221**	204	8
Telephone and postage	**1 167**	1 153	1
	52 009	48 610	7
Barclays separation effects	**1 102**	1 198	(8)
Professional fees	**30**	5	>100
Staff costs	**—**	(14)	(100)
Other[2]	**1 072**	1 207	(11)

Total operating costs include costs incurred in relation to the separation from Barclays PLC of **R1 102m** (2021: R1 198m) which have decreased by 8% (CCY 9%) year-on-year and mainly comprise amortisation of intangible assets of **R910m** (2021: R972m) and depreciation of **R136m** (2021: R144m) in relation to assets created under separation.

7. Indirect taxation

	2022 Rm	2021 Rm
Training levy	**232**	209
Value-added tax net of input credits	**1 718**	1 576
	1 950	1 785

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

8. Taxation expense

	2022 Rm	2021 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**30 802**	26 724	15
Share of post-tax results of associates and joint ventures	**(137)**	(132)	4
	30 665	26 592	15
Tax calculated at a tax rate of 28%	**8 586**	7 446	15
Effect of different tax rates in other countries	**392**	291	35
Expenses not deductible for tax purposes[1]	**374**	735	(49)
Assessed losses[2]	**126**	124	2
Dividend income	**(952)**	(856)	11
Non-taxable interest[3]	**(672)**	(526)	28
Other income not subject to tax	**(35)**	(15)	>100
Other	**220**	48	>100
Effect of tax rate changes[4]	**129**	33	>100
Items of a capital nature	**(77)**	19	<(100)
	8 091	7 299	11

11. Equity

	2022 Rm	2021 Rm	Change %
Authorised			
891 774 054 (2021: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—
Issued			
847 750 679 (2021: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—
20 324 498 (2021: 17 465 332) treasury shares held by Group entities	**(42)**	(36)	17
	1 654	1 660	(0)
Total issued capital			
Share capital	**1 654**	1 660	(0)
Share premium	**10 191**	10 644	(4)
	11 845	12 304	(4)

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	2022 Number of shares (million)	2021 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—
Treasury shares held by the Group	**(20.3)**	(17.5)	16
	827.5	830.3	(0)

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.
[2] Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.
[3] This relates to interest earned from certain governments as well as interest earned on certain capital instruments, which is exempt from tax.
[4] During the budget speech presented on 23 February 2022, the finance minister announced that the South African corporate tax rate will be reduced from 28% to 27%, effective for tax assessment years ending after 31 March 2023. This change was substantively enacted at the balance sheet date and has therefore been reflected in the measurement of the Group/Bank's deferred tax balances at 31 December 2022.

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

Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	Total Group normalised performance			Barclays separation effects			IFRS Group		
	2022	2021	Change %	**2022**	2021	Change %	**2022**	2021	Change %
Statement of comprehensive income (Rm)									
Net interest income	**60 440**	53 297	13	**58**	25	>100	**60 498**	53 322	13
Non-interest income	**38 434**	32 576	18	**(14)**	8	<(100)	**38 420**	32 584	18
Total income	**98 874**	85 873	15	**44**	33	33	**98 918**	85 906	15
Credit impairment charges	**(13 703)**	(8 499)	61	**—**	—	—	**(13 703)**	(8 499)	61
Operating expenses	**(50 907)**	(47 412)	7	**(1 102)**	(1 198)	(8)	**(52 009)**	(48 610)	7
Other expenses	**(2 404)**	(2 115)	14	**—**	42	(100)	**(2 404)**	(2 073)	16
Operating profit/(loss) before income tax	**31 860**	27 847	14	**(1 058)**	(1 123)	(6)	**30 802**	26 724	15
Tax expenses	**(8 379)**	(7 604)	10	**288**	305	(6)	**(8 091)**	(7 299)	11
Profit/(loss) for the reporting period	**23 481**	20 243	16	**(770)**	(818)	(6)	**22 711**	19 425	17
Profit attributable to:									
Ordinary equity holders	**21 307**	18 565	15	**(752)**	(802)	(6)	**20 555**	17 763	16
Non-controlling interest – ordinary shares	**1 299**	851	53	**(18)**	(16)	13	**1 281**	835	53
Non-controlling interest – preference shares	**266**	242	10	**—**	—	—	**266**	242	10
Other equity – Additional Tier 1 capital	**609**	585	4	**—**	—	—	**609**	585	4
	23 481	20 243	16	**(770)**	(818)	(6)	**22 711**	19 425	17
Headline earnings	**21 016**	18 591	13	**(752)**	(766)	(2)	**20 264**	17 825	14
Operating performance (%)									
Net interest margin on average interest-bearing assets	**4.56**	4.46		**n/a**	n/a		**4.56**	4.46	
Credit loss ratio	**0.96**	0.77		**n/a**	n/a		**0.96**	0.77	
Non-interest income as % of income	**38.9**	37.9		**n/a**	n/a		**38.8**	37.9	
Income growth	**15**	6		**n/a**	n/a		**15**	5	
Operating expenses growth	**7**	4		**n/a**	n/a		**7**	1	
Cost-to-income ratio	**51.5**	55.2		**n/a**	n/a		**52.6**	56.6	
Statement of financial position (Rm)									
Loans and advances	**1 213 399**	1 092 257	38	**—**	—	—	**1 213 399**	1 092 257	11
Loans and advances to customers	**1 109 829**	1017 386	9	**—**	—	—	**1 109 829**	1 017 386	9
Loans and advances to banks	**103 570**	74 871	38	**—**	—	—	**103 570**	74 871	38
Investment securities	**215 637**	188 898	14	**—**	—	—	**215 637**	188 898	14
Other assets[1]	**361 867**	354 838	2	**2 298**	3 539	(35)	**364 165**	358 377	2
Total assets[1]	**1 790 903**	1 635 993	9	**2 298**	3 539	(35)	**1 793 201**	1 639 532	9
Deposits	**1 241 919**	1 173 766	31	**—**	—	—	**1 241 919**	1 173 766	6
Deposits due to customers	**1 113 282**	1075 736	3	**—**	—	—	**1 113 282**	1 075 736	3
Deposits due to banks	**128 637**	98 030	31	**—**	—	—	**128 637**	98 030	31
Debt securities in issue[1]	**205 519**	129 775	58	**—**	—	—	**205 519**	129 775	58
Other liabilities[1]	**193 455**	188 946	2	**(740)**	(264)	>100	**192 715**	188 682	2
Total liabilities[1]	**1 640 893**	1 492 487	10	**(740)**	(264)	>100	**1 640 153**	1 492 223	10
Financial performance (%)									
RoRWA	**2.19**	2.05		**n/a**	n/a		**2.11**	1.96	
RoA	**1.23**	1.18		**n/a**	n/a		**1.18**	1.13	

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

Barclays separation effects

Update on programme

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

Barclays separation effects

	2022	2021	Change %
Statement of comprehensive income (Rm)			
Net interest income	58	25	>100
Non-interest income	(14)	8	<(100)
Total income	44	33	33
Operating expenses	(1 102)	(1 198)	(8)
Other operating expenses	—	42	(100)
Operating profit before income tax	(1 058)	(1 123)	(6)
Tax expenses	288	305	(6)
Profit for the reporting period	(770)	(818)	(6)
Profit attributable to:			
Ordinary equity holders	(752)	(802)	(6)
Non-controlling interest – ordinary shares	(18)	(16)	13
	(770)	(818)	(6)
Headline earnings	(752)	(766)	(2)
Statement of financial position (Rm)			
Intangible assets	1 985	2 895	(31)
Property, plant and equipment	309	461	(33)
Other assets	4	183	(98)
Total assets	2 298	3 539	(35)
Other liabilities	(740)	(264)	<(100)
Total equity	3 038	3 803	(20)
Total equity and liabilities	2 298	3 539	(35)

Barclays separation effects

Statement of comprehensive income

Net interest income: **R58m** (2021: R25m) was earned on the remaining capital invested after successfully completing the separation programme. Non-interest income of **-R14m** (2021: R8m) reflects foreign currency revaluation losses.

Operating expenses of **R1 102m** (2021: R1 198m) include **R910m** (2021: R972m) that relates to the amortisation of intangible assets that were created under Separation. Other operating expenses of **R0m** (2021: R42m) reflects indirect taxation.

Statement of financial position

Total assets

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

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

Total equity and liabilities

Total equity of **R3.0bn** (2021: R3.8bn) relates to the R12.1bn contribution received from Barclays and income earned on the contribution less separation expenditure incurred to date. Separation will still incur the amortisation and depreciation expenditure on the assets capitalised in the upcoming financial years.

Risk management

Risk management overview

137 The Enterprise Risk Management Framework
138 Risks arising from the operating environment
141 Key performance metrics
142 Credit risk
143 Market risk
142 Trading book risk
144 Banking book risk
145 Capital and liquidity risk
145 Capital risk
146 Liquidity risk
147 Insurance risk
148 Strategic and sustainability risk
148 Strategic risk
149 Sustainability risk
149 Reputational risk
150 Model risk
151 Operational and resilience risk
152 Compliance risk
152 Conduct risk
153 Financial crime risk

Capital management and RWA

154 Capital adequacy
155 Overview of RWAs
156 Capital supply
157 Economic capital

Risk management overview

for the reporting period ended 31 December 2022

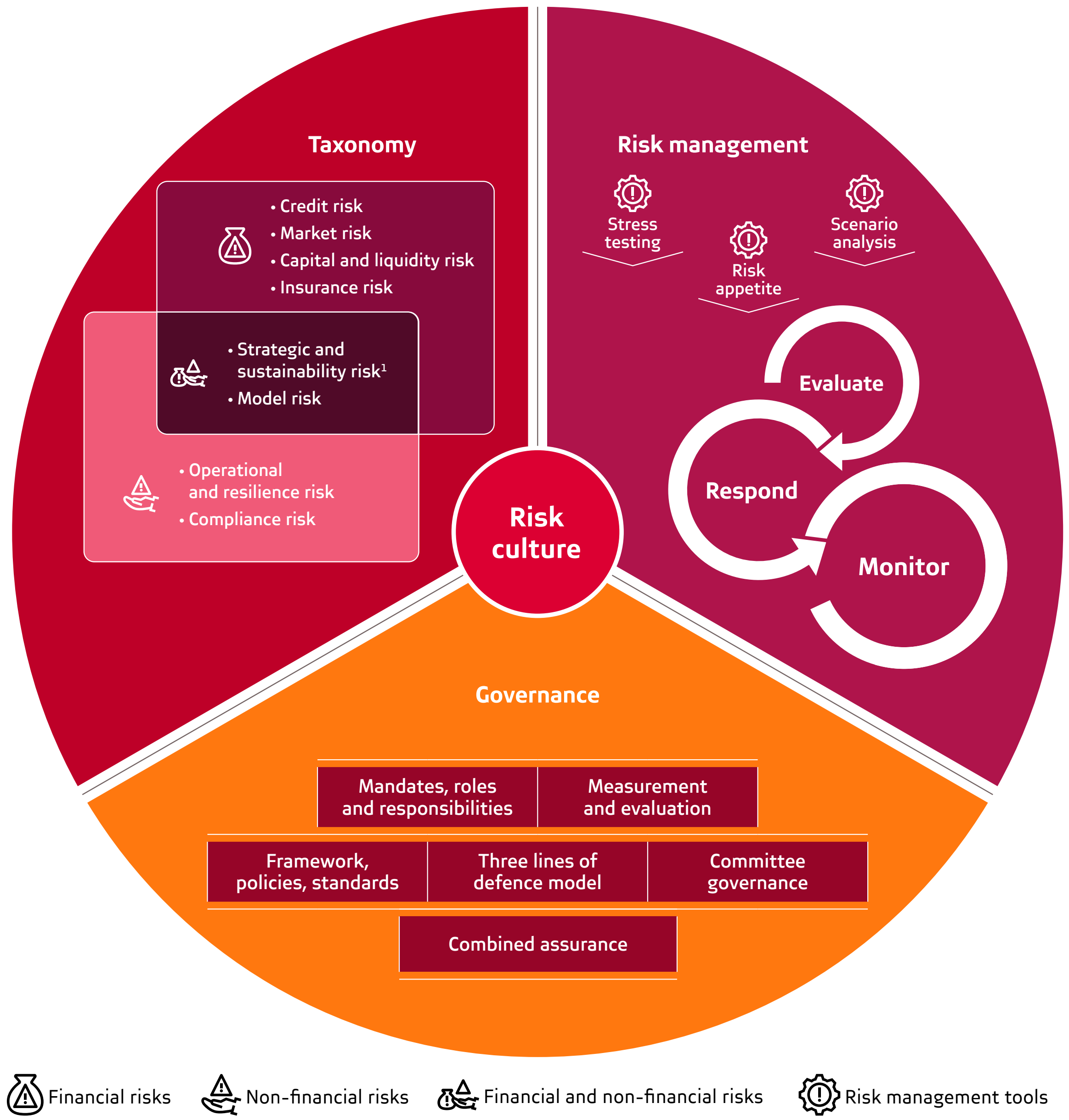
The Enterprise Risk Management Framework

The Group's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value-creation process and critical to long-term success. Risk management and risk oversight play a critical role in enabling the Group to achieve its organisational objectives.

The Group identifies and assesses risks and opportunities arising from internal and external environments, and proactively identifies emerging risks. To ensure effective risk management, our consolidated response is monitored as follows:

- Recognise the importance of a strong risk culture, which is integral to the Group's culture.
- Consider key (principal) risks, clear ownership and accountability, and Group-wide risk coverage.
- Support the Group's strategy with a coherent risk management operating model and appropriate risk practices, tools and techniques.
- Uphold the risk governance structure at Group, country, business and Group functions, with clear Board escalation and oversight.
- Follow comprehensive and structured processes for evaluating, responding to and monitoring risks.
- Oversee and manage Group-wide assurance through a combined assurance model with clear accountability across the three lines of defence.

The following graphic is a visual representation of the Enterprise Risk Management Framework (ERMF):



[1] Includes reputational risk.

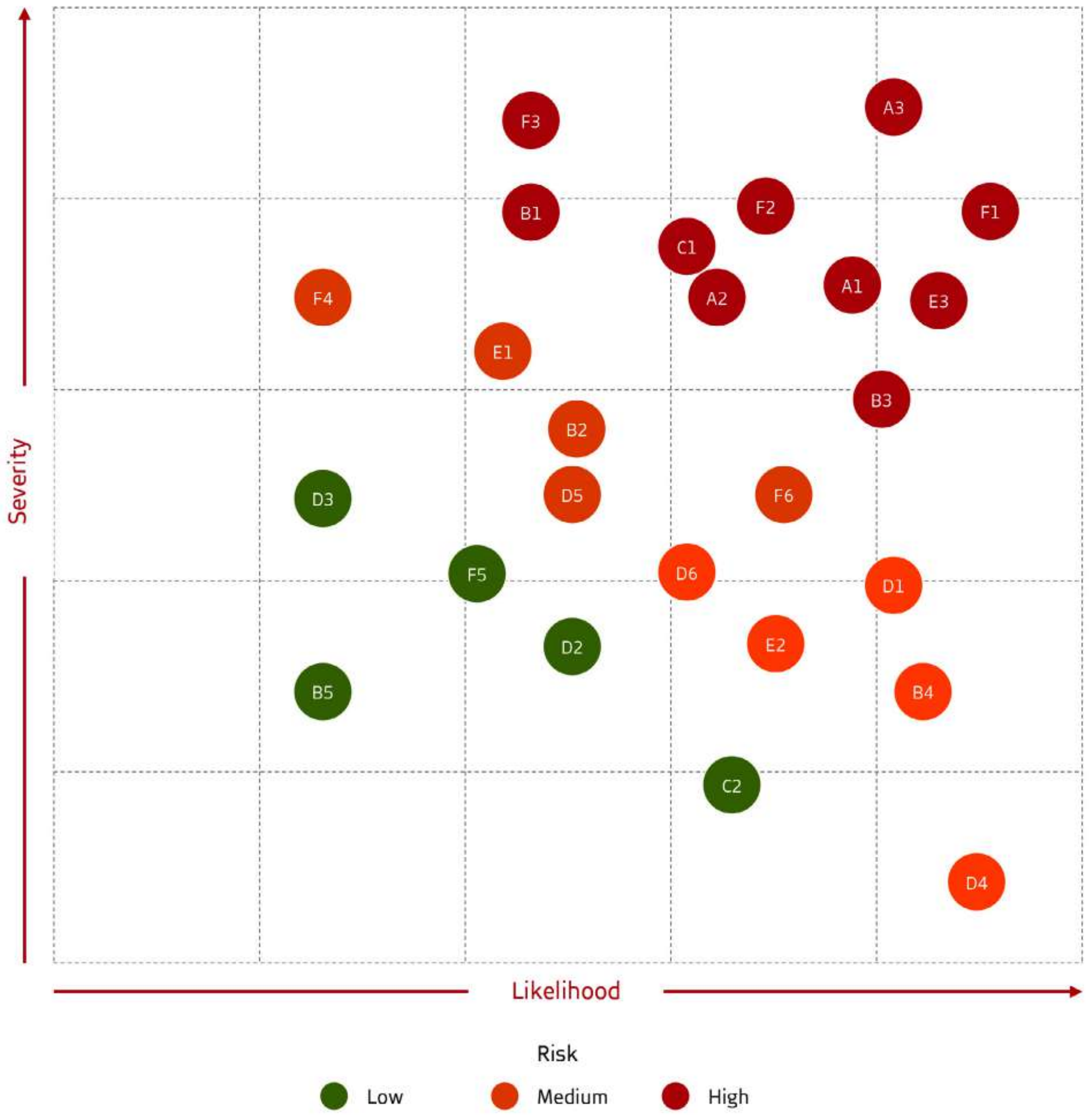
Risk management overview

for the reporting period ended 31 December 2022

Risks arising from the operating environment

Global and geopolitical uncertainty remain heightened and are expected to continue impacting global markets and the outlook of the markets in which the Group operates. Risks faced by financial market participants in global and domestic economies remain elevated.

The Group's focus remains on proactive risk and capital management to positively position itself for changes in the operating environment. Risks are actively identified and prioritised, and our consolidated response is monitored to ensure effective implementation achieves the targeted result. Scenario analyses detect potential areas of weakness early and is used to assess response effectiveness. Current and emerging risks are plotted below:



Risk management overview

for the reporting period ended 31 December 2022

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks

Global and local economic uncertainty
 	
(Macro-economic factors globally are putting pressure on sovereigns, companies and individuals)
	• Persistently high global inflation driving monetary policy tightening, with the resultant high interest rates affecting growth and economic activity: [A1]
	  ◦ Potential introduction of supply-side inflation into economies already under pressure, increasing the risk of recession.
	  ◦ Stress is evident in global banks and consumers.
	  ◦ Asset values are negatively impacted.
	• Potential risk of sovereigns prematurely anticipating inflationary cycles to have peaked, resulting in heightened volatility. [A2]
	• High sovereign debt levels, along with reduced debt and interest servicing capacity, cause increased possibility of sovereign restructures or downgrades and defaults (Nigeria, Ghana, Kenya). [A3]
	
	Management's response
	• Protect the Group's liquidity and balance sheet.
	• Use scenarios to evaluate the potential outcomes of a variety of factors. Management develops mitigating actions and assesses their effectiveness to guide decision making.
	• Investigate the link between impairments and movements in the interest rates and consider credit solutions, due to customer stress.
	• Monitor downside risk presented by uncertainty.
	• Pragmatic approach to risk modelling where data may not reflect economic reality.
	• Maintain strong collections processes and consider strategic capabilities, including heightened collateral monitoring.

Strategic, execution and business risks *(These arise from external and internal drivers)*	• Global instability arising from geopolitical uncertainty and conflict, resulting in increased pressure on emerging markets. [B1] • Actions taken to limit inflation may be ineffective and result in economic hardship, higher unemployment, increased inequality, or lower business and consumer confidence. [B2] • Infrastructure failures, including logistical and power supply (including secondary impacts), negatively impact stakeholders and increase the cost of doing business. [B3] • Disruption driven by a constantly changing operating environment and evolving client needs. [B4] • Potential adverse impact of large strategic change projects on strategy risk, change risk and people risk. [B5] **Management's response** • Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise, while supporting customers. • Maintain focus on operational resilience and business continuity management. • Continue investing in delivering scalable digital solutions. • Ensure change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.

Global and local liquidity and cash flow stresses
 	
(Cheap and plentiful liquidity is drying up)
	• Liquidity is drying up, as evidenced in the weak global demand for sovereign issuances. Areas of heightened risk resulting from this include: [C1]
	  ◦ Heightened concentration risk, especially for sovereigns as downgrades can have significant impacts.
	  ◦ Counterparty contagion risk from liquidity and credit risk perspectives.
	  ◦ Scarce hard currency in ARO, which impacts trade and release of dividends, particularly in Zambia and Nigeria.
	  ◦ Assumptions for business decisions, hedging and modelling may fail.
	• Grey-listing by the Financial Action Task Force (FATF) may impact hard currency funding and liquidity in South Africa. [C2]
	
	Management's response
	• Protect the Group's liquidity and balance sheet.
	• Continuously scan and prepare for possible illiquidity.
	• Challenge assumptions made for business decisions, hedging and modelling to assess if they are appropriate.
	• Assess for and build in flexibility regarding hedging and other liquidity and interest rate risk strategies.
	• Assess key counterparties to understand their potential cash flow or liquidity weaknesses.
	• Improve client knowledge and develop strategies to support clients with liquidity issues.

Risk management overview

for the reporting period ended 31 December 2022

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks
Increased compliance risk due to new and emerging regulations and oversight *(Rapid change and increasing complexity requires close monitoring)*	• Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact the current business model. [D1] • Skills development needed to meet new regulatory requirements for ESG risk disclosure, operational resilience assessments and digital assets regulation. [D2] • Potential long-term impact of regulatory changes on business strategy and Group performance. [D3] • Pace of change in cryptocurrency and fintech, including regulation thereof. [D4] • Tightening margins and pricing restrictions (ARO). [D5] • New regulations relating to fraud and liability. [D6] **Management's response** • Maintain a forward-looking approach to evaluate, respond to and monitor change. • Engage with regulators and other stakeholders on regulatory developments. • Build a robust control environment of compliance. • Develop systems with the agility to accommodate change. • Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.
Environmental and social risks impact the Group, its customers and operating environment *(The developing nature of these risks and their monitoring yields high uncertainty)*	• Adverse impact of climate and social change: [E1] ◦ Will negatively impact communities and sharply heighten the Group's credit and insurance risks. ◦ May cause increased migration and thus tension. • Complexities in managing social trends and the evolving societies and political environments in which the Group operates. Forthcoming elections may cause social unrest and heighten complexities. [E2] • Increasing expectations from stakeholders to integrate sustainability risk management practices with business activities: [E3] ◦ Change risk will remain heighted as processes, metrics and monitoring is embedded. ◦ Stakeholders need clarity on the cost and required participation in the Just Transition. ◦ The Group needs to meet green targets on owned assets. **Management's response** • Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan. • Embed processes to encourage customers to adopt business strategies and practices that align with the Group's Sustainability Policy. • Embed existing financing standards. • Continuously enhance credit and insurance risk data, models and scenario analyses to assess the impact of climate change risk. • Continue to engage with civil societies, shareholder activists and development finance institutions.
Heightened resilience, fraud, financial crime, people and cyber-risks expected for the foreseeable future *(Preparing for systemic wildcard events requires resilience)*	• Heightened risk of social unrest due to high inflation levels impacting cost of living, weak economic environments, infrastructure failures (including secondary impacts) and poor service delivery. [F1] • Fraud and security risks arising from economic pressure. [F2] • Increasing opportunistic financial and cyber-crime (such as ransomware attacks), and rising criminal sophistication. [F3] • Increasing exposure to potential data leaks arising from third and fourth-party suppliers. [F4] • Heightened risk to employee wellness from evolving social and economic environments. [F5] • Evolving risks arising from unethical use of artificial intelligence (AI) tools relating to internal and external fraud and cyber-crime. [F6] **Management's response** • Maintain focus on operational resilience and proactively identify and mitigate risks. • Maintain the technology estate's high stability. • Invest in security platforms, including external intelligence, customer awareness campaigns and industry collaboration. • Embed a strong and resilient risk culture across the Group. • Enhance due diligence performed on third-party suppliers. • Monitor and manage the impact on employees.

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

Risk management overview

for the reporting period ended 31 December 2022

Key performance metrics

Metric	2022	2021
Common equity tier 1 (CET 1) ratio[1]	12.8%	12.8%
Economic capital (EC) coverage	1.6%	1.5%
Leverage ratio[1]	7.8%	7.9%
Liquidity coverage ratio (LCR)[2]	124.6%	116.8%
Net stable funding ratio (NSFR)	113.4%	116.1%
Credit loss ratio (CLR)	0.96%	0.77%
Stage 3 ratio on gross loans and advances	5.3%	5.4%
Stage 1 and stage 2 coverage ratio	1.3%	1.5%
Stage 3 coverage ratio	46.1%	44.6%
Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates (Rm)	R1 099m	R1 216m
Operational risk losses	(R18m)	R893m

Review of current reporting period

- Capital ratios remained robust above minimum regulatory requirements and internal capital targets, while supporting balance sheet growth.
- The liquidity position remains healthy and liquidity metrics are within risk appetite.
- The CLR has tracked at the upper end of the Group's through the cycle range (0.75% to 1.00%) as macro-economic pressures have started to emerge.
- Although the Group's stage 1 and stage 2 coverage ratio has gradually decreased since the coverage built during 2020, it remains above pre-pandemic levels.
- The Group proactively managed interest rate risk sensitivity in the banking book and remained positively geared to higher policy rates post risk management discipline.
- Operational risk losses decreased to a net gain, reflecting the combined impact of the effectiveness of controls and recoveries relating to prior period events.
- The Group continued to invest in infrastructure, process re-engineering, employee development and technology to deliver improved operational resilience.
- Sustainability targets, as a percentage of the Group's total loans, were set on the exposure to the oil, coal and gas sectors over the short, medium and long term.

Priorities

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

- Creating sustainable value for shareholders while maintaining sufficient capital supply for growth.
- Ensuring capital ratios are maintained within or above the upper end of the Board risk appetite and above minimum levels of regulatory capital through various economic and business cycles.
- Continuing to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Monitoring growth to ensure a well-diversified credit portfolio in line with the Group's strategy and risk appetite.
- Positioning and managing the credit portfolio proactively to mitigate the impact of heightened country and sovereign risks.
- Improving controls, efficiency and operational resilience, through enhanced platforms and digital capabilities, across critical processes.
- Engaging and collaborating with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy.
- Developing further climate action guidelines and standards to guide the Group's approach to climate change-related risks and opportunities to align with commitments made by the Group.
- Conducting business and product impact assessments to evaluate the quantitative and qualitative implications of implementing Basel III finalisation, including the Fundamental Review of the Trading Book (FRTB) and the proposed amendments to bank-related regulations.

[1] Includes unappropriated profits.
[2] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 100% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

Risk management overview

for the reporting period ended 31 December 2022

Credit risk

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

Key risk metrics	2022	2021
CLR (%)	**0.96**	0.77
Stage 3 ratio on gross loans and advances (%)	**5.3**	5.4
Stage 3 coverage ratio (%)	**46.1**	44.6
Stage 1 and stage 2 coverage ratio (%)	**1.3**	1.5
Total coverage ratio (%)	**3.9**	4.1
Performing book weighted average probability of default (PD) (%)[1]	**2.2**	2.3
Weighted average loss given default (LGD) (%)[1]	**27.8**	29.9
Credit risk economic capital (EC) (Rbn)[2]	**70.0**	64.4
Total credit risk RWA (Rbn)	**775.7**	719.5
Primary credit risk RWA (Rbn)[3]	**741.3**	679.8
Counterparty credit risk (CCR) RWA (Rbn)[4]	**22.8**	26.5
Equity risk RWA (Rbn)	**11.6**	13.2

Review of current reporting period

- Gross loans and advances increased to **R1 258bn** (31 December 2021: R1 134bn) due to strong growth across Corporate and Investment Banking (CIB), largely driven by continued momentum in trade finance activities, strong pipeline execution in structured and project finance areas and increased demand for working capital. This was further supported by well-diversified growth across the retail portfolios.
- The CLR increased to **0.96%** (31 December 2021: 0.77%) which is at the upper end of the Group's through-the-cycle range of 0.75% to 1.00%. The elevated CLR was largely driven by macro-economic pressures, resulting in higher delinquencies and growth in non-performing loans across Products Solutions Cluster and Everyday Banking. This was exacerbated by a large impairment on a single name in SA and higher charges in ARO as a result of difficult market conditions in Ghana. It is important to note that the income statement includes significant stage 3 impairment recognised on investment securities issued by the Ghana government. However, these charges do not impact the reported CLR, as the CLR is determined by dividing impairment losses on loans and advances by total average loans and advances. With the inclusion of these charges, the overall CLR would amount to 1.14%.
- The stage 3 ratio on gross loans and advances decreased to **5.3%** (31 December 2021: 5.4%) as loan book growth outpaced the increase in non-performing loans. This decline was supported by efforts to manage non-performing loans in Everyday Banking and improved recoveries, and a write-off in Relationship Banking.
- Stage 3 coverage increased to **46.1%** (31 December 2021: 44.6%) due to an ageing legal book in Home Loans and additional stage 3 impairments recognised in CIB.
- The stage 1 and stage 2 coverage ratio decreased to **1.3%** (31 December 2021: 1.5%) due to the partial release of the macro-overlay. This was further supplemented by loan book growth, which was focused on low-risk origination, particularly in CIB and ARO RBB. Although the Group's coverage ratio has gradually decreased since the coverage built during 2020, coverage remains well above pre-pandemic levels.
- Performing book weighted average PD decreased to **2.2%** (31 December 2021: 2.3%), as excess liquidity was strategically invested in government securities and nostro placements with large international banks.
- Weighted average LGD decreased to **27.8%** (31 December 2021: 29.9%), mainly attributable to model enhancements across the wholesale portfolio to enrich risk measurement at a customer level.
- Credit risk EC increased to **R70.0bn** (31 December 2021: R64.4bn) due to book growth and a marginal increase in EC risk intensity because of a slight deterioration in the risk profile across CIB ARO.
- Primary credit risk RWA increased to **R741.3bn** (31 December 2021: R679.8bn) due to growth in advances and investment securities, as well as Ghana's credit rating downgrade[5]. This was partially offset by favourable exchange rate movements in presence country currencies and a decrease in RWA intensity due to a positive shift in balance sheet mix, updates to risk models, and ongoing RWA optimisation initiatives.
- CCR RWA decreased to **R22.8bn** (31 December 2021: R26.5bn) due to mark-to-market movements and settlements of maturing derivative instruments, partially offset by an increase in securities financing transactions.
- Equity risk RWA decreased to **R11.6bn** (31 December 2021: R13.2bn) as the private equity portfolio continued to reduce in line with the Group's strategy to exit non-core businesses.

Priorities

- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macro-economic, political and regulatory environments to identify and manage risks at an early stage.
- Model and consider the potential impact of these and other events in a comprehensive stress testing framework.
- Proactively position and manage the credit portfolio to mitigate the impact of heightened country and sovereign risks.
- Proactively manage legacy distressed names to maximise recovery rates.
- Enhance collections capabilities to effectively manage credit risk through the cycle.
- Focus on talent development and succession planning, ensuring a fully capacitated and well-skilled credit team.
- Keep abreast of regulatory changes, specifically Basel III finalisation for capital rules for credit risk.

[1] The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
[2] Credit risk EC includes equity risk, CCR, credit valuation adjustment (CVA) and securitisation.
[3] Primary credit risk RWA includes credit risk (excluding CCR) and securitisation exposures in the banking book.
[4] CCR RWA includes CVA.
[5] Refer to the profit commentary section of the financial results booklet for more information on the Ghana sovereign related credit impairment charge.

Risk management overview

for the reporting period ended 31 December 2022

Market risk

The risk of the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions across the Group.

Trading book risk

The market risk resulting from trading activities booked in trading books across the Group in accordance with regulatory requirements.

Key risk metrics	2022	2021
Average traded market risk – 99% value at risk (VaR) (Rm)	**56.5**	51.9
Traded market risk EC (Rbn)	**5.1**	6.5
Traded market risk RWA (Rbn)	**38.9**	39.2

Review of current reporting period

- The increase in average VaR was caused by increased volatility in the time series over the year and reduced liquidity, which primarily affected interest rate products. This was caused by uncertainty in the market as inflation continued to rise, central banks acting aggressively in raising interest rates, and reducing market liquidity.
- The EC model was enhanced at the beginning of 2022 to align with the Group's EC standard, specifically introducing diversification into the model and improving the default risk charge modelling assumptions. In addition, a reduction in ARO portfolio risk decreased the default risk charge, resulting in a further reduction in the EC.
- RWAs reduced in line with lower holdings of sovereign bonds by ARO, which are capitalised under the standardised approach. ARO countries reduced their inventory as higher inflation increased yields and the uncertainty around central banks' ability to repay debt.

Priorities

- Monitor and manage daily risk-taking and loss thresholds in volatile and often illiquid markets, which continue to face events that could cause a significant economic impact in a short period.
- Increase focus on market liquidity and ensuring limits align with the ability to exit risk.
- Manage capital demand within the Group's risk appetite through close engagement with business.
- Conduct business and product impact assessments and engagement with industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk (also known as the FRTB), issued in January 2019.
- Maintain the momentum of the FRTB project to prepare the Group for meeting the regulatory reporting deadline of 1 January 2024 in South Africa.

Risk management overview

for the reporting period ended 31 December 2022

Market risk (continued)

Banking book risk

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

Key risk metrics	2022	2021
Banking book net interest income (NII) sensitivity for a 2% increase shock in interest rates (Rm)	1 099	1 216
South Africa	629	414
ARO	470	802
Banking book NII sensitivity for a 2% downward shock in interest rates (Rm)	(1 527)	(1 668)
South Africa	(614)	(700)
ARO	(913)	(968)
Banking book risk EC (Rbn)	7.8	7.7[1]

Review of current reporting period

- The Group remained positively positioned for an increase in policy rates post the discipline of proactively hedging its structural, fixed and margin risks to reduce NII volatility where possible.
- Group interest rate risk sensitivity for a 200 bps rate hike was reported at R1.1bn in December 2022 (31 December 2021: R1.2bn).
- The overall reduction in NII sensitivity was ascribed to the changes in balance sheet composition within ARO.
- In South Africa NII sensitivity increased by a smaller degree following growth in overnight repricing rate sensitive assets, and the maturity of once-off interest rate derivative hedges that were executed during COVID-19 to protect business units against extremely low levels of policy rates.

Priorities

- Continue to proactively manage interest rate risk within the organisation's risk appetite.
- Deliver margin stability through sound risk management processes, such as the structural hedge programme in South Africa, and through appropriate asset and liability management processes in ARO.
- Assess and prepare the Group for the changes in the interest rate risk profile due to benchmark reform efforts in South Africa.
- Embed the new regulatory Basel III finalisation metrics and prepare the Group for future disclosure requirements.

[1] The December 2021 metric was restated to correct an error identified in the previously reported number.

Risk management overview

for the reporting period ended 31 December 2022

Capital and liquidity risk

The risk and related constraints, which support the effective management of the Group's financial resources, among others, capital, liquidity and pension, critical to meeting the Group's strategic objectives. This includes pension risk as a risk in the event that a capital injection is required with respect to defined benefit plans.

Capital risk

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

Key risk metrics	2022	2021
Total EC (Rbn)	108.7	103.9[1]
Total RWA (Rbn)	1 008.0	931.5
CET 1 capital adequacy ratio (%)[2]	12.8	12.8
EC coverage	1.6	1.5
Leverage ratio (%)[2]	7.8	7.9
Cost of equity (CoE) (%)[3]	14.5	14.5

Review of current reporting period

- The Group's capital position remained strong, with CET 1 above the upper end of the Board target range of 11.0% to 12.5%, and well above minimum regulatory requirements, as at 31 December 2022 (including the reinstatement of the Pillar 2A requirement from 1 January 2022, which added 100 bps to the minimum capital requirement).
- Robust balance sheet growth resulted in an RWA increase of R76.5bn.
- The Group called:
  - Additional Tier 1 capital instruments amounting to R1.5bn and issued additional Tier 1 amounting to R2.0bn.
  - Tier 2 capital instruments amounting to R2.2bn and issued a Tier 2 qualifying green bond amounting to R1.9bn.
- ARO entities were adequately capitalised and remained above local minimum regulatory requirements.
- The leverage ratio remained above its Board target range and growth in Tier 1 capital supported year-on-year leverage exposure growth in the balance sheet.
- Following an assessment of the financial market landscape, the Group's cost of equity remained unchanged at 14.5%.

Priorities

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board-approved risk appetite and above minimum levels of regulatory capital.
- Remain above the minimum Board capital targets and maintain a sustainable dividend pay-out ratio.
- Monitor and assess upcoming regulatory developments that may affect the capital position, including Basel III finalisation, along with FRTB; the proposed amendments to the regulations relating to banks; the Resolution Framework; and the Financial Conglomerate Supervisory Framework in South Africa.
- Prioritise the issuance of first loss after capital instruments following the promulgation of the Financial Sector Laws Amendment Bill.
- Appropriately deploy and repatriate capital to and from subsidiaries.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in domestic and/or international markets to optimise the level and mix of capital resources.

[1] The December 2021 metric was restated to correct an error identified in the previously reported number.
[2] Includes unappropriated profits.
[3] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended 31 December 2022

Capital and liquidity risk (continued)

Liquidity risk

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

Key risk metrics	2022	2021
Sources of liquidity (Rbn)	292.8	301.2
NSFR (%)	113.4	116.1
LCR (%)[1]	124.6	116.8
Loan-to-deposit ratio (%)[2]	84.2	84.2
Loans and advances to customers and banks (Rbn)	1 156.4	1 060.6
South Africa	1 000.6	925.1
ARO	155.8	135.5
Deposits from customers and banks (including debt securities) (Rbn)	1 373.9	1 258.9
South Africa	1 156.4	1 076.7
ARO	217.5	182.2

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position remained healthy and key liquidity metrics were within risk appetite and above the minimum regulatory requirements.
  - The Group maintained a high-quality liquid asset (HQLA) buffer in excess of the minimum regulatory requirements.
  - Asset growth continued to strengthen as core deposit growth regained momentum over the second half of 2022.
  - The Group's foreign currency liquidity position remained robust, with adequate diversified United States dollar (USD) funding available to support the USD asset base and planned asset growth.
  - All banking subsidiaries remained self-sufficient in terms of local currency liquidity, with limited reliance on Absa Bank for USD working capital support required from the Group.
- **Long-term balance sheet structure:**
  - The Group continued to strengthen and diversify its funding sources to maintain a sustainable funding structure.
  - Debt capital market issuances for 2022 comprised R9.1bn senior debt, of which R2.6bn was the Group's inaugural Green Bond Issuance, R1.9bn Tier 2 inaugural green subordinated debt issuance and R2bn Additional Tier 1. In addition, Absa Bank raised an inaugural R2bn social loan with the International Finance Corporation specifically earmarked for affordable housing. USD funding growth included the Group's inaugural Sustainability-Linked Loan Facility of $400m. The overall reliance on wholesale funding was managed appropriately to support asset growth.
  - The cost of wholesale funding reduced over the second half of 2022 following the full phase-in of the Monetary Policy Implementation Framework, which introduced additional liquidity into the market and resulted in a reduction in liquidity premiums.
- **Short-term balance sheet structure and liquidity buffers:**
  - The Group's sources of liquidity of **R292.8bn** (December 2021: R301.2bn) amounted to **26.3%** (December 2021: 28.0%) of deposits to customers. The Group continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at **R240.9bn** (December 2021: R206.9bn).
  - Loan growth was funded by growth in customer deposits and supported by raising wholesale funding, of appropriate tenor, ensuring a sustainable and diverse funding base.
  - The Group consistently maintained an LCR buffer above 100%, despite the relief measures provided by the South African Reserve Bank (SARB) through the reduction of the minimum LCR to 80% reverting back to 100% from 1 April 2022.
  - The Group used its Internal Liquidity Stress Metric Framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within appropriate internal and regulatory guidelines.
  - The Group managed funding sources to maintain a wide diversity of depositors, products, tenors and currencies.

Priorities

- Preserve the Group's liquidity position in line with risk appetite.
- Focus on growing core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements.
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Collaborate with the regulatory authorities and other stakeholders on SARB's approach to resolution planning and depositor insurance schemes in South Africa.

[1] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 100% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

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

Risk management overview

for the reporting period ended 31 December 2022

Insurance risk

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

Key risk metrics[1]	2022	2021
Profit before tax (Rm)	2 764	21
Capital adequacy cover (regulatory basis) (times)	1.26[2]	1.23
Insurance risk EC (Rbn)	5.7	5.4

Review of current reporting period

- Earnings have been favourable in 2022, compared with the prior year where COVID-19 had a significant impact on claims experience – particularly for life insurance entities. Earnings were impacted by adverse claims experience associated with flooding in KwaZulu-Natal in South Africa in the first half of the year, along with severe summer storms late in 2022, placing downward pressure on the risk appetite metric. The additional inflow of profits upon the conclusion of the sale of the main components of the investment cluster to Sanlam in December 2022 is also reflected in Absa Financial Services' (AFS) overall profitability, without which earnings would be largely in line with 2020.
- AFS and the solo licensed insurance entities (Absa Life capital adequacy cover at 31 December 2022 is 1.42 and Absa Insurance Company capital adequacy cover at 31 December 2022 is 1.44), remained adequately capitalised. The AFS solvency position was calculated using the deduction and aggregation method, incorporating the solvency positions of the underlying entities that comprise the Group. This included insurance operations in South Africa and ARO, along with non-banking financial services. It remained resilient due to adequate capital buffers. The AFS position is shown net of adjustments and intragroup adjustments.
- To ensure compliance with International Financial Reporting Standards (IFRS) 17, which came into effect on 1 January 2023, AFS conducted comprehensive parallel runs at the end of 2022. The impact on the business has been quantified, with the relevant assurance providers assessing the impact of the accounting standard as required.
- The Insurance Principal Risk Management Framework and supporting policies were revised in line with the Board-approved refreshed ERMF. Further, reporting processes were refined where required to meet Financial Conglomerate Supervision requirements.
- An analysis of the actuarial data processes for the South African non-life insurance business was concluded. Recommendations were made to strengthen the data environment, and controls to around actuarial processes that extract and transform data from core systems, which will be considered in 2023.
- AFS continued to respond to pandemic risk through mortality uncertainty loadings in the long-term mortality assumptions to allow for future direct and indirect impacts of COVID-19 and any potential future pandemics. A lapse loading to reflect economic uncertainty has also been retained.
- Absa Life expense inflation assumptions were refined to consider market-implied inflation rates more comprehensively.
- AFS continued to refine risk appetite setting to align with best practice and its own risk profile.
- AFS successfully completed and embedded the emerging risks assessment process to ensure proactive identification, quantification and management of emerging risks through a structured process and frequent horizon scanning.
- AFS completed an out-of-cycle Own Risk and Solvency Assessment (ORSA) in the first half of the year in response to the relevant Insurance ORSA Policy triggers, being the impact of COVID-19 and the disposal of the investment cluster to Sanlam.

Priorities

- Continue analysing the actuarial data processes for insurance entities within AFS, with Absa Life prioritised for 2023.
- Implement the new non-life policyholder administration system.
- Continue to investigate the impact of climate change on AFS.
- Continue to align key business processes to the IFRS 17 requirements.
- Effect continued improvements to the ORSA process in line with market best practices and independent review findings.
- Use the emerging risk management process to drive intelligent business decision making.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group controlling company.

[2] Draft capital position considering foreseeable dividends.

Risk management overview

for the reporting period ended 31 December 2022

Strategic and sustainability risk

The risk of losses arising from potential changes in the general business conditions and competitive market environment driven by strategic, sustainability and reputational factors.

Strategic risk

The risk that the Group's strategic decisions and related execution activities may be inadequate to protect the Group's competitive position and ability to generate sustainable shareholder value.

Key risk metrics	2022	2021
Strategic risk EC (Rbn)	**7.0**	6.0
Strategic risk EC to profit before tax (%)	**22.9**	22.4

Review of current reporting period

- The year-on-year increase in strategic risk EC reflected increases in the Group's revenue and gross loans and advances to customers. Risk drivers remain consistent, as supported by the strategic risk EC to profit before tax ratio.
- The Group concluded a review of its ERMF in March 2022. The changes resulted in the renaming of business risk to strategic risk, enabling enhanced focus on managing risks associated with strategic choices and related execution activities.
- The Strategic Risk Framework began its refinement journey to optimise risk management integration into key strategic processes, including the annual integrated planning process, strategy execution monitoring and review processes. The framework also clearly addresses risks related to key enablers – including people and technology – to optimise strategy execution outcomes while responding to undesired risks.
- The business landscape continued to be characterised by downside risks over the reporting period, including disrupted supply chains, higher fuel costs, inflation, and interest rates, electricity supply challenges and social instability. These remain key focus areas in scenario analysis and stress testing activities to manage the impact of both current and emerging risks on the Group's risk profile.
- Strategic priorities remained a key focus area in the context of the shifting landscape, considering business delivery models, market trends and changing customer preferences.

Priorities

- Align the risk function to support the Group's purpose as the driver of our brand and culture, including ESG aspirations.
- Refine the Group's Strategic Risk Management Framework and its integration into key strategic processes.
- Enhance the Group's strategic risk measurement capabilities across business units and legal entities.
- Evaluate the Group's strategic positioning, the continued relevance of its business model, strategic choices and associated risks. The assessment will be expanded to evaluate the impact of material climate-related risk events on our business model.
- Monitor strategy execution and performance through the outcomes of the integrated planning process and the update to the Group's medium-term plans.
- Assess and respond to strategic progress and the impact of external and internal factors on the business model and customer value propositions using agile approaches

Risk management overview

for the reporting period ended 31 December 2022

Strategic and sustainability risk (continued)

Sustainability risk

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

Review of current reporting period

- Developed financing standards for the following climate-sensitive sectors: Manufacturing, Agriculture, Real Estate and Transport.
- Collated quality data to understand and manage exposure to climate-sensitive sectors and associated climate change impacts.
- Completed physical and transition climate risk assessments for Mining, Oil and Gas, and Transport and Logistics, and country-level analysis for ARO.
- Incorporated climate risk aspects in the Environmental and Social Risk Assessment (ESRA) tool in support of credit Environmental and Social Due Diligence.
- Completed the first phase of digitising sustainability risk tools, automating the ESRA tool, and developing an interactive webpage for physical climate risk and an emission dashboard for transition risks.
- Performed exploratory climate risk stress test as part of the 2022 annual cyclical stress test, which focused on acute physical risk events on static balance sheet of select portfolios.

Priorities

- Ensure continued alignment with the Group's sustainability strategy and target setting.
- Define an approach to address biodiversity impacts and natural capital risks and opportunities in line with the Taskforce on Nature-related Financial Disclosures.
- Embed sustainability risk controls in various business processes across the Group.
- Undertake a physical and transition climate risk assessment for the manufacturing and construction sectors.
- Continue investing in the development of stress testing capabilities to improve on the foundation laid in 2022.
- Foster an understanding of the regulatory environment to implement sustainability risk management effectively.
- Conduct a baselining exercise of the Group's financed emissions.

Reputational risk

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

Review of current reporting period

- Reputation risks actively managed included the Group's view and actions on ESG, executive transformation, closure of high-profile customer accounts, and the potential grey-listing of South Africa by FATF.
- Built constructive key external relationships, including with industry bodies, business associations, media, journalists, and societal groups.
- Implemented changes to reputation risk governance and oversight following changes to the ERMF.
- Published the Reputation Risk Policy and reviewed associated policies and standards in accordance with the ERMF to strengthen governance and oversight of reputation risk.

Priorities

- Continue focus on mitigating reputation matters impacting the Group and positively inform the narrative on key matters, such as executive transformation, ESG priorities and commitments and the final decision by FATF in 2023.
- Demonstrate to stakeholders how the Group delivers value beyond business imperatives to promote trust and advocacy.
- Maintain constructive relationships with key stakeholders, such as the media, journalists, industry bodies, business associations and societal groups.
- Respond to media and other stakeholders on matters pertaining to the Group, or potentially impacting the Group's reputation.

Risk management overview

for the reporting period ended 31 December 2022

Model risk

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

Key risk metrics	2022	2021
Model risk EC (Rbn)	**1.6**	3.3

Review of current reporting period

- Ongoing improvement in the accuracy and robustness of models, focusing on regulatory credit capital models.
- Enhanced the model risk control environment by:
  - Refreshing the Model Risk Framework, policy and standards.
  - Refining the model risk appetite assessment and the model risk EC methodology.
  - Enhancing the model performance tests used in model monitoring and independent model validation.
  - Automating the model performance monitoring on the South Africa retail portfolio for regulatory credit capital and credit impairment models.
  - Deploying improved model development methodologies and standardising currently used methodologies.
  - Enhancing the model risk management workflow system.
- The above improvements led to a commensurate reduction in the model risk EC.

Priorities

- Strengthen the Group's capabilities to manage the increasing quantity and complexity of models.
- Optimise the architecture and capabilities of the model development, validation and implementation technology platforms.
- Embed technological solutions for model risk management, including the use of machine learning techniques.
- Continue updates to models in accordance with business priorities and the outcomes of the independent model validations.
- Implement newly developed models efficiently and effectively.
- Automate model performance monitoring, leading to an increase in frequency and consistency of model performance assessments and earlier detection of non-performance.
- Reduce critical staff dependencies and retain staff through talent pipeline development, succession planning, staff retention initiatives, broadened career opportunities and ongoing training and development.
- Maintain the regulatory credit capital model development book of work at a business-as-usual state.
- Increase focus on the credit decisioning, impairments and recovery models in the current macro-economic environment.

Risk management overview

for the reporting period ended 31 December 2022

Operational and resilience risk

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

Key risk metrics	2022	2021
Total operational risk losses as a percentage of gross income (%)	**(0.02)**	1.04
Total operational risk losses (Rm)	**(18)**	893
Operational risk EC (Rbn)[1]	**11.4**	10.7
Total operational risk RWA (Rbn)	**159.1**	149.4
Operational risk (Rbn)	**132.0**	122.7
Non-customer assets (Rbn)	**27.1**	26.7

Review of current reporting period

- The Group continued to navigate the dynamic impacts of the operating environment, including the effects of loadshedding in South Africa, global macro-economic volatility, COVID-19 and climate changes and maintained its operational resilience in delivering substantially uninterrupted services to customers.
- In pursuit of its commitment to maintain a robust control environment that delivers operational resilience, the Group continued to adapt, enhance and optimise its controls. Key areas of focus included:
  - Fraud prevention and detection capabilities in response to the increasing level of fraud attempts, while minimising disruption to authentic customers and transactions.
  - Information security and cyber controls, within the Group and its third parties, considering the increasing sophistication of threats.
  - Digitisation and automation of manual processes.
  - Reducing reliance on legacy network infrastructure and applications.
- The Group improved the implementation of the Operational and Resilience Risk Management Framework by:
  - Enhancing the risk appetite framework and establishing a qualitative statement that is supported by metrics with defined thresholds.
  - Developing and implementing a data-informed stress testing model.
  - Deploying self-service risk reporting and analytics capabilities to process owners.
  - Piloting AI capabilities focused on the analysis of events and losses.
  - Progressing the implementation of the New Standardised Approach requirements per Basel III finalisation.
- Operational risk losses decreased to a net gain of **R18m** (2021: R893m), reflecting the combined impact of the effectiveness of controls and recoveries of R474m relating to prior period events.
- RWA increased to **R159.1bn** (December 2021: 149.4bn) due to the growth in revenue and changes in the foreign exchange rates of the ARO countries.
- EC increased to **R11.4bn** (December 2021: R10.7bn) reflective of the combined effect of an improved risk profile and growth in revenue.

Priorities

- Maintain a robust control environment that continues to deliver operational resilience, focus areas include:
  - Ongoing refinement of business continuity responses and scenario planning.
  - Continuous enhancement and optimisation of fraud and information security and cyber controls.
  - Further digitisation and automation of manual processes.
  - Ensuring the continuity of services from third parties.
- Progress the implementation of the new Standardised Approach per Basel III finalisation requirements, which come into effect on 1 January 2024.

[1] Operational risk EC includes fixed asset risk, non-customer assets and compliance risk.

Risk management overview

for the reporting period ended 31 December 2022

Compliance risk

The risk of failure to comply with any legal or regulatory obligations including failure to act in accordance with customers' best interests, fair market practices and codes of conduct, and failure to mitigate financial crime.

Conduct risk

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

Review of current reporting period

- The Group achieved improvements in several customer experience metrics across various businesses, with plans to improve this further in 2023.
- Following the outcomes of the 2021 Group-wide ethics risk assessment conducted to fulfil the Group's regulatory obligations on corporate governance, intervention plans were implemented and actioned across the Group as a further step to building an ethical and compliant culture.
- The Ethics Institute announced the Group as the winner of the 2022 Ethics Initiative of the Year Award. The award recognises the Group's ethics programme and the implementation of various initiatives designed to incorporate the Absa Way into business decisions and ensure ethical business principles and practices are considered and upheld.
- As part of a long-term strategy to ensure the Group's whistleblowing channels evolve in line with market trends, Whistleblowing by WhatsApp was launched in July 2022 as a digital add-on to the current whistleblowing channels to improve access and ease of reporting potential misconduct.
- The Group improved policies and processes for the responsible use and protection of employee and customer personal information, particularly where personal information is held by suppliers and third parties, by strengthening the control framework, monitoring controls and increasing awareness and training for staff and customers.

Priorities

- Maintain Treating Customers Fairly principles in the face of ongoing digitisation of customer processes and propositions.
- Continue instilling corporate values that promote compliance and ethical conduct.
- Conduct the second Group ethics risk assessment, which will include benchmarking the Group against local and international companies of similar sizes and industries. The results will inform the 2023/24 Group ethics management plan and focus areas.
- Continue to assess the effectiveness of the conduct risk management controls and systems against the regulatory landscape and business strategic objectives to ensure early identification and monitoring of risks, specifically instances of misconduct.
- Strengthen controls for the protection of customer and employee personal information, and encourage the responsible and ethical use of customer and employee data in the organisation by third parties and related parties.
- Continue communicating, training and raising awareness on ethics, data privacy and protection, and conduct risk for Board members, employees and business partners.

Risk management overview

for the reporting period ended 31 December 2022

Compliance risk (continued)

Financial crime risk

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

Review of current reporting period

- Participated in and lobbied for change at various external workshops on draft legislation developed to address South Africa's technical compliance obligations arising from the FATF Mutual Evaluation Report. The Group led the formulation of arguments for specific legislation and lobbied for the appropriate and practical application of the Financial Intelligence Centre (FIC) Act and related legislative requirements.
- The Group remained a thought leader in the Banking Association of South Africa forums, provided comments and participated at the industry body level on multiple new pieces of legislation and directives as issued by the Prudential Authority and National Treasury.
- Continued to work in partnership with United for Wildlife to strengthen the collective efforts to fight Illicit wildlife trafficking across Africa. The Group participated in an event hosted in Botswana as well as in an event hosted by United for Wildlife and the Eastern and Southern Africa Anti-Money Laundering Group with the purpose to establish a regional chapter in southern and eastern Africa.
- Leveraged our membership in United for Wildlife to gain additional membership to the established East Africa Chapter, which extends membership to the respective country's money laundering reporting officers. This aims to gain further insights and expand on regional collaboration on illegal wildlife trade and related offences.
- Continued to chair and initiate several tactical operations groups (TOG) and expert working groups (EWG) under the South African Anti-Money Laundering Integrated Task Force. These include state capture, tax fraud, COVID-19/priority crime, terrorist financing threat TOGs and corruption EWG. The Group also actively participated in the KwaZulu-Natal relief fund TOG and narcotics EWG. The work of the TOGs and EWGs has led to the freezing of funds, recoveries and identification of potential role players for further investigation by the FIC.
- The Group remained abreast of latest global trends and risk management developments and attended and participated in the Wolfsberg Annual Forum in Switzerland. The Wolfsberg Group is an association of thirteen global banks aiming to develop frameworks and guidance to manage financial crime.
- Participated in the fifth Eastern and Southern Africa Anti-Money Laundering Group public/private sector dialogue in Livingstone, Zambia, and provided relevant private sector views and input to the discussions and gained valuable perspective from the public sector body around fighting financial crime in eastern and sub-Saharan Africa.

Priorities

- Leverage relationships with regulators and industry partners, industry organisations (like FATF and Wolfsberg), universities and external organisations (such as World Wide Fund, Royal Foundation, Royal United Services Institute, Kharon, South African Anti-Money Laundering Integrated Task Force) to further enhance effectiveness of risk management.
- Continue to play a prominent role in advocating and lobbying changes in legislation that support appropriate and practical application of the FIC Act and related legislative requirements.
- Deliver robust risk management capabilities that will enable the Group to effectively manage and mitigate the risks relating to financial crime by leveraging and digitising core risk, control and governance processes.
- Expand deployment of AI capabilities and predictive models to improve the analytical detection and increase effectiveness of risk management.
- Increase deployment of typology-based detection and risk monitoring.
- Focus on end-to-end economic crime data (including financial crime, fraud and cyber-related crime) by integrating additional intelligence data

Capital management and RWA

for the reporting period ended 31 December 2022

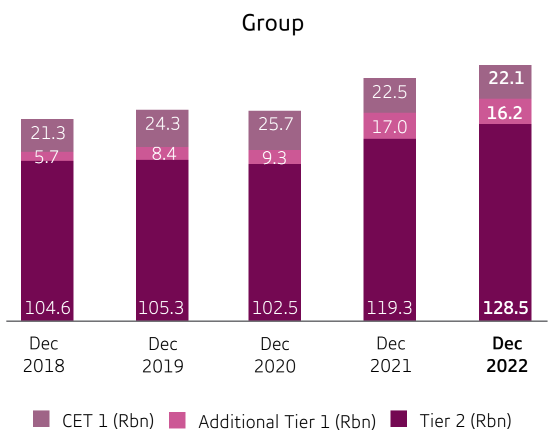
Capital adequacy

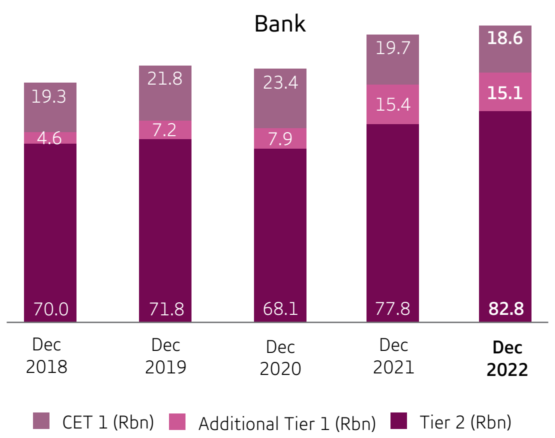
The Group's capital management strategy, which supports and aligns with its business strategy, is to build capital resilience while supporting targeted balance sheet growth and capital demand.

Capital adequacy

	Board target ranges[1]	Minimum regulatory capital requirements[2]	Group performance 2022	Group performance 2021	Bank performance 2022	Bank performance 2021
	%	%				
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.0 – 12.5		**12.8**	12.8	**12.5**	12.4
Tier 1	>12.0		**14.4**	14.6	**14.8**	14.8
Total capital adequacy requirement (CAR)	>14.5		**16.6**	17.0	**17.6**	17.9
Leverage	5.5 – 7.5		**7.8**	7.9	**6.3**	6.5
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		8.5	**11.9**	12.2	**12.0**	11.9
Tier 1		10.3	**13.6**	14.1	**14.2**	14.3
Total CAR		12.5	**15.8**	16.5	**17.0**	17.5
Leverage		4.0	**7.4**	7.6	**6.1**	6.3

Qualifying capital (including unappropriated profits)





Group[3] 2018	2019	2020	2021	2022		Bank 2018	2019	2020	2021	2022
12.8	12.1	11.2	12.8	**12.8**	CET 1 ratio (%)	12.3	11.9	10.6	12.4	**12.5**
16.1	15.8	15.0	17.0	**16.6**	Total CAR (%)	16.5	16.7	15.6	17.9	**17.6**

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Absa Bank Limited CET 1 Board target range is 10.5% to 12.0%.
[2] The 2022 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[3] The historical normalised Group CET 1 ratios were 11.8% in December 2019, 12% in December 2018, and the historical normalised Bank CET 1 ratios were 11.4% in December 2019, 11.2% in December 2018.

Capital management and RWA

for the reporting period ended 31 December 2022

Overview of risk weighted assets

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

Group	2022 Risk weighted assets Rm	2021 Risk weighted assets Rm	2022 Minimum capital requirement[1] Rm
Credit risk[2]	**775 652**	719 520	**96 956**
Market risk	**38 882**	39 183	**4 860**
Operational risk[3]	**159 080**	149 379	**19 885**
Threshold items	**34 379**	23 442	**4 297**
Total	**1 007 993**	931 524	**125 998**

Absa Bank[4]	2022 Risk weighted assets Rm	2021 Risk weighted assets Rm	2022 Minimum capital requirement[1] Rm
Credit risk[2]	**513 401**	495 154	**64 175**
Market risk	**28 250**	25 838	**3 531**
Operational risk[3]	**105 324**	97 718	**13 166**
Threshold items	**15 118**	11 270	**1 890**
Total	**662 093**	629 980	**82 762**

[1] The 2022 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A which was reinstated at 1% and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[2] Credit risk includes equity positions in the banking book, CCR, CVA and securitisation.
[3] Includes floor adjustment, settlement risk and non-customer assets.
[4] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates, and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2022

Capital supply

Breakdown of qualifying capital

Group	2022 Rm	2022 %[1]	2021 Rm	2021 %[1]
CET 1	120 374	11.9	114 080	12.2
Additional Tier 1 capital	16 245	1.6	16 979	1.8
Tier 1 capital	136 619	13.6	131 059	14.1
Tier 2 capital	22 148	2.2	22 475	2.4
Total qualifying capital (excluding unappropriated profits)	158 767	15.8	153 534	16.5
Qualifying capital (including unappropriated profits)				
CET 1 including unappropriated profits	128 512	12.8	119 263	12.8
CET 1	120 374	11.9	114 080	12.2
Unappropriated profits	8 138	0.8	5 183	0.6
Additional Tier 1 capital	16 245	1.6	16 979	1.8
Tier 1 capital	144 757	14.4	136 242	14.6
Tier 2 capital	22 148	2.2	22 475	2.4
Total qualifying capital (including unappropriated profits)	166 905	16.6	158 717	17.0

Absa Bank[2]	2022 Rm	2022 %[1]	2021 Rm	2021 %[1]
CET 1	79 249	12.0	74 851	11.9
Additional Tier 1 capital	15 085	2.3	15 428	2.4
Tier 1 capital	94 334	14.2	90 279	14.3
Tier 2 capital	18 553	2.8	19 719	3.1
Total qualifying capital (excluding unappropriated profits)	112 887	17.0	109 998	17.5
Qualifying capital (including unappropriated profits)				
CET 1 including unappropriated profits	82 795	12.5	77 834	12.4
CET 1	79 249	12.0	74 851	11.9
Unappropriated profits[2]	3 546	0.5	2 983	0.5
Additional Tier 1 capital	15 085	2.3	15 428	2.4
Tier 1 capital	97 880	14.8	93 262	14.8
Tier 2 capital	18 553	2.8	19 719	3.1
Total qualifying capital (including unappropriated profits)	116 433	17.6	112 981	17.9

[1] Percentage of capital to RWAs.
[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2022

Economic capital

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

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

Economic capital	2022 Rm	2021 Rm
Credit risk[1]	69 982	64 391
Market risk	12 934	14 166
Trading book risk	5 138	6 510
Banking book risk	7 796	7 656[2]
Insurance risk	5 709	5 381[2]
Strategic and sustainability risk	7 039	5 999
Model risk	1 644	3 289
Operational and resilience risk[3]	11 413	10 701
Total EC requirement	108 721	103 927[2]
IFRS total EC AFR	168 632	158 877
IFRS total EC surplus	59 911	54 950[2]
IFRS EC coverage ratio	1.6	1.5

[1] Credit risk includes equity risk, CCR, CVA and securitisation.
[2] The December 2021 metric has been restated to correct an error identified in the previously reported number.
[3] Total operational risk includes fixed asset risk, non-customer assets and compliance risk.

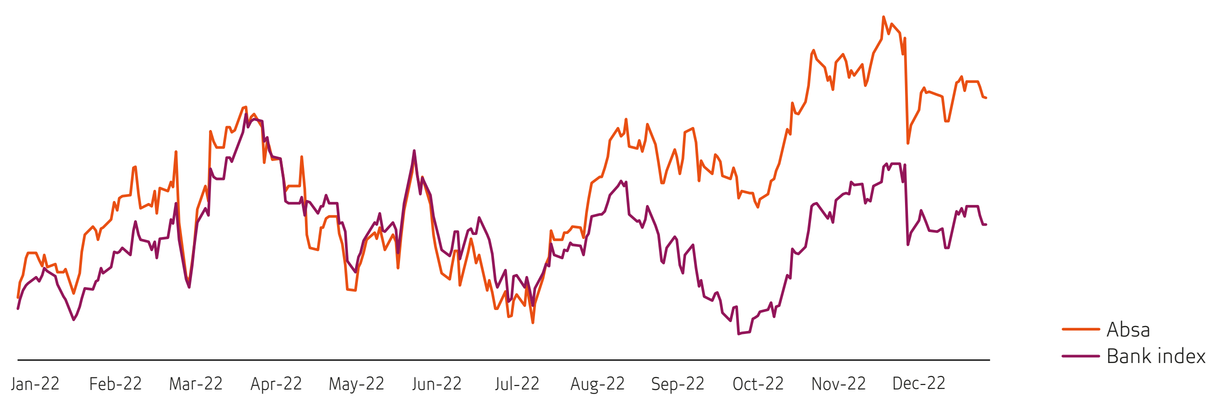
Appendices

159 Share performance
160 Shareholder information and diary
161 Glossary
167 Abbreviations and acronyms
169 Administration and contact details

Share performance

for the reporting period ended 31 December

Share performance (cents)

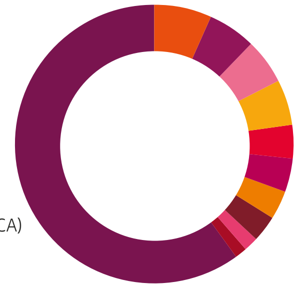


Share performance on the JSE	2022	2021	Change %
Number of shares in issue, which includes 1 791 425 (2020: 4 898 026) treasury shares	**847 750 679**	847 750 679	—
Market prices (cents per share):			
closing	**19 390**	15 255	27
high	**15 205**	16 000	(5)
low	**20 908**	11 001	90
average	**17 796**	13 535	31
Closing price/Normalised NAV per share (excluding preference shares) (times)	**1.25**	1.03	21
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**7.80**	7.0	11
Volumes of shares traded (million)	**181 805.0**	683.3	>100
Value of shares traded (million)	**1 027.0**	93 981.1	(99)
Market capitalisation (Rm)	**164 379.0**	129 324.0	27
Annual total return (%)	**34.0**	29.9	(14)

Shareholder information and diary

Major ordinary shareholders (%)

2022	2021	
5.33	(6.87)	Ninety One (SA)
5.18	(5.57)	Old Mutual (SA, NA)
4.89	(5.41)	Public Investment Corporation (SA)
5.02	(5.32)	M&G (SA, UK)
4.01	(4.03)	Citigroup Global Markets (SA)
4.40	(3.75)	BlackRock Incorporated (US, UK, JP, AU, CA)



2022	2021	
3.16	(3.35)	Investec Securities (SA)
3.90	(3.07)	The Vanguard Group (US, AU)
4.23	(1.73)	GIC Asset Management (SG)
3.14	(0.54)	Coronation Asset Management (SA)
56.74	(60.36)	Other

Major shareholding split by geography (%)

2022	2021	
6.77	(19.73)	United Kingdom
62.91	(56.48)	South Africa
15.68	(14.76)	United States and Canada
14.64	(9.03)	Other countries

Shareholder diary

Financial year-end	31 December 2022
Annual general meeting[1]	02 June 2023

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Final[1]	13 March 2023	Tuesday, 18 April 2023	Wednesday, 19 April 2023	Friday, 21 April 2023	Monday, 24 April 2023

[1] Subject to change.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

Capital adequacy ratio
The capital adequacy of South African banks is measured in terms of the requirements of the SARB. The ratio is calculated by the aggregate amount of qualifying capital and reserve funds 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
Common Equity Tier 1 capital consists of the sum of the following elements:
- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries of Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET 1; and
- Regulatory adjustments applied in the calculation of CET 1.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Distribution force
Number of active advisers.

Dividend 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.

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

Embedded value
The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business.

Covered business is taken to be all long-term insurance business written under the Group's licence.

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

Income/total income
Income consists of net interest income and non-interest income.

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

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

Leverage
Average assets as a proportion of average equity.

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

Pre-provision profit
Total income less operating expenses.

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

Probability of default
The probability that a debtor will default within a one-year time horizon.

Regulatory capital
The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

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

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

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

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

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:
- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Solvency margin
The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

Glossary

Stage 1
Assets comprise exposures that are performing in line with expectations at origination. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1.

Stage 2
Exposures are required to be classified within stage 2 when a significant increase in credit risk has been observed. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices.

Stage 3
Credit exposures are classified within stage 3, when they are regarded as being credit impaired.

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

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

Underwriting margin
Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

Value-at-risk model
A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

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

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

Abbreviations and acronyms

A	
AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements/Absa Financial Services
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine
B	
Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit
C	
CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET 1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment
D	
DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk
E	
EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management framework
EVE	economic value of equity
EWIs	early warning indicators
F	
FRTB	Fundamental Review of the Trading Book
FX	Forex
G	
GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk
H	
HQLA	high-quality liquid assets
HR	high risk
I	
IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

Abbreviations and acronyms

J	
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange
K	
KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios
M	
MC	Group Model Committee
MR	market risk
N	
NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio
O	
OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter
R	
RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk
S	
SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk
T	
TLAC	Total loss absorbing capacity
TRC	Trading Risk Committee
TSA	The standard approach
TTC	through-the-cycle
V	
VAF	Vehicle and Asset Finance
VaR	value at risk
W	
WIMI	Wealth, Investment Management and Insurance
WL	watch list

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

Contact information

Absa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: ABG

ISIN: ZAE000255915

Head of Investor Relations

Alan Hartdegen

Telephone: +27 11 350 2598

Group Company Secretary

Nadine Drutman

Telephone: +27 11 350 5347

Head of Financial Control

John Annandale

Telephone: +27 11 350 3496

Transfer secretary

Computershare Investor Services (Pty) Ltd

Telephone: +27 11 370 5000

computershare.com/za/

Auditors

KPMG

Telephone: +27 11 647 7111

home.kpmg/za/home.html

PriceWaterHouseCoopers

Telephone: +27 11 797 4000

pwc.co.za

Registered office

7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000

Switchboard: +27 11 350 4000

www.absa.africa

Queries

Please direct investor relations queries to IR@absa.africa

Please direct media queries to groupmedia@absa.africa

Please direct queries relating to your Absa Group shares to web.questions@computershare.co.za

Please direct general queries regarding the Group to absa@absa.co.za

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa (Pty) Ltd

Telephone: +27 11 507 0300

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Telephone: +27 11 895 6843

equitysponsor@absacapital.com

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