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Absa Bank Limited

Annual consolidated and separate financial statements for the reporting period ended 31 December 2022

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Annual Financial Statements

Absa Bank Limited

(1986/004794/06)

Annual consolidated and separate financial statements for the reporting period ended 31 December 2022

These audited annual consolidated and separate financial statements (financial statements) were prepared by Absa Bank Financial Reporting under the direction and supervision of the Bank's Financial Director, J P Quinn CA(SA).

Directors' approval

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' responsibility statement set out on page 11, is made to distinguish, for the benefit of shareholders, the respective responsibilities of the Board of directors (the Board) and of the auditors in relation to the consolidated and separate financial statements of Absa Bank Limited and its subsidiaries (the Bank).

The Board is responsible for overseeing the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of the Bank and Absa Bank Limited standalone (the Company) at the end of the reporting period and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the Board to meet these responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that, in all reasonable circumstances, is above reproach and in line with the King IV code of conduct report.
- The Board sets standards and management implements systems of internal control and accounting as well as information systems aimed at providing reasonable assurance that both on- and off-statements of financial position are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of all responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Bank and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems, and discipline are applied and managed within predetermined procedures and constraints.
- The Bank's internal audit and compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the Group Audit and Compliance Committee (GACC), appraise, evaluate and, when necessary, recommend improvements to the systems of internal control, accounting and compliance practices, based on plans that, combined with the efforts of the Group's risk functions, take cognisance of the relative degrees of risk of each function or aspect of the business.
- The GACC, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure. The GACC is satisfied that the external auditors are independent.
- The Board approves the Enterprise Risk Management Framework (ERMF) through recommendation by the Group Capital Management Committee (GRCMC).
- The Board, through the GACC which is assigned by the GRCMC in respect of risk matters, reviewed the compliance practices and procedures to enable the Board to discharge their regulatory responsibilities, by overseeing the plan and progress management makes in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions requirements; and by considering that the Bank's systems and processes appropriately reflect the current legal and regulatory environment, refer to note 43.
- The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

Based on the above, and to the best of their knowledge and belief, the Board is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the current reporting period.

The financial statements of the Bank and the Company have been prepared in accordance with the provisions of the Companies Act, the Banks Act, JSE Listings Requirements and the South African Institute of Chartered Accountants (SAICA) financial reporting guides as issued by the Accounting Practices Committee and comply with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and all applicable legislation.

The directors continuously assess the Bank's ability to continue as a going concern. The Bank's going concern assessment outlines relevant going concern indicators based on amongst other factors the following:

- Forecasts underpinned by the Bank's strategy;
- The Bank's operating environment;
- Probability assessments based on the Bank's performance, liquidity, credit ratings, market performance and governance and control.

Based on the assessment process outlined above, the directors have no reason to believe that the Bank and the Company will not be going concerns in the next reporting period. These financial statements have been prepared on this basis.

It is the responsibility of the independent external auditor to report on the financial statements. Their report to the shareholders of the Bank and the Company is set out on page 11 of this report.

The directors' report on pages 7 to 9 and the annual financial statements of the Bank and the Company were approved by the Board and are signed on their behalf by:

M S Moloko
Group Chairman

A Rautenbach
Chief Executive Officer

Johannesburg
12 March 2023

Chief Executive Officer and Financial Director responsibility statement

for the reporting period ended 31 December

The directors, whose names are stated below, hereby confirm that:

(a) The annual financial statements, set out on pages 16 to 220, fairly present in all material respects the consolidated and separate financial position, financial performance and cash flows of Absa Bank Limited in terms of the International Financial Reporting Standards (IFRS).

(b) To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.

(c) Internal financial controls have been put in place to ensure that material information relating to Absa Bank Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements contained herein.

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls.

(e) Where we are not satisfied, we have disclosed to the Audit and Compliance Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies.

(f) We are not aware of any fraud involving directors.

A Rautenbach
Chief Executive Officer

J P Quinn
Financial Director

Johannesburg
12 March 2023

Group Audit and Compliance Committee report

Introduction

The Group Audit and Compliance Committee (Committee) is pleased to present its report for the 2022 financial year. The report has been prepared based on the requirements of the Companies Act, No. 71 of 2008 (as amended) (the Companies Act), the Banks Act of 1990 (Banks Act), the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Limited (JSE) Listings Requirements and other applicable regulatory requirements.

This report sets out the Committee's roles and responsibilities and provides details on how it accomplished the various statutory obligations as well as Key Audit Matters (KAMs) considered during the reporting period.

Objective

The Committee's main objective is to assist the Board in fulfilling its oversight responsibilities. In achieving these responsibilities, the Committee did an evaluation of the adequacy and efficiency of accounting policies, internal financial controls, regulatory compliance and financial and corporate reporting processes and governance. Further details on the functions of the Committee are outlined in its mandate, which is reviewed and updated on an annual basis.

Composition and governance

The Committee only comprises of independent non-executive directors whose appointment is approved annually by the shareholders at the Annual General Meeting (AGM). The members have a breadth of banking, financial, risk and governance expertise as well as commercial acumen needed for the Committee to fulfil its responsibilities. The continuing independence and effectiveness of the Committee and its individual members are assessed by the Board. Further information on the membership and composition of the Committee, is set out in its mandate.

During the 2022 financial year seven formal Committee meetings were held, that coincided with key reporting and regulatory timelines to ensure the appropriate review and approval of financial results before release to the market and regulators. This includes the Committee's annual meeting with the South African Reserve Bank's Prudential Authority.

The composition of the Committee and the attendance of scheduled meetings by its members for the 2022 financial year are as follows:

Member	Meeting attendance*
Tasneem Abdool–Samad (Chairman)	7/7
Alex Darko	7/7
Daisy Naidoo	7/7
René van Wyk	7/7
Swithin Munyantwali	7/7

* In addition to the scheduled meetings above, Committee member also attended certain ad-hoc meetings throughout the year.

The Committee keeps the Board informed and advises on matters concerning the Bank's financial reporting requirements to ensure that the Board is able to exercise oversight of the work carried out by Finance, Risk, Compliance, Internal Audit and the external auditors. The Chairman held regular meetings with management (including from Finance), the Chief Risk Officer, Chief Compliance Officer, the Chief Internal Auditor (CIA) and external auditors to discuss specific issues arising during the year. The CIA, Chief Compliance Officer (CCO) and the external auditors have direct access to the Committee, including closed sessions, without management being present, on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities. The Committee Secretary regularly met with the Chairman to ensure the Committee fulfilled its governance responsibilities, and to consider input from stakeholders when finalising meeting agendas, tracking progress on actions and Committee priorities.

Key focus areas

In line with the overall objective of the Committee, the Committee considered the following matters, amongst others, during the year under review:

Control environment and management control approach

The Committee continued to monitor the Bank's Control Environment (CE) and Management Control Approach (MCA) to ensure that it is robust, resilient and agile to respond appropriately to any challenges that may arise in the Bank's operating environment. The Committee is satisfied that Bank's CE and MCA support its business and operating environment.

The Committee continued to oversee the Bank's migration of its consolidation and reporting system. Management, the CIA and the external auditors will continue to keep the Committee updated on developments in this area, with particular focus on the key controls, to ensure that data are accurately managed through appropriate reconciliations and validations. Having considered all relevant information the Committee is satisfied that the financial and internal controls of the Bank are adequate and that no material breakdowns occurred that resulted in material loss to the Bank.

Combined assurance

The Committee aims to ensure that a combined assurance model is applied to provide a coordinated approach to assurance activities. In line with this objective, the Bank promotes the embedment of a consistent and comprehensive Combined Assurance approach that optimises effort, reduces duplication, and drives effective assurance of high-risk areas through the aggregated efforts of assurance providers. The Committee ensures that the Bank's combined assurance model adequately addresses the Bank's risks and material matters.

The Committee reviewed the Combined Assurance approach adopted by the Combined Assurance Steering Committee annually, to ensure it addresses the Internal Financial Controls related attestation and assurance requirements outlined by the various regulators. The Committee also reviewed the control functions' assessment as required by the Banks Act Regulation 40(4), the Chief Executive Officer/Financial Director attestations as required by the JSE Listings Requirements, Internal Audit's Statement on Internal Financial Controls over Financial Reporting, and Internal Audit's Statement on Governance Risk Management and Control.

In addition to this the Committee also considered the coverage of the Bank's critical risks per Business Unit and Function as presented in the Annual Combined Assurance plan across the three LoDs and is satisfied that the Combined Assurance Plan for 2022 adequately addressed critical risks. The Committee also monitored the remediation of overdue issues raised by Second and Third LoDs on a quarterly basis.

Technology, Cyber and Information Security

Technology, Cyber and Information Security risks have continued to increase across global industries throughout 2022 as was anticipated in last year's report. During the year the Committee continued to receive reports on the risks and related controls in respect of operational, fraud, cyber security, IT systems and controls impacting financial reporting. It has also considered, in conjunction with the Information Technology Committee (ITC) updates on key internal and external audit findings in relation to the IT control environment including the progress made in strengthening the logical access management controls.

External auditors

In line with the Independent Regulatory Board for Auditors (IRBA) requirements on Mandatory Audit Firm Rotation (MAFR) and following a comprehensive tender process in 2021, PwC replaced EY as one of the Bank's joint statutory auditors with effect from the 2022 financial year. PwC became independent on 18 October 2021 and was formally appointed as joint auditors with KPMG at the AGM on 3 June 2022. During the year, the Committee, through regular feedback and enhanced monitoring was comfortable that PwC's transition was managed effectively as the joint statutory auditor.

The Committee is responsible for assessing the effectiveness, objectivity and independence of the Bank's auditors. This responsibility was discharged by the Committee during the year at both formal meetings and private meetings with both audit firms and through discussions with Bank executives. The Committee also ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act, JSE Listings Requirements, and all other regulatory and legal requirements. This included receiving submissions from the external auditors, as part of the suitability assessments of the firms and the designated audit partners. As part of this process, the Committee continued to assess potential regulatory and reputational matters impacting the firms. The terms of the audit engagement letter and associated fees were approved by the Committee on behalf of the Board.

With regards to the 2022 audit period, the Committee considered the external audit plan to address significant focus areas. These areas received similar focus from the Committee with particular emphasis placed on the external auditors' findings in this regard. The Committee also discussed external audit feedback on the Bank's critical accounting estimates and judgements, as well as the involvement of specialists from the audit firms on more complex matters, such as expected credit loss (ECL), valuation of complex financial instruments, and the assessment of IT access controls.

The Bank has an established non-audit services policy to safeguard the independence and objectivity of the Bank's external auditors and to specify the approval process for the engagement of the Bank's external auditors to provide non-audit services. The key principle of the policy is that the Bank's external auditors may only be engaged to provide services in cases where the provision of those services do not impair auditor independence and objectivity. All non-audit services were approved by the Committee during the current financial year in accordance with the Board-approved policy on non-audit services performed by the external auditor. The Committee is satisfied that the non-audit services fees for the year ended 31 December 2022 were permissible and within the thresholds stipulated in the policy.

The Committee considered if any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were no such reportable irregularities.

Internal audit

The Bank's Internal Audit (IA) function forms an integral part of the Bank's control framework and is a key component in supporting the Committee's work. The GACC monitors the performance of the function throughout the year, with respect to scoping, performing, and reporting the outcomes of its work both to management and the Committee. The Committee held regular meetings with the CIA and members of the senior management team to ensure that the Committee is aware of the current programme of work and any emerging issues. The IA function exhibits high levels of professional objectivity in gathering, evaluating, and communicating information, as well as high levels of professional ethics in the conduct of its work.

The Committee reviewed and approved the annual internal audit charter and audit plan. In addition, the Committee also evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.

The Bank's external auditors conducted an assessment of the internal audit function against International Standards on Auditing (ISA) 610 and confirmed that the work performed by internal audit was suitable for the purposes of external audit reliance. The International Standards for the Professional Practice of Internal Auditing and the Bank's approved Audit Charter requires the internal audit function to be reviewed at least once every five years by a qualified, independent assessor or assessment team from outside the Bank. This review was last performed in 2018 with the overall assessment concluding that the activities of the internal audit function "Generally Conforms" to the Institute of Internal Auditors' (IIA) standards. The rating of "generally conforms" is the highest attainable in terms of compliance to the IIA standards. The next independent review is scheduled for 2023 and planning for this has already commenced.

Significant matters

The Committee has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the significant accounting judgements and estimates relating to the annual financial statements as follows:

Significant matter	How the Committee addressed the matter
Expected credit losses on loans and advances to customers	The measurement of ECL involves significant judgements, particularly under current economic conditions. Despite a general recovery in economic conditions in 2022, there remains an elevated degree of uncertainty over ECL estimation under current conditions, due to macroeconomic, political, global, regional and domestic uncertainties. As part of its monitoring, the Committee considered several reports from management in respect of the various aspects of the ECL model and in particular, the key judgements and assumptions used in the calculation of ECLs. Having considered and scrutinised the reports, the Committee agreed with management's and other assurance providers conclusion that the impairment provision recognised at year end was appropriate. The Committee received appropriate input on the refreshed macroeconomic scenarios and the judgement exercised by management in determining post-model adjustments. The Committee is satisfied that adequate governance and controls over the ECL model are in place and effective.
Valuation of complex financial instruments	Due to the ongoing volatile market conditions in 2022, management continuously assessed its assumptions in valuing the Bank's investment portfolio. As losses were incurred management considered whether fair value adjustments were required under the fair value framework. Management's analysis provided evidence to support the introduction of these adjustments in line with International Financial Reporting Standards (IFRSs). The Committee considered the key valuation metrics and judgements involved in the determination of the fair value of financial instruments. The Committee considered the valuation control framework, valuation metrics, significant year-end judgements and emerging valuation matters and agrees with the judgements applied by management.

Group Audit and Compliance Committee report

Financial, legal, compliance and regulatory reporting requirements

The Committee received regular reports from the compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors.

The Committee received assurance that the Bank will continue the protection and responsible use of its customer and employee data, including those held by suppliers and other third parties.

During the reporting period, the Committee also considered the overall status on compliance in the Bank against policy, regulations or otherwise, and any significant breakdowns. This extended to financial crime and market conduct, in conjunction with the Group Social, Sustainability and Ethics Committee. The Committee also monitored the adequacy and effectiveness of the Bank Compliance function, specifically focusing on further investment in compliance technology and data, the continued upskilling of the Compliance team, and the function's assuring and evidencing of the Bank's regulatory compliance. Additionally, the Committee oversaw the Banks Act regulatory audit process.

Annual financial statements and integrated reporting process

The Committee is responsible for reviewing all formal announcements relating to the Bank's performance. As part of its review the Committee:

- Evaluated management's application of critical accounting policies and material areas in which significant accounting judgements were applied.
- Focused on compliance with disclosure requirements to ensure these were consistent, appropriate, and acceptable under the relevant financial and governance reporting requirements.
- Recommended to the Board that the financial statements should be prepared on a going concern basis and that there were no material uncertainties that would impact the going concern statement which require disclosure. The Committee notes that forecast capital ratios remained above minimum mandatory requirements and within the Board's target ranges.
- Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate.
- Conducted a review of the annual financial statements and, where necessary, requested amendments.
- Reviewed relevant publications such as the JSE proactive monitoring papers issued and, where necessary approved the enhanced disclosures recommended.
- Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made.
- Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences.
- Reviewed and discussed the integrated report process, and governance and financial information proposed to be included in the integrated report after considering recommendations from the Social, Sustainability and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Directors' Affairs Committee.
- The Committee reviewed the IFRS Interpretation Committee's ('IFRS IC') agenda decision published 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 and has communicated a change in accounting policy (refer note 1.19.1) to the JSE, which is required in accordance with paragraph 3.14 of the JSE Listings Requirements.

The Committee concluded that the processes underlying the preparation of the annual financial statements and the financial information included in the integrated report for the financial year ended 31 December 2022 were appropriate in ensuring that those statements were fair, balanced, and understandable, and recommended these reports to the Board for approval. The Board subsequently approved the annual financial statements.

Internal financial control attestation

Absa continues to maintain a strong control environment and has implemented adequate and effective internal financial controls to confirm the integrity and reliability of the financial statements. In terms of paragraph 3.84(k) of the JSE Listings Requirements, the Chief Executive Officer and the Financial Director have made positive statements under their names and signatures in the annual report.

The identified deficiencies in design and operating effectiveness of internal financial controls identified via the Bank's three LoDs was reported to the Committee during the year. The Committee considered the identified deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. The Committee noted the significant assurance process to support the Chief Executive Officer and Financial Director attestations.

Looking ahead

The role of the Committee will focus on:

- ECL and fair value of complex financial instruments, judgements and estimation due to macroeconomic, political, global, regional and domestic uncertainties.
- The progress made by management on the initiatives recommended by the three LoDs and the various commitments given to regulators on issues that they have raised.
- The review of the Bank's regulatory reporting processes, which remains an area of focus for the industry as a whole.
- The Bank's migration of its consolidation and reporting system.
- Keep abreast of any amendments to the JSE Listings Requirements and management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements.
- The implications of Environmental, social and governance (ESG) risk in measuring the sustainability and societal impact of an investment in a company or business together with ESG accounting disclosures and assurance processes and ensuring that the Bank meets the minimum ESG disclosure requirements released by the International Auditing and Assurance Standards Board (IAASB) or other regulatory bodies.
- In conjunction with the Risk and Compliance Management Committee, ongoing monitoring of sovereign risk on subsidiaries in different jurisdictions and any resultant impact on financial reporting.
- In conjunction with the ITC, continued monitoring of logical access controls to combat identified and potential technology and cyber risks facing the Bank and industry.

Conclusion

The Committee is satisfied that it has complied with all statutory obligations and duties given to it by the Board under its terms of reference including executing its responsibilities in compliance with paragraph 3.84(g) of the JSE Listings Requirements.

The Committee is satisfied that the financial and internal controls are adequate and that no material breakdowns occurred resulting in material loss to the Bank.

The Committee reviewed the Bank and separate Company financial statements for the year ended 31 December 2022 and recommended them to the Board for approval. The Board subsequently approved the annual financial statements.

On behalf of the GACC

T Abdool-Samad
Chairman of the GACC

Johannesburg
12 March 2023

Directors' report

General information and nature of activities

Absa Bank Limited (the Company) is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, and wealth management products and services. The Company and its subsidiaries (the Bank) operate primarily in South Africa and employ 25 719 people. The address of the registered office of the Bank is 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001. The Company has preference shares listed on the JSE Limited.

The Bank is a subsidiary of Absa Group Limited.

The Bank is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in South Africa. The Bank also provides products and services to selected markets in Nigeria and Namibia.

The Bank interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of banking services (from basic products and services for the low-income personal market, to customised solutions for the commercial and corporate markets), financial services and wealth management products and services.

The consolidated and separate financial statements were approved for issue by the Board Finance Committee, a committee of the Absa Group Limited Board, on 12 March 2023.

The financial statements present the financial positions, results of operations and cash flows for the Bank and the Company for the reporting period ended 31 December 2022.

Absa Group Audit and Compliance Committee report

Refer to page 3 – 6.

Bank results

Main business and operations

The Bank recorded an increase of 9% in headline earnings to **R11 650m** (2021: R10 726m) for the reporting period. Headline earnings per share (HEPS) and fully diluted HEPS increased by 9% to **2 598.7 cents** (2021: 2 392.6 cents). Refer to note 32 for the headline earnings note.

Certain segmental comparative information contained in this set of financial statements has been restated due to business portfolio changes. Refer to note 1.19 of the accounting policies and note 39.1 for further details.

Headline earnings was derived from the following activities:

	Bank	
	2022 Rm	Restated[1] 2021 Rm
Product Solutions Cluster	**1 960**	2 521
Relationship Banking	**4 046**	3 722
Everyday Banking	**3 948**	4 050
Corporate and Investment Bank (CIB)	**4 211**	4 080
Head Office, Treasury and other operations	**(1 891)**	(3 018)
Barclays PLC separation	**(624)**	(629)
Headline earnings (refer to note 32)	**11 650**	10 726

Details of the members of the Board:

Name	Position as director	Current reporting period appointments and resignations
M S Moloko[2]	Independent non-executive director, Chairman	Appointed 1 April 2022
W E Lucas-Bull[2]	Independent non-executive director, Chairman	Retired 31 March 2022
T Abdool-Samad	Independent non-executive director	
N S Mjoli-Mncube	Independent non-executive director	
A Rautenbach[3]	Chief Executive	Appointed 29 March 2022
J P Quinn[3]	Financial Director	Appointed 29 March 2022
P E Modise	Interim Financial Director	Assumed position of Group Chief Strategy and Sustainability Officer 1 July 2022
R Van Wyk	Independent non-executive director	
A B Darko	Independent non-executive director	
R A Keanly	Independent non-executive director	
F Okomo-Okello	Independent non-executive director	

[1] These numbers have been restated, refer to note 1.19.
[2] Sello Moloko commenced the role as Group Chairman with effect from 1 April 2022, following the retirement of Wendy Lucas-Bull.
[3] Arrie Rautenbach was appointed as Chief Executive of Absa Group effective 29 March 2022 whilst Jason Quinn resumed his position as Financial Director.

Re-election of retiring directors

In line with international best practice, the Company has a requirement in terms of which all directors on the Board for longer than nine years are subject to annual re-election by shareholders at the annual general meeting (AGM).

In terms of the Company's Memorandum of Incorporation (MOI), one-third of the directors are required to retire at each AGM and may offer themselves for re-election.

Directors' interests in Absa Bank Limited preference shares

As at the reporting date, no director held any preference shares in the Company.

Directors' and officers' personal financial interests in contracts

Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Executive directors are entitled to share awards (Absa Group ordinary shares), the details of which are included in note 56.

No other contracts were entered into in which directors and officers of the Bank had a personal financial interest and which significantly affected the business of the Bank. The directors had no interest in any third party or company responsible for managing any of the business activities of the Bank.

Directors' and prescribed officers' emoluments

The emoluments and services of executive directors are determined by the Absa Group Limited Remuneration Committee (Remco) as disclosed in note 56.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures are set out in note 38 to the consolidated financial statements.

Acquisitions and disposals during the current reporting period

Refer to note 47 for additional information on the acquisitions and disposals of businesses and other significant assets.

Acquisitions and disposals during the prior reporting periods

The Bank disposed of Card Issuing and Personal loan books on 30 June 2021. The bank received a cash consideration of **R94m** on disposal. The Bank disposed of the Integrated Processing Solution investment on 30 September 2021. The Bank received a cash consideration of **R12m** on disposal.

Dividends

- On 12 March 2023, a final dividend of 3 509.58904 cents per preference share was approved. The dividend was announced on 13 March 2023 to ordinary shareholders registered on 21 April 2023. This dividend is payable on 24 April 2023.
- On 12 March 2023, a final dividend of 669.2 cents per ordinary share was approved. The dividend was announced on 13 March 2023 to ordinary shareholders registered on 21 April 2023. This dividend is payable on 24 April 2023.
- On 15 August 2022, an interim dividend of 2 883.42466 cents per preference share was approved. The dividend was announced on 15 August 2022 to preference shareholders registered on 16 September 2022. The dividend was payable on 19 September 2022.
- On 15 August 2022, an interim dividend of 1 003.8 cents per ordinary share was approved. The dividend was announced on 15 August 2022 to ordinary shareholders registered on 16 September 2022. The dividend was payable on 19 September 2022.
- Refer to note 35 for the Common Equity Tier 1 distribution.

Special resolutions

The following special resolutions were passed by the Bank's ordinary shareholders at the AGM held on 3 June 2022, in accordance with the Companies Act:

- **Special resolution number 1 – Remuneration of non-executive directors**

  Resolved to approve the proposed remuneration to be payable to non-executive directors for their services as directors of the Company for the period 1 June 2022 to and including the last day of the month preceding the date of the next AGM thereafter.
- **Special resolution number 2 – General authority to repurchase the Company's securities**

  Resolved that the Company or any subsidiary of the Company may, subject to the Company's MOI, section 48 of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM.
- **Special resolution number 3 – Financial assistance to a related or inter-related company/corporation**

  Resolved to enable the Company, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide direct or indirect financial assistance as regulated by section 45 of the Companies Act to a related or inter-related company/corporation and/or to a member of a related or inter-related company/corporation.

Company Secretary

N R Drutman is the Company Secretary. Her contact details are as follows:

7th Floor, Absa Towers West
15 Troye Street
Johannesburg, 2001

Telephone: (+27 11) 350 5347

Email: groupsec@absa.africa

Auditors

KPMG Inc. and PricewaterhouseCoopers Inc. were appointed as joint auditors of the Bank for the 2022 reporting period, effective 1 January 2022. John Bennett and Heather Berrange are the designated audit partners.

Authorised and issued share capital

Authorised

The authorised ordinary share capital of the Company of **R322 500 000** (2021: R322 500 000) consists of:

- **320 000 000** (2021: 320 000 000) ordinary shares of R1.00 each;
- **250 000 000** (2021: 250 000 000) 'A' ordinary shares of R0.01 each.

The authorised preference share capital of the Company of **R300 000** (2021: R300 000) consists of:

- **30 000 000** (2021: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Issued

No additional 'A' ordinary shares were issued in the current reporting period (2021: 16 983 265).

The total issued ordinary share capital at the reporting date, consists of:

- **302 609 369** (2021: 302 609 369) ordinary shares of R1.00 each;
- **145 691 959** (2021: 145 691 959) 'A' ordinary shares of R0.01 each.

The total issued preference share capital at the reporting date, consists of:

- **4 944 839** (2021: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Shareholder information

	2022			2021		
	Number of shareholders/ note holders	Number of shares/notes	% held	Number of shareholders/ note holders	Number of shares/notes	% held
Non-public shareholders						
Ordinary shares		302 609 369	100.0		302 609 369	100.0
Absa Group Limited		302 609 369	100.0		302 609 369	100.0
'A' ordinary shares		145 691 959	100.0		145 691 959	100.0
Absa Group Limited		145 691 959	100.0		145 691 959	100.0
Public shareholders						
Preference shares	5 478	4 944 839	100.0	5 393	4 944 839	100.0
Standard Chartered Bank	17	206 433	4.2	20	264 458	5.3
Standard Bank	338	834 894	16.9	346	892 699	18.1
Nedbank Investor Services	1 166	1 474 735	29.8	1 173	1 485 518	30.0
Other preference shareholders	3 957	2 428 777	49.1	3 854	2 302 164	46.6

Additional Tier 1 capital

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the Issuer) subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. The total number of issued notes at the end of the reporting period was **7 503 000 000** (2021: 7 004 000 000).

Company Secretary's certificate to the shareholders of Absa Bank Limited

In accordance with the provisions of the Companies Act, I certify that, in respect of the reporting period ended 31 December 2022, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

N R Drutman
Company Secretary

Johannesburg
12 March 2023

Independent auditors' report to the shareholders of Absa Bank Limited

Independent auditor's report

To the Shareholders of Absa Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

We have audited the consolidated and separate financial statements of Absa Bank Limited (the Bank and Company), set out on pages 16 to 220 which comprise:

- the consolidated and company statements of financial position as at 31 December 2022;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended;
- the accounting policies, and
- the notes to the consolidated and company financial statements excluding the sections marked as 'unaudited' in notes 37, and 52.6.2 to the consolidated and note 36 to the Company financial statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Absa Bank Limited as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards Board (IFRS Standards) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Bank and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Level	Key audit matter
Absa Bank Limited (consolidated and separate)	**Expected credit losses (ECL) on loans and advances to customers** The disclosure associated with ECL on loans and advances to customers is set out in the consolidated and separate financial statements in the following accounting policies and notes: • Note 1.2.1 – Approach to credit risk and impairment of loans and advances • Note 1.7.4 – Expected credit losses on financial assets • Note 7 – Loans and advances • Note 52.2 – Credit risk • Note 52.3 – Macro-overlays, payment relief and sensitivity analysis • Note 27 (Separates) – Credit impairment charges

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
Absa Bank Limited (consolidated and separate) (continued)	The Group and Company's loans and advances to customers and the related ECL is material to the consolidated and separate financial statements. We identified the audit of ECL on loans and advances to customers to be a matter of most significance to the current year audit due to the following: • There is a high degree of estimation uncertainty and significant judgements and assumptions in estimating modelled ECL on loans and advances to customers; • Economic scenario forecasts, incorporating Forward-Looking Information (FLI) which are used to estimate the ECL on loans and advances to customers require estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation. Any impacts not captured by the statistical model are accounted for via further management adjustments, some of which are judgemental in nature. Such adjustments are also posted where current and forward-looking risks are not fully reflected in the historic data used to calibrate models; • Stage 3 impairments of loans and advances to customers requires significant management judgement in estimating future recoveries; and • The credit risk disclosures incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. In calculating the ECL, the key areas of significant management judgement and estimation included:	Making use of our internal actuarial, quantitative and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances to customers, as set out below. In addition, we tested controls and performed substantive procedures over the model data inputs.
	1. Modelled ECL impairment losses • A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. • Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This incorporates judgement and estimation by management. • The determination of the write-off point and application of the cure rules are based on management's judgement. The credit impairment models are subject to formal model governance and approval.	**1. Modelled ECL impairment losses** • We assessed the controls over changes and approval of ECL models. • We reperformed and/or benchmarked the model calculations for material portfolios based on the assumptions as per the model documentation, independently reperformed the PD, EAD and LGD parameters, to test the accuracy, assumptions and appropriateness of the judgement applied in the ECL calculations. • We assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocations and application of cure rules for a sample of portfolios and individual exposures. For retail, we also tested the performance of the SICR approach by considering historic volumes of accounts moving into arrears and the forward-looking view of default risk. • We tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to information sourced by management from internal systems and external data providers. • Through discussions with management and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL models and how these were calibrated to use historical information to estimate future cash flows. • For all impacted portfolios, we considered historical post write-off recoveries to evaluate the reasonableness of management's current ECL assessment and to determine whether the current write-off point is still the point at which there was no reasonable expectation of significant further recovery against the requirements of IFRS 9 *Financial Instruments* (IFRS 9). • We further evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on the ECL.

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
	2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • The macroeconomic scenario forecasts are developed internally and require management judgement. Given the uncertain macroeconomic environment, both locally and internationally, there is complexity in incorporating these scenario forecasts, FLIs and probability weightings into the estimation of ECL. • Management adjustments to the modelled ECL output were used within the portfolios to address specific risks which were not catered for in the FLIs incorporated into models. • Determining the key macroeconomic drivers of credit risk including the relative importance/ weighting of each identified factor incorporates judgement and estimation by management.	**2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation** • We tested controls over the approval of macroeconomic forecasts and variables used within the models by the appropriate governance structures. With assistance from our internal economics experts, we assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data. • We tested the performance and sensitivity of the forward-looking models in order to evaluate whether the chosen macroeconomic variables and model structure provides a reasonable representation of the impact of macroeconomic changes on the ECL, SICR and baseline information built into the forward-looking economic model. • We assessed the reasonableness of how management considered the uncertain macroeconomic environment on the ECL model through independent ECL quantification and sensitivity analysis. • We tested the governance process over management adjustments; assessed management's rationale for the adjustments; and the appropriateness of the assumptions and data used in the determination of the management adjustments. We further evaluated whether these were reflective of current market volatility, idiosyncratic risks or emerging trends.

	3. Stage 3 ECL impairments assessed on an individual basis
	• A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the Relationship Banking and Corporate and Investment Banking portfolios. Significant judgements, estimates and assumptions are applied by management to:
	  ◦ Determine if the loans and advances are credit impaired;
	  ◦ Evaluate the valuation and recoverability of collateral;
	  ◦ Determining the expected value to be realised from collateral (including the timing of such realisations) and other collection efforts; and
	  ◦ Estimate the timing of the future cash flows.
	• Stage 3 ECL on corporate exposure is calculated on a client specific basis and occurs outside of the portfolio models referred to above.
		3. Stage 3 ECL impairments assessed on an individual basis
		• We tested management's processes and key controls over judgements used to determine whether specific exposures are credit impaired, including the completeness and reasonability of these assessments.
		• Our procedures focused on assessing the reasonability of the estimate of the recoverable amount and timing of expected future cash flows used in measuring ECL. We have performed the following for a sample of stage 3 exposures:
		  ◦ Where collateral had a material impact on the ECL calculation, we tested the Group and Company's legal right to the collateral by inspecting legal agreements and bond registration information, as well as assessing the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information.
		  ◦ Where future cash flows are estimated based on the loan counterparty's enterprise value, we have tested these valuations with reference to available market information and counterparty specific information.

Independent auditors' report to the shareholders of Absa Bank Limited

Key audit matters (continued)

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Absa Bank Limited (consolidated and separate) (continued)</td><td>4. Disclosures related to credit risk
Credit risk disclosures are significant as they rely on material data inputs and explain management judgement, estimates and assumptions used in determining the ECL.</td><td>4. Disclosures related to credit risk
• We tested the design and implementation and operating effectiveness of controls over the credit risk financial reporting process over note 52.2 presented in the consolidated financial statements.
• We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates, management adjustments and macroeconomic forecasts.
• We assessed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS 9.</td></tr>
<tr><td></td><td colspan="2">Valuation of complex financial instruments
The disclosure associated with the valuation of complex financial instruments is set out in the consolidated financial statements in the following accounting policies and notes:
• Note 1.2.3 – Fair value measurement
• Note 50 (consolidated) – Fair value disclosures
• Note 41 (separate) – Fair value disclosures</td></tr>
<tr><td></td><td>Complex financial instruments include unlisted equity investments (level 3), loans and advances at fair value (level 3) and derivative financial instruments (level 2 and 3), including relevant valuation adjustments.

We have identified the valuation of complex financial instruments as a key audit matter which required significant audit effort and the support of our internal valuation experts as it requires significant management judgement relating to the application of sophisticated valuation methodologies and models, key assumptions and key inputs to estimate valuation of the respective financial instruments, including the related fair value disclosures.

Significant judgement is required concerning unobservable inputs, for which there are no quoted market prices, and inputs are also illiquid and volatile in nature. These judgements relate to the credit spreads and risk adjusted yield curves used in simulating counterparty valuation adjustments and funding spreads used to simulate funding valuation adjustments. These inputs depend on various sources of external and internal data and the use of sophisticated modelling techniques.

As a result of the above, the disclosures relating to the valuation of these complex financial instruments are also significant.</td><td>Our audit procedures included, on a sample basis, the following, which were performed with the assistance of our internal valuation experts:
• We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of key controls identified in the valuation process, such as model governance and validation, oversight of valuation inputs and assumptions applied throughout the independent price verification process and market risk monitoring.
• We tested the IT general controls, including change management controls, and application controls relating to the IT systems that support the valuation of complex instruments.
• We assessed the appropriateness of valuation methodologies and the reasonableness of a sample of valuation models by:
◦ Testing the consistency of the key assumptions and methodologies utilised to the prior year and assessed the reasoning for any significant changes from the prior year.
◦ Reperforming the valuation of complex financial instruments using independent models.
• For a sample of key unobservable valuation inputs, we used our internal valuation experts to assess the reasonability of the valuation inputs to independent market data. In cases where independent market data was not available, we used data to evaluate the reasonableness of inputs and assumptions used.
• For a sample of unlisted equity instruments, we engaged our internal valuation experts to perform independent calculations and assessed them against key management assumptions and judgements used.
• Where management used external independent appraisers to value unobservable inputs in the unlisted equity portfolios, for a sample we evaluated their competence, independence and experience with reference to their qualifications and industry experience.
• We independently recalculated the valuations of unlisted equities utilising the inputs and assumptions referred to above, in accordance with the valuation approach, and compared our results with that of management.
• We assessed the appropriateness of the level 3 fair value disclosures with reference to the requirements of IFRS 13 Fair Value Measurement by considering the judgement in the key valuation inputs and assumptions.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *'Absa Bank Limited Annual consolidated and separate financial statements for the reporting period ended 31 December 2022'* which includes the Company Secretary's certificate to the shareholder of Absa Bank Limited, the Group Audit and Compliance Committee report and the Directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditors' report thereon (but includes the sections marked as 'unaudited' in notes 42 and 52.6.2 to the consolidated financial statements and note 37 to the company financial statements).

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Bank's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and KPMG Inc. have been the joint auditors of Absa Bank Limited for one year.

Prior to the commencement of the joint audit relationship with PricewaterhouseCoopers Inc, KPMG Inc. was the joint auditor with Ernst & Young Inc. for the years ended 31 December 2017 and 31 December 2021.

PricewaterhouseCoopers Inc.	**KPMG Inc.**
Director: John Bennett	*Director: Heather Berrange*
Registered Auditor	*Registered Auditor*
4 Lisbon Lane, Waterfall City	85 Empire Road
Jukskei View	Parktown
12 March 2023	12 March 2023

Note: The examination of controls over the maintenance and integrity of the Absa Group Limited's website is beyond the scope of the audit of the consolidated and separate financial statements. Accordingly, we accept no responsibility for the process over the electronic distribution of the consolidated and separate financial statements.

Consolidated statement of financial position

as at 31 December

		Bank	Restated	
	Note	31 December 2022 Rm	31 December 2021 Rm	1 January 2021 Rm
Assets				
Cash, cash balances and balances with central banks	2	**37 344**	33 751	33 812
Investment securities	3	**128 439**	116 265	99 489
Trading portfolio assets[1]	4	**156 071**	141 976	168 380
Hedging portfolio assets[1]	4	**4 972**	3 696	7 473
Other assets	5	**17 263**	16 737	14 819
Current tax assets		**45**	66	274
Non-current assets held for sale	6	**90**	57	136
Loans and advances	7	**1 032 520**	932 775	877 275
Loans to Group companies	8	**73 203**	76 733	56 145
Investments in associates and joint ventures	9	**1 725**	1 593	1 601
Property and equipment	10	**11 686**	12 382	13 923
Goodwill and intangible assets	11	**11 255**	10 406	9 626
Deferred tax assets	12	**4 739**	3 261	2 030
Total assets[1]		**1 479 352**	1 349 698	1 284 983
Liabilities				
Trading portfolio liabilities[1]	13	**91 397**	68 103	105 822
Hedging portfolio liabilities[1]	13	**2 237**	2 910	5 013
Other liabilities	14	**23 993**	35 834	22 475
Provisions	15	**4 051**	3 947	2 855
Current tax liabilities		**381**	102	3
Deposits	16	**1 015 623**	974 121	890 920
Debt securities in issue[1]	17	**203 275**	127 271	142 867
Loans from Group companies		**9 152**	9 214	—
Borrowed funds	18	**26 282**	26 459	20 621
Deferred tax liabilities	12	**23**	19	8
Total liabilities[1]		**1 376 414**	1 247 980	1 190 584
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Ordinary share capital	19	**304**	304	304
Ordinary share premium	19	**36 879**	36 879	36 879
Preference share capital	19	**1**	1	1
Preference share premium	19	**4 643**	4 643	4 643
Additional Tier 1 capital	19	**7 503**	7 004	7 004
Retained earnings	20	**52 633**	48 841	38 507
Other reserves	20	**975**	4 047	7 058
		102 938	101 719	94 396
Non-controlling interest – ordinary shares		**—**	—	3
Total equity		**102 938**	101 719	94 399
Total liabilities and equity[1]		**1 479 352**	1 349 699	1 284 983

[1] These numbers have been restated, refer to note 1.19.

Consolidated statement of comprehensive income

for the reporting period ended 31 December

		Bank	
	Note	2022 Rm	2021 Rm
Net interest income		**42 387**	38 301
Interest and similar income	21	**89 169**	72 144
Effective interest income		**87 254**	70 492
Other interest income		**1 915**	1 652
Interest expense and similar charges	22	**(46 782)**	(33 843)
Non-interest income		**21 687**	20 191
Net fee and commission income		**19 332**	18 073
Fee and commission income	23	**21 350**	19 777
Fee and commission expense	23	**(2 018)**	(1 704)
Gains and losses from banking and trading activities	24	**1 586**	1 722
Gains and losses from investment activities	25	**3**	1
Other operating income	26	**766**	395
Total income		**64 074**	58 492
Credit impairment charges	27	**(8 687)**	(6 395)
Operating income before operating expenses		**55 387**	52 097
Operating expenses	28	**(37 122)**	(35 232)
Other expenses		**(1 916)**	(1 461)
Other impairments	29	**(591)**	(326)
Indirect taxation	30	**(1 325)**	(1 135)
Share of post-tax results of associates and joint ventures	9	**132**	132
Operating profit before income tax		**16 481**	15 536
Taxation expense	31	**(4 292)**	(4 139)
Profit for the reporting period		**12 189**	11 397
Profit attributable to:			
Ordinary equity holders		**11 314**	10 573
Non-controlling interest – ordinary shares		**—**	(3)
Preference equity holders		**266**	242
Additional Tier 1 capital		**609**	585
		12 189	11 397
Earnings per share:			
Basic earnings per share (cents)	41	**2 523.8**	2 358.5
Diluted earnings per share (cents)	41	**2 523.8**	2 358.5

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Bank 2022 Rm	Bank 2021 Rm
Profit for the reporting period		12 189	11 397
Other comprehensive income			
Items that will not be reclassified to profit or loss		(152)	54
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)		(1)	10
Fair value (losses)/gains		(1)	13
Deferred tax		0	(3)
Movement of liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk		(151)	(26)
Fair value losses		(202)	(36)
Deferred tax		51	10
Movement in retirement benefit fund assets and liabilities		0	70
(Decrease)/increase in retirement benefit surplus	34	(36)	98
Deferred tax	12	36	(28)
Items that are or may be subsequently reclassified to profit or loss		(3 567)	(3 406)
Movement in foreign currency translation reserve		2	(2)
Differences in translation of foreign operations		2	(2)
Movement in cash flow hedging reserve		(4 477)	(4 051)
Fair value losses		(3 439)	(1 463)
Amount removed from other comprehensive income and recognised in profit or loss	48.6.2	(2 718)	(4 163)
Deferred tax		1 680	1 575
Movement in fair value of debt instruments measured at FVOCI		908	647
Fair value gains		1 291	1 015
Release to profit or loss	24	(7)	(120)
Deferred tax	12	(376)	(248)
Total comprehensive income for the reporting period		8 470	8 045
Total comprehensive income attributable to:			
Ordinary equity holders		7 595	7 221
Non-controlling interest – ordinary shares		—	(3)
Preference equity holders		266	242
Additional Tier 1 capital		609	585
		8 470	8 045

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Consolidated statement of changes in equity

for the reporting period ended 31 December

Consolidated statement of changes in equity

for the reporting period ended 31 December

Bank
2022

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
Balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	7 004	48 841	4 047	(866)	1 264	(1)	1 422	614	1 614	101 719	—	101 719
Total comprehensive income	—	—	—	—	266	609	11 162	(3 567)	908	(4 477)	2	—	—	—	8 470	—	8 470
Profit for the period	—	—	—	—	266	609	11 314	—	—	—	—	—	—	—	12 189	—	12 189
Other comprehensive income	—	—	—	—	—	—	(152)	(3 567)	908	(4 477)	2	—	—	—	(3 719)	—	(3 719)
Dividends paid during the reporting period	—	—	—	—	(266)	—	(6 500)	—	—	—	—	—	—	—	(6 766)	—	(6 766)
Distributions paid during the reporting period	—	—	—	—	—	(609)	—	—	—	—	—	—	—	—	(609)	—	(609)
Issuance of Additional Tier 1 capital[2]	—	—	—	—	—	499	—	—	—	—	—	—	—	—	499	—	499
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(738)	—	—	—	—	—	—	—	(738)	—	(738)
Movement in share-based payment reserve	—	—	—	—	—	—	—	362	—	—	—	—	362	—	362	—	362
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(318)	—	—	—	—	(318)	—	(318)	—	(318)
Value of employee services	—	—	—	—	—	—	—	554	—	—	—	—	554	—	554	—	554
Deferred tax	—	—	—	—	—	—	—	126	—	—	—	—	126	—	126	—	126
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—	(132)	132	—	—	—	—	—	132	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 503	52 633	975	42	(3 213)	1	1 422	976	1 746	102 938	—	102 938
Note	19	19	19	19	19	19			20	20	20	20	20	20			

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.

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

Consolidated statement of changes in equity

for the reporting period ended 31 December

Bank 2021

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
Balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	7 004	38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399
Total comprehensive income	—	—	—	—	242	585	10 627	(3 406)	647	(4 051)	(2)	—	—	—	8 048	(3)	8 045
Profit for the period	—	—	—	—	242	585	10 573	—	—	—	—	—	—	—	11 400	(3)	11 397
Other comprehensive income	—	—	—	—	—	—	54	(3 406)	647	(4 051)	(2)	—	—	—	(3 352)	—	(3 352)
Dividends paid during the reporting period	—	—	—	—	(242)	—	—	—	—	—	—	—	—	—	(242)	—	(242)
Distributions paid during the reporting period	—	—	—	—	—	(585)	—	—	—	—	—	—	—	—	(585)	—	(585)
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(176)	—	—	—	—	—	—	—	(176)	—	(176)
Movement in share-based payment reserve	—	—	—	—	—	—	—	278	—	—	—	—	278	—	278	—	278
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(253)	—	—	—	—	(253)	—	(253)	—	(253)
Value of employee services	—	—	—	—	—	—	—	461	—	—	—	—	461	—	461	—	461
Deferred tax	—	—	—	—	—	—	—	70	—	—	—	—	70	—	70	—	70
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—	(132)	132	—	—	—	—	—	132	—	—	—
Disposal of associates and joint ventures[2]	—	—	—	—	—	—	15	(15)	—	—	—	—	—	(15)	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004	48 841	4 047	(866)	1 264	(1)	1 422	614	1 614	101 719	—	101 719
Note	19	19	19	19	19	19			20	20	20	20	20	20			

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.

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

Consolidated statement of cash flows

for the reporting period ended 31 December

	Note	Bank 2022 Rm	Restated 2021 Rm
Cash flow from operating activities			
Profit before tax		**16 481**	15 536
Adjustment of non-cash items			
Depreciation and amortisation	28	**4 924**	5 140
Other impairments	29	**591**	326
Share of post-tax results of associates and joint ventures		**(132)**	(132)
Other non-cash items included in profit and before tax		**(22)**	(535)
Dividends received from investing activities		**(58)**	(32)
Cash flow from operating activities before changes in operating assets and liabilities		**21 784**	20 303
Net (increase)/decrease in trading and hedging portfolio assets[1]		**(19 849)**	26 130
Net increase in loans and advances[1]		**(95 907)**	(58 348)
Net increase in investment securities		**(11 240)**	(16 099)
Net decrease/(increase) in other assets[1]		**1 057**	(24 381)
Net increase/(decrease) in trading and hedging portfolio liabilities		**22 620**	(39 822)
Net increase in deposits		**41 501**	83 201
Net increase in other liabilities[1,2]		**64 065**	9 722
Income taxes paid		**(3 967)**	(3 717)
Net cash generated from/(utilised in) operating activities[1]		**20 064**	(3 011)
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale	6	**54**	112
Purchase of property and equipment	10	**(1 612)**	(886)
Proceeds from disposal of properties and equipment		**64**	170
Purchase of intangible assets	11	**(3 246)**	(2 644)
Proceeds from disposal of intangible assets		**—**	20
Dividends received from investing activities		**31**	152
Proceeds from disposal of investment in associate		**—**	12
Net cash utilised in investing activities		**(4 709)**	(3 064)
Cash flow from financing activities			
Net contribution from/distribution to the Group in respect of equity-settled share-based payment		**(1 069)**	(176)
Issue of Additional Tier 1 capital		**1 999**	—
Expiry of Additional Tier 1 capital		**(1 500)**	—
Proceeds from borrowed funds		**1 916**	6 866
Repayment of borrowed funds		**(2 204)**	(2 381)
Repayment of IFRS 16 lease liability		**(984)**	(984)
Distribution to Tier 1 capital holders		**(609)**	(585)
Dividends paid		**(6 766)**	(242)
Net cash (utilised in)/generated from financing activities		**(9 217)**	2 498
Net increase/(decrease) in cash and cash equivalents[1]		**6 138**	(3 577)
Cash and cash equivalents at the beginning of the reporting period[1]		**30 325**	33 902
Cash and cash equivalents at the end of the reporting period[1]	45	**36 463**	30 325

As part of operating activities, interest income amounting to **R90 973m** (2021: R71 289m); and interest expense amounting to **R45 620m** (2021: R32 539m) were received and paid in cash respectively.

[1] These numbers have been restated, refer to note 1.19.
[2] Net increase in other liabilities includes debt securities in issue and provisions.

Accounting policies

for the reporting period ended 31 December

1. Summary of significant accounting policies

1.1 Basis of preparation

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies comply with IFRS, interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

1.1.1 Standards, amendments to standards and circulars adopted for the first time in the current reporting period

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

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

1.1.1.2 Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

1.1.1.3 Amendments to IFRS 3 Business Combinations regarding the definition of a business

The Amendments to IFRS 3 intends to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework).

1.1.1.4 Amendments resulting from annual improvements 2018-2020 Cycle for the following standards

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The above amendments were effective in the current financial year but had no impact on the annual consolidated and separate financial statements of the Bank.

1.1.2 Basis of presentation

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out as follows. These policies have been consistently applied, except for accounting policy amendments as explained further in note 1.20. The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in Rand, which is the functional currency of the Company and presentation currency of the Group and rounded to the nearest million (Rm) unless otherwise indicated.

1.2 Process of determination, and use of estimates, assumptions and judgements

1.2.1 Approach to credit risk and impairment of loans and advances

The Bank has established a framework, and related processes, which govern its approach to credit risk management and any resultant impairment of financial assets. Where models are used in quantifying the impairments, the governance process is focused around the Absa Bank Limited Models Committee (MC) (a Board committee) and Business Unit level model approval forums whose remit includes:

- oversight of the development, implementation and evaluation of risk and impairment models;
- oversight of the inception and periodic independent model validations (the frequency of the periodic validation being dependent on model type, materiality and model risk rating);
- the approval of new models, changes to existing models or continued use of models, in line with the Group Model Risk Policy and supporting Standards; and
- approval of overlays to mitigate model deficiencies (post-model adjustments).

Retail impairment allowances are subject to quarterly impairment adequacy reviews and approval by the Retail Impairment Adequacy Forum. Wholesale impairment allowances are subject to monthly impairment adequacy reviews and approval by the Wholesale Impairment Governance Forum.

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment under IFRS 9.

1.2.1.1 Approach to credit modelling/internal ratings

The key objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Bank is exposed. Integral to this is the calculation of parameters which are used for credit risk management purposes and in the calculation of regulatory capital, economic capital and the determination of impairment in terms of IFRS.

The key credit parameters used in this process are:

- probability of default (PD): the likelihood of a customer defaulting on its obligations within the appropriate outcome period;
- exposure at default (EAD): an estimate of the level of credit exposure should the customer default during the appropriate outcome period; and
- loss given default (LGD): an estimate of the percentage of EAD that will not be recovered on a particular credit facility should the customer default during the outcome period. LGD recognises credit risk mitigation, such as collateral or credit derivatives, unless this mitigation has been recognised at fair value.

Whilst there is a close interaction and clear overlaps between the regulatory expected loss methodology and the accounting credit models, there are key departures which impact how the key risk parameters are modelled and applied. These are discussed further in sections 1.2.1.4 and 1.2.1.5. Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The Bank uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications.

For example, PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a point-in-time (PIT) basis, reflecting the predicted default frequency in the next 12 months for a particular period in the credit cycle. EAD and LGD estimates can be calculated as downturn measures, reflecting behaviour observed under stressed economic conditions, or as business-as-usual measures, reflecting behaviour under normal conditions.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.1 Approach to credit modelling/internal ratings (continued)

These parameters are used for the following credit risk management purposes:

- Credit approval: PD models are used in the approval process in both Retail and Wholesale portfolios. In high-volume Retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In Wholesale and certain Retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: Regulatory capital, economic capital and earnings volatility measures are used in the Bank's risk appetite framework.
- Economic capital calculations: Credit economic capital calculations use PD, LGD and EAD inputs.
- Risk profile reporting: Credit risk reports for senior management make use of model outputs to describe the Bank's credit risk profile.

1.2.1.2 Validation of models

Models undergo independent validation when new models have been developed (initial validation) and on a periodic basis (ongoing validation). Models are approved by the respective Chief Risk Officers supported by the Business Unit level model approval forums. Where a model is expected to have a material impact on the financial results, this is approved by the Group's Models Committee (MC).

The Bank uses two types of PDs, namely:

- The Through-the-Cycle Probability of Default (TTC) PD, which reflects the Bank's assessment of the borrower's long-run average propensity to default in the next year; and
- The Point-in-Time Probability of Default (PIT) PD, which is calculated factoring the current economic, industry and borrower circumstances.

Both types of PDs are used extensively in the Bank's decision-making processes. For communication and comparison purposes, the Bank's 21 default grades (DGs), were mapped to external agency rating equivalents as well as the South African Reserve Bank's (SARB) 26 grade PD scale used for regulatory reporting purposes.

DG grading represents a TTC view of the distribution of the book at a specific point in time. The indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described below:

- **DG 1 – 9:** assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BBB- rating or better.
- **DG 10 – 19:** financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Although credit protection may exist, assets in this category are considered to have greater credit risk. These assets contain some credit deficiencies. When converted to a rating agency equivalent, these ratings correspond to a BB+ to B- rating.
- **DG 20 – 21:** the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review. Assets so classified must have well defined weaknesses that exacerbate the PD. These ratings correspond to a CCC/C rating.
- **Default:** assets classified as in default are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Bank will sustain some loss when default occurs.

1.2.1.3 Default grades

The Bank uses two types of PDs, namely:

- The Through-the-Cycle Probability of Default (TTC PD), which reflects the Bank's assessment of the borrower's long-run average propensity to default in the next year; and
- The Point in Time Probability of Default (PIT PD), which is calculated factoring the current economic, industry and borrower circumstances.

1.2.1.4 Approach to impairment of credit exposures

The accounting policy for the impairment of financial assets held at amortised cost or fair value through other comprehensive income applied by the Bank is described in note 1.7.4.

The measurement of ECL involves a significant level of complexity and judgement, including estimation of probabilities of default, LGD, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of EAD and assessing significant increases in credit risk.

The purpose of estimating ECL is neither to estimate a worst-case scenario nor to estimate the best-case scenario. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

Under IFRS 9, the Bank recognises ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2 is based on whether there has been a significant deterioration in credit risk. This is a relative measure, where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument. Exposures are classified within stage 3 if they are credit impaired. Refer to 1.2.1.5 for further detail on the significant increase of credit risk.

For IFRS 9 purposes, two distinct PD estimates are required:

- 12-month PD: the likelihood of accounts entering default within 12 months of the reporting date.
- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.

For the purposes of credit modelling under IFRS 9, the PD is calculated on a PIT basis and reflects the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default. PIT PDs do not equate to a long-run average. This is a key distinction between the IFRS 9 ECL models and the Bank's Basel III models. Under Basel III, the PD is the average of default within the next 12 months, calculated based on the long-run historical average over the full economic cycle (that is, TTC).

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.4 Approach to impairment of credit exposures (continued)

IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when the Bank believes there to be no reasonable expectation of recovery. The Bank has well-governed internal policies, which define how an individual account should be assessed for write-off, and which ensure that post write-off recoveries remain insignificant over the long run. Further, the policies are recalibrated over time, as and when actual recovery experience changes. Whilst the Bank's write-off policy determines the point of derecognition at an individual account level, it also impacts the level of recoveries modelled on a collective basis for the purposes of determining LGDs to be applied at a portfolio level. Under IFRS 9, the Bank applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Bank's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries which are therefore forecast to be received post the point of write-off are excluded from the LGD model. Recoveries of amounts previously written off are recognised as an ECL gain within credit impairment charges in the statement of comprehensive income as and when the cash is received.

In calculating LGD, losses are discounted to the reporting date using the Effective Interest Rate (EIR) determined at initial recognition or an approximation thereof. For debt instruments, such as loans and advances, the discount rate applied is the EIR calculated on origination or acquisition date.

The EAD model estimates the exposure that an account is likely to have at any point of default in future. This incorporates both the amortising profile of a term loan, as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

Expert credit judgement may, in certain instances, be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short-term measures and will not be used to incorporate any continuous risk factors. The Bank has a robust policy framework which is applied in the estimation and approval of management adjustments.

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital, economic capital and IFRS 9 ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are based on historical experience and are reliant on historical data.
- PDs are assigned at account level, and consist of three elements, namely:
  - a term structure, capturing typical default behaviour by the months since observation;
  - a behavioural model which incorporates client level risk characteristics; and
  - a macroeconomic model that incorporates forward-looking macroeconomic scenarios.
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Wholesale portfolio

The Wholesale rating process relies both on internally developed PD, EAD and LGD rating models and vendor provided solutions. The Wholesale rating process relies on quantitative and qualitative assessments that could be manual or automated. Wholesale PDs and LGDs are modelled using the parameters from regulatory models starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

- PD ratings are assigned on a customer level. Information used in the calculation of customer PD ratings includes financial statements, projected cash flows, equity price information, behavioural information as well as quality assessments on strength of support. In converting Basel III compliant PDs to PDs appropriate for the purposes of IFRS 9, the main adjustments effected comprise:
  - a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions, thereby adjusting the PD from a seven-year historical average to a PD reflective of the macroeconomic environment at the reporting date; and
  - an adjustment to the regulatory PD to convert it from a PD over 12 months, to a PD over the lifetime of an exposure, to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.
- LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process. LGD models are based on internal and external loss data and the judgement of credit experts. The main adjustments to LGD comprise a macroeconomic adjustment that changes the long-run LGD to reflect a given macroeconomic scenario as well as the exclusion of forecast recoveries expected beyond the point of write-off. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default, as well as the value of associated collateral at that point in time.
- EAD models aim to replicate the expected utilisation of a customer's facility should a default occur. EADs are assigned for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

1.2.1.5 Critical areas of judgement with regards to IFRS 9

Definition of a significant increase in credit risk:

The Bank uses various quantitative, qualitative and backstop measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio are reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level, instruments that share similar risk characteristics are assessed on a collective basis.

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition. The Bank considers the impact of changes in the quality of credit enhancements (e.g. guarantees) it holds on the borrower's probability of default if a shareholder or parent has provided a guarantee, and has an incentive and the financial ability to prevent default by capital or cash infusion;

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.5 Critical areas of judgement with regards to IFRS 9 (continued)

- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. one day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria; and
- The Bank's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

Definition of credit impaired:

Assets classified within stage 3 are considered to be credit impaired, which, as discussed in 1.2.1 applies when an exposure is in default. Important to the Bank's definition of default is the treatment of exposures which are classified as within forbearance. Forbearance is a concession granted to a counterparty for reasons of financial difficulty that would not otherwise be considered by the Bank. The definition of forbearance is not limited to measures that give rise to an economic loss (that is, a reduction in the counterparty's financial obligation).

Wholesale, Retail and assets are classified as defaulted when:

- The Bank considers that the obligor is unlikely to pay its credit obligations without recourse by the Bank to actions such as realising security. Elements to be taken as indications of unlikeliness to pay include the following:
  - The Bank consents to a distressed restructuring/forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees;
  - The customer is under debt review, business rescue or similar protection;
  - Advice is received of customer insolvency or death; or
  - The obligor is 90 days or more past due on any credit obligation to the Bank.

In addition, within the Retail portfolios, the Group requires an exposure to reflect a non-credit impaired status after 12 months of being placed into credit impaired, before being considered to have cured from stage 3. This probation period applies to all exposures, including those that have been classified as credit impaired for reasons other than forbearance with a diminished financial obligation and debt review (e.g. owing to the fact that they become more than 90 days due). For certain exposures in the business banking environment, an exposure is considered cured after a six-month probation period.

For wholesale exposures, an exposure is considered cured from stage 3 based on the facts and circumstances of the specific exposure; but not earlier than six months after default.

Determination of the lifetime of a credit exposure:

The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

When determining the period over which the entity is expected to be exposed to credit risk for off-statement of financial position exposures, but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Bank considers factors such as historical information and experience about:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

For asset duration, the approaches which are applied (in line with IFRS 9 requirements) are:

- Term lending: the contractual maturity date, reduced for behavioural trends where appropriate (such as, expected settlement and amortisation); and
- Revolving facilities: for Retail portfolios, asset duration is based on behavioural life. For Wholesale portfolios, a sufficiently long period to cover expected life is modelled and an attrition rate is applied to cater for early settlement.

Incorporation of forward-looking information into the IFRS 9 modelling:

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 Bank 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 as at 31 December 2021.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.1 Approach to credit risk and impairment of loans and advances (continued)

1.2.1.5 Critical areas of judgement with regards to IFRS 9 (continued)

The following table shows the key forecast assumptions used for South Africa to calculate the Bank'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 Bank'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

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 Bank 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 Bank.

1.2.2 Capitalisation, amortisation and impairment of internally generated intangible assets, and impairment of goodwill

Capitalisation

The determination of which expenditures can be capitalised in the development phase may involve judgement, as it may be necessary to determine whether an inefficiency has been identified, as the cost thereof may not be capitalised. Management considers scope changes, complexity of the project, as well as the effect of any delays in the delivery of a project, in order to ascertain the appropriateness of capitalisation of development costs. This includes the determination as to whether, and by how much, cost incurred on a project is considered inefficient and needs to be expensed rather than capitalised.

Amortisation

For intangible assets with a finite useful life, the depreciable amount of the asset is required to be allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Management applies judgement in determining when the intangible asset is considered to be in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation of an asset commences once the asset group as a whole is ready to commence operations, and determination of this stage in the project delivery involves management judgement.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.2 Capitalisation, amortisation and impairment of internally generated intangible assets, and impairment of goodwill (continued)

Impairment

The recoverable amount for intangible assets and goodwill is determined to be the higher of the asset's fair value less costs to sell and its value in use of the cash-generating unit to which it belongs.

The value in use calculation incorporates a number of variables which are determined and/or validated through the exercise of management judgement. These include, inter alia, an estimate of the amount and timing of future cash flows that the entity expects to derive, the time value of money represented by an appropriate discount rate, as well as other factors that market participants would reflect in pricing the future cash flows that the entity expects to derive. The long-term growth rate assumptions used in the impairment calculations are based on our estimates of long-term GDP, taking into account inflation, and were revised.

The Bank uses approved projected cash flow forecasts for a period of three to five years, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations was 6% as at 31 December 2021 and 6% as at 31 December 2022. The discount rates used have been adjusted from 14% as at 31 December 2021 to 14.5% as at 31 December 2022. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised.

Note 11 includes details of the amount recognised by the Bank as goodwill and intangible assets.

1.2.3 Fair value measurements

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available in the market. Only where these are unavailable should fair value techniques be applied which employ less observable inputs. Unobservable inputs may only be used where observable inputs or less observable inputs are unavailable. IFRS 13 *Fair Value Measurement* (IFRS 13) does not mandate the use of a particular valuation technique but rather sets out a principle requiring an entity to determine a valuation technique that is appropriate in the circumstances for which sufficient data is available and for which the use of relevant observable inputs can be maximised. Where management is required to place greater reliance on unobservable inputs, the fair values may be more sensitive to assumption changes and different valuation methodologies that may be applied. For this reason, there is a direct correlation between the extent of disclosures required by IFRS 13 and the degree to which data applied in the valuation is unobservable.

Valuation inputs

IFRS 13 requires an entity to classify fair values according to a hierarchy that reflects the significance of observable market inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input which is considered to be significant to the entire measurement. The three levels of the fair value hierarchy are specifically defined as follows:

- **Quoted market prices – Level 1**

  Fair values are classified as Level 1 if they have been determined using unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.
- **Valuation technique using observable inputs – Level 2**

  Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.
- **Valuation technique using significant unobservable inputs – Level 3**

  Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (that is, they are unobservable inputs). Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well as through employing other analytical techniques.

Financial assets and financial liabilities

The Bank has an established control framework with respect to the measurement of fair values. The framework includes a Traded Risk and Valuation Committee and an Independent Valuation Control team (IVC), which is independent from the front office. The Traded Risk and Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the GACC. The Traded Risk and Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

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

Commodities

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

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.3 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments

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

- *Debt securities and treasury and other eligible bills*

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

  Equity instruments are valued based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined with reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs. Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, depending on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price to earnings comparisons. The relevant methodology for each investment is applied consistently over time.
- *Derivatives*

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

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

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

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

Fair value adjustments

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

- *Bid-offer valuation adjustments*

  For assets and liabilities where the Bank is not a market maker, mid-prices are adjusted to bid and offer prices respectively unless the relevant mid-prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Bank is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used.
- *Uncollateralised derivative adjustments*

  A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, as well as the cost of funding across all asset classes.
- *Model valuation adjustments*

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

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.3 Fair value measurements (continued)

Measurement of assets and liabilities at Level 2

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

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash, cash balances and balances with central banks	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market instruments and/or interest rates
Derivative assets		
Commodity derivatives	Discounted cash flow techniques, option pricing models such as the Black Scholes model, futures pricing models and/or Exchange Traded Fund (ETF) models	Spot price of physical or futures, market interest rates and/or volatilities
Credit derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot share prices, market interest rates, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Interest rate curves, repurchase agreements, money market curves and/or volatilities
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances	Discounted cash flow models	Interest rates and/or money market curves
Investment securities	Listed equities: market bid price	Underlying price of market traded instruments and/or interest rate curves
Deposits	Discounted cash flow models	Interest rates and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments and/or interest rate curves

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.3 Fair value measurements (continued)

Measurement of assets and liabilities at Level 3

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

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of unobservable inputs applied 2022	Range of unobservable inputs applied 2021
Loans and advances	Discounted cash flow and/or dividend yield models	Credit spreads	**0.035% to 3.21%**	1.4% to 3.7%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples	**Discount rate of 8.5%**	Discount rate 8.5%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.305% to 4.020%**	0.04% to 4.55%
Derivative assets				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.1% to 24.22%, 15% to 82.3%, 49% to 100%**	0.035% to 4.502% 15% to 93.2%, 54% to 100%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**16.4% to 38.9%**	17.77% to 68.49%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**5.03% to 40%**	0.88% to 20%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.05% to 9.395%**	0.052% to 7.3%
Deposits	Discounted cash flow models	Absa Africa Group Limited's funding spreads (greater than 5 years)	**1.150% to 1.575%**	1.15% to 1.6%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.150% to 1.575%**	1.15% to 1.6%

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

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument, refer to note 50.7.

The sensitivity of a fair value measurement is correlated with the extent of reliance which is required to be placed on unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair values.

1.2.4 Consolidation of structured or sponsored entities

The Bank consolidates entities over which it has control. This is considered to be the case when the Bank is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In some cases, judgement has been applied in determining first, whether an entity meets the definition of a structured or sponsored entity, and second, whether the Bank controls such entity. The key judgements are set out as follows:

Definition of a structured entity (SE)

SEs are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. These SEs are consolidated when they are controlled by the Bank. Judgement is required in assessing whether an entity is an SE, as well as in determining whether the Bank controls the SE. Refer to note 1.3.3 where the factors considered when assessing whether an SE is to be consolidated are outlined.

Assessment of agent versus principal

Acting as an agent, the Bank is primarily engaged to act on behalf and for the benefit of other parties. When assessing whether the Bank is acting as a principal or as an agent for an investee the judgement is made based on the following factors:

- scope of our decision-making authority over the investee;
- any rights held by other parties such as kick out rights;
- exposure to variability from returns of an interest more than 20%; and
- the remuneration to which the Bank is entitled.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.4 Consolidation of structured or sponsored entities (continued)

Assessment of sponsored entities

In addition to the unconsolidated SEs in which the Bank has an interest, it also sponsors some unconsolidated SEs in which it has no interest, generally to facilitate client transactions. For the purposes of these disclosures, the Bank sponsors an entity when:

- it is the majority user of the entity;
- its name appears in the name of the entity or on the products issued by the entity;
- it provides implicit or explicit guarantees of the entity's performances; or
- it led the formation of the entity.

Refer to notes 39 and 44.

1.2.5 Post-retirement benefits

The valuations of and contributions towards the defined benefit pension plan is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

Exposure to actuarial risks

The defined benefit fund exposes the Bank to the risk that the benefits promised in the various funds cost more than the accumulated assets set aside to meet such benefits, and ultimately will require additional funding from the Bank.

This risk can be categorised into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The actuarial funding valuations make assumptions about the returns that may be available on invested assets. If the return on pension plan assets is below this rate, it may lead to a strain on the fund, which over time, may result in a pension plan deficit. Typically the funds have a relatively balanced investment in equity securities, debt securities, cash and real estate to mitigate any concentration risk. Due to the long-term nature of the pension plan liabilities, the boards of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to improve the return generated by the fund. This may in turn result in improved discretionary benefits to members or reduced costs for the sponsoring entity.

Inflation/pension increase risk

Benefits in these plans are to some extent tied to inflation, so increased inflation levels represent a risk that could increase the costs of paying the funds' promised benefits. However, the risk is mitigated by ceilings on mandatory benefit increases in most cases and subject to affordability in cases where the mandatory ceiling does not apply.

Longevity risk

If pensioners live longer than expected then that will, all else equal, increase the funds' liabilities as benefits are paid for a longer term.

Salary risk

An increase in the salary of the plan participants will increase the plan's liability. This risk has been limited with the closure of the defined benefit part of the plans and the introduction of the defined contribution element. There are now a limited number of active defined benefit members.

Although the Absa Pension Fund has in its entirety been disclosed as a defined benefit plan, the defined contribution portion thereof does not retain salary risk.

Measurement risk

The IAS 19 *Employee Benefits* (IAS 19) liabilities are determined using various assumptions about future experience.

One of the most important assumptions is the discount rate derived from prevailing bond yields where these are available (where these are not available, the inflation rate plus a reasonable risk-free real return is used as a proxy). A decrease in the discount rate will, with all else equal, increase the plan liability; this may be partially offset by an increase in the value of assets, to the extent that the funds' investments are matched against its liabilities. Other important assumptions are the inflation assumption, pension increase assumption and the longevity assumption and changes in those could affect the measured value of liabilities significantly. Changes in other assumptions used could also affect the measured liabilities.

Regulatory risk

The funds' benefits are governed by the rules of those funds, operating within the regulatory framework within South Africa. In particular, regulations introducing issues like minimum benefits or minimum pension increases may result in higher benefits to members and a higher associated cost.

Refer to note 37 for the specific assumptions used and carrying amounts of post-retirement benefits.

1.2.6 Provisions

In terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), a provision is recognised when the Bank has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made. Various judgements and assumptions are therefore required in order to determine if a provision is required to be recognised, and further, the carrying amount thereof. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the Bank's legal counsel.

Refer to note 15 for details of provisions recognised and refer to note 44 for details of contingencies disclosed.

1.2.7 Income taxes

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

The Bank periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes tax liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The carrying amount of any resulting liabilities will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

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

1. Summary of significant accounting policies (continued)
1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.2.7 Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Bank in order to utilise the deferred tax assets in the medium term.

1.2.8 Share-based payments

The initial fair value of awards is determined at grant date, and is measured after taking into account all terms and conditions of the share incentive scheme, excluding non-market vesting conditions. In the case of certain schemes, options are granted to employees with a zero strike price. In this case the Bank may consider the share price on the grant date to be the best indication of the grant date fair value. Where management determines this valuation approach to be less appropriate, based on the specific terms and conditions, then a Black Scholes option pricing model is applied. Significant inputs into this pricing model include the risk-free discount rate, share price volatility, as well as an expectation of future dividends.

The cumulative expense recognised at each reporting date will reflect the extent to which the vesting period has expired as well as the Bank's best estimate of the number of equity instruments that will ultimately vest. A key assumption applied is staff turnover and expected forfeitures. Management calibrates this assumption based on historical data.

In the case of cash-settled share-based payment schemes, where fair value is required to be determined at each reporting date, a consistent fair value methodology is applied. The fair value of the awards at each reporting date will impact the expense recognised over each reporting period.

Note 46 includes details of the Bank's share awards. Refer to note 14 for the carrying amount of liabilities arising from cash-settled arrangements.

1.2.9 Offsetting financial assets and financial liabilities

The Bank offsets certain financial assets and liabilities, when it has a legal right to offset and there is an intention to settle these financial instruments on a net basis. When determining whether it is appropriate to offset financial assets and liabilities, the following judgement is applied:

- In determining whether the Bank has a legally enforceable right to offset financial assets and financial liabilities, the Bank considers the terms of the contractual arrangement as well as the applicable common law principles. The application of these common law principles is sometimes subject to a significant degree of interpretation. In these instances, management will seek the advice of legal counsel.
- Management carefully considers past practice in determining whether there is an intention to settle a financial asset and a financial liability on a net basis. For example, customer accounts could be offset before the customer enters into a process of liquidation or customer accounts could be offset when the customer exceeds the limit of the facility granted. Management also evaluates whether the customer's accounts are managed on a net basis which would support the view that there is an intention to settle on a net basis.

The above are considered to ensure the Bank's financial assets and liabilities are presented accurately in accordance with the characteristics of the items in question as resources or obligations of the entity. Refer to note 40.

1.3 Consolidated financial statements of the Bank

1.3.1 Subsidiaries

The Bank controls and hence consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power exists where the Bank has existing rights that give it the current ability to direct the relevant activities of the investee (i.e. the activities that most significantly affect the entity's returns). These requirements apply to all entities, including voting right entities (also commonly known as operating entities) and structured entities.

Only substantive rights, and not protective rights, are considered when assessing power. For rights to be substantive, the party must have the practical ability to exercise those rights, and such rights must not be protective in nature. Protective rights are designed at inception to protect the interests of the holder against future risks without giving that party participative power over the entity, and hence that party cannot at inception have power or prevent another party from having power over the entity.

The Bank does consolidate a number of investees in which it holds less than a majority of the voting rights, owing to the fact that voting rights are not the dominant factor in determining who controls the entity. These consolidated investees are typically structured entities. Factors that have been considered by the Bank in reaching this decision are as follows:

- The commercial rationale for the inclusion of the structured entity within the given transaction structure;
- Risks to which the entity was designed to be exposed;
- Risks the entity was designed to pass on to the parties involved with the entity; and
- Whether the Bank is exposed to some or all of those risks.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control included above.

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Bank for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the investor.

1.3.2 Investments in associates and joint ventures

Associates are entities in which the Bank has significant influence, but not control, over its operating and financial policies. Generally the Bank holds more than 20%, but less than 50%, of the voting rights in associates. A joint arrangement is a contractual agreement between two or more parties to undertake an economic activity that is under joint control. Joint ventures are joint arrangements whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the entity.

The Bank's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each reporting period by the Bank's share of the post-acquisition profit (or loss) and reduced by dividend received. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use of estimates, assumptions and judgements (continued)

1.3.2 Investments in associates and joint ventures (continued)

Investments in associates and joint ventures are accounted for at cost less impairment in the separate financial statements of the investor.

The cost of these investments are assessed for impairment when there are indicators that an impairment may have occurred. Where an indicator of impairment exists,the recoverable amount of the investment is calculated and an impairment loss is recognised to the extent that the recoverable amount of the investment is less than its cost.

1.3.3 Structured entities

An interest in a structured entity is any form of investment or arrangement which creates variability in returns arising from the performance of the structured entity for the Bank. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Bank, and in some cases financial guarantees and investment management fee agreements. At market, plain-vanilla interest rate swaps and derivatives that are determined to introduce risk to a structured entity are not considered to be an interest in an entity.

Depending on the Bank's power over the activities of the entity and its exposure to and ability to influence its returns from it, it may consolidate the entity. To the extent that the Bank has an interest in a structured entity that it does not consolidate, it provides the disclosures as required by IFRS 12 *Disclosures of Interests in Other Entities* (IFRS 12).

1.3.4 Common control

Common control transactions are considered as transactions between entities under common control. That is to say, the Bank controls the transferee and the transferor both before and after the business combination. Common control transactions may therefore include the following:

- Transferring businesses, including net assets, from one Group entity to another.
- Transferring investments in subsidiaries from one Group entity to another.
- Transferring assets and liabilities from one Group entity to another.
- Combinations of the above.

Common control transactions are scoped out of the requirements of IFRS 3 *Business Combinations* (IFRS 3). The Bank has therefore made a policy election to apply the predecessor accounting methodology when accounting for common control transactions. The assets and liabilities of the combining entities are not adjusted to fair value (as would be required under IFRS 3), but are reflected at their carrying amounts as previously included in the consolidated financial statements at the date of the transaction. The acquiring entity accounts for any difference between the consideration paid/transferred and the net asset value acquired as an adjustment to equity. No goodwill will be recognised as a result of the common control transaction.

The comparative statement of financial position and statement of comprehensive income are restated as if the entities had always been combined, regardless of the date of the transaction.

1.4 Segment reporting

The Bank's segmental reporting is in accordance with IFRS 8 *Operating Segments* (IFRS 8). Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Operating Decision Maker (CODM). Income and expenses directly associated with each segment are included in determining business segment performance. The Bank announced a refinement to its operating model, which was effective from 1 July 2022. This change is part of the Bank's journey to enhance market competitiveness with due consideration to its transformation imperative. In essence, the Bank will move from two commercial businesses, Corporate and Investment Bank (CIB) and Retail and Business Banking (RBB), to four business units (Everyday Banking, Relationship Banking, Product Solutions and CIB).

1.5 Foreign currencies

1.5.1 Foreign currency translations

The Bank has foreign operations that are based outside of South Africa, and in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21), have a functional currency that is different from the Bank's presentation currency (that is, the Rand). A foreign operation is a subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity. In accordance with IAS 21, the functional currency is the currency of the primary economic environment in which an entity operates.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Rand operations are translated at the closing rate and items of income, expense and OCI are translated into Rand at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the Bank loses control, joint control or significant influence over the foreign operation or upon partial disposal of the operation.

1.5.2 Foreign currency transactions

A foreign currency transaction is recorded initially at the rate of exchange at the date of the transaction. The application of average exchange rates are permitted if they provide a reasonable approximation of the actual exchange rate (for example, in the case of foreign denominated interest income).

At each subsequent reporting date:

- foreign currency monetary amounts are reported using the closing rate;
- non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction; and
- non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined.

1.5.3 Translation of foreign currencies

In instances where the Bank would be unable to repatriate funds from foreign subsidiaries at official published rates, it translates balances based on the spot rate at year end that the Bank is able to access, should it wish to repatriate the funds at that date. For more detail, refer to note 52.6.4.

1.6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments

1.7.1 Initial recognition

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract. For regular way transactions, this is on trade date. All financial instruments are measured initially at fair value plus/minus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, where transaction costs are expensed upfront.

1.7.2 Day one profits or losses

On initial recognition, it is presumed that the transaction price is the fair value unless there is information to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument is recognised at the fair value derived from such observable market data. Any difference between the transaction price and a market observable fair value is recognised immediately in profit or loss.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

1.7.3 Classification and measurement of financial instruments

On initial recognition, the Bank classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent 'solely payments of principal and interest').

Business model assessment

The business model reflects how the Bank manages the financial assets in order to generate cash flows and returns. The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include (i) how the financial assets' performance is evaluated and reported to management, (ii) how the risks within the portfolio are assessed and managed and (iii) the frequency, volume, timing of past sales, sales expectations in future periods, and the reasons for such sales.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Bank considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the Bank considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

1.7.3.1 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The Bank classifies its debt instruments into one of the following three categories:

- **Amortised cost** – Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as 'Effective interest' within 'Interest and similar income' using the EIR method. The carrying amount is adjusted by the cumulative ECL recognised.
- **Fair value through other comprehensive income** – This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, ECL and foreign exchange gains and losses which are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to 'Gains and losses from banking and trading activities' in profit or loss. Interest income from these financial assets is included as 'Effective interest' within 'Interest and similar income' using the EIR method.
- **Fair value through profit or loss** – Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in 'Gains and losses from banking and trading activities' in profit or loss. The Bank may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as 'Gains and losses from banking and trading activities' or 'Gains and losses from investment activities' in profit or loss.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments

1.7.3 Classification and measurement of financial instruments

1.7.3.2 Equity instruments

IFRS 9 provides that at initial recognition, an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument in other comprehensive income, provided that the instrument is neither held for trading nor constitutes contingent consideration recognised in a business combination. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends, when representing a return on investment, continue to be recognised in profit or loss when the Bank's right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are required to be recognised at fair value through profit or loss. Gains and losses on equity instruments at fair value through profit or loss are recognised as 'Gains and losses from banking and trading activities' in profit or loss.

1.7.3.3 Financial liabilities

A financial liability may be designated at fair value through profit or loss if (i) measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) if the instrument belongs to a group of financial assets or financial liabilities that are managed on a fair value basis, in accordance with a documented risk management or investment strategy. The fair value designation is voluntary, but may only be applied at initial recognition and once applied cannot be reversed. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income, unless doing so would create or enlarge an accounting mismatch in profit or loss. In this case, own credit gains or losses are recognised in profit or loss. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss.

Where a financial liability has not been classified as held for trading or designated at fair value through profit or loss, it is held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the EIR of the liability. Interest expense is recognised as 'Interest expense and similar charges.' Terms included in a financial liability contract (the host) which, had it been a standalone contract, would have met the definition of a derivative and where the economic characteristics and risks are not closely related to the economic characteristics and risks of the host, are either separated from the host and accounted for in the same way as a derivative, or the entire contract is designated at fair value through profit or loss.

1.7.3.4 Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the statement of financial position. Derivatives are subsequently measured at fair value through profit or loss, with changes in their fair values recognised as 'Gains and losses from banking and trading activities' in profit or loss, except for changes in the fair value of derivatives used to economically hedge the Bank's interest rate risk which are recognised as 'Other interest income', or 'Other interest expense' in profit or loss.

1.7.4 Expected credit losses on financial assets

The Bank recognises ECL based on unbiased forward-looking information. ECL is recognised on all financial assets measured at amortised cost, lease receivables, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value.

The Bank uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography or credit risk ratings, Credit losses are the present value of the difference between:

- all contractual cash flows that are due to an entity in accordance with the contract; and
- all the cash flows that the entity expects to receive.

Three-stage approach to ECL

IFRS 9 requires entities to recognise ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (hereafter referred to as 12-month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (hereafter referred to as lifetime ECL). In determining the forecast credit losses over the duration of an exposure, recoveries expected to be received post the designated point of write-off are excluded. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Interest is calculated on stage 1 and stage 2 assets based on the gross carrying amount of the asset, whilst interest income on stage 3 assets is calculated based on the net carrying value (that is, net of the allowance for impairment losses) remaining contractual interest on stage 3 assets is recognised as part of the impairment allowance raised against these assets.

The stage allocation is required to be performed as follows:

- **Stage 1:** This stage comprises exposures which are performing in line with the Bank's credit expectations as at the date of origination. That is to say, the credit exposures which are assigned to stage 1 have not experienced a significant increase in credit risk since the date of initial recognition. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1. Exposures which were previously classified within stage 2 or stage 3, may also cure back to stage 1 in line with the Bank's credit risk management cure criteria. Whilst the standard does permit an accounting policy election to classify low credit risk assets within stage 1, such election has not been made by the Bank.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.4 Expected credit losses on financial assets (continued)

Three-stage approach to ECL (continued)

- **Stage 2:** Exposures are required to be classified within stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. 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 Bank's credit risk management practices. These factors have been set out in section 1.2.1.5. stage 2 assets are considered to be cured (i.e. reclassified back into stage 1), when there is no longer evidence of a significant increase in credit risk, and in accordance with the Bank's credit risk management cure criteria. The definition of high risk is, from a credit management perspective, central to controlling the flow of exposures back to stage 1 and gives effect to any cure periods deemed necessary.
- **Stage 3:** Credit exposures are classified within stage 3 when they are credit impaired. An instrument is credit impaired when there is objective evidence of impairment at the reporting date. Purchased or originated credit impaired lending facilities are classified on origination within stage 3. Defaulted assets are considered to be cured once the original event triggering default no longer applies, and the defined probation period (that is, the required consecutive months of performance) have been met. In the Retail portfolio, the cure definition applied is quite stringent, and assets will typically only cure from stage 3 to stage 2, but won't move directly from stage 3 to stage 1. In the Wholesale portfolio assets can move from stage 3 directly to stage 1.

Expected credit loss calculation

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money (represented by the EIR); and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As noted ECL comprises the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECL is calculated (for both 12 months ECL and lifetime ECL) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible within the next 12 months, or over the remaining life, depending on the stage allocation of the exposure.
- LGD is calculated based on the difference between the contractual cash flows due and the cash flows expected to be received up until the designated point of write-off. These forecast losses are discounted to the reporting date based on the EIR. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Lifetime of financial instruments

For exposures in stage 2 and stage 3, the maximum lifetime over which ECL should be measured, is the maximum contractual period over which the Bank is exposed to credit risk. The Bank estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Bank uses the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, ECL is measured over the period that the Bank is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Bank, this applies to overdrafts, credit cards and other revolving products. These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

Forward-looking information

Forward-looking information is factored into the measurement of ECL through the use of multiple expected macroeconomic scenarios that are either reflected in estimates of PD and LGD for material portfolios, or adjusted through expert credit judgement where the effects could not be statistically modelled.

Write-off

The gross carrying amount of a financial asset shall be directly reduced (that is, written off) when the entity has no reasonable expectations of recovering it in its entirety, or a portion thereof. The corresponding impairment allowance is also reduced. This reduction occurs when the asset is a stage 3 financial asset. A write-off constitutes a derecognition event for accounting purposes. Depending on the nature of the account, balances are written off when:

- There has been less than one qualifying payment received within the last 12 months; or
- It is no longer economically viable to keep the debt on the statement of financial position.

A qualifying payment, for use in the write-off assessment, is defined as the minimum monthly contractual payment due.

Indicators which suggest that an account is not economically viable to retain on the statement of financial position are as follows (but do not represent an exhaustive list):

- The exposure is unsecured, i.e. there is no tangible security the Bank can claim against (excluding suretyships);
- The debt has prescribed;
- The exposure would attract reputational risk should the Bank pursue further legal action due to the valuation/exposure ratio, for example where the exposure is low and the valuation is very high in relation to the low exposure;
- Where the cost to recover is high in relation to the valuation of the asset, for example legal, realisation and safe-guarding cost and rates and taxes.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.4 Expected credit losses on financial assets (continued)

Write-off (continued)
Under IFRS 9, the Bank applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Bank's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries of amounts previously written off are recognised as an ECL gain included in the credit impairment charges line in the statement of comprehensive income as and when the cash is received.

1.7.5 Derecognition of financial assets and financial liabilities

1.7.5.1 Derecognition of financial assets
In the course of its normal banking activities, the Bank makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Bank transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

1.7.5.2 Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.7.6 Modification of financial assets and financial liabilities

1.7.6.1 Modification of financial assets
Modifications to financial assets are assessed as follows:

A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depend on whether the modification is done for commercial reasons or because of financial difficulty of the borrower.

- Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.
- When the Bank modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and the resulting modification gain/losses recognised in profit or loss as part of the total impairment loss. Modification gains or losses typically occur on stage 2 and 3 assets.

1.7.6.2 Modification of financial liabilities
Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.7.7 Offsetting of financial assets and financial liabilities

In accordance with IAS 32, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7.8 Hedge accounting

The Bank applies IAS 39 hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures as well as exposures to certain indices such as commodity, equity and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting and cash flow hedge accounting as appropriate to the risks being hedged. The Bank assesses on an ongoing basis whether the hedge has been highly effective. A hedge is regarded as highly effective only when offsetting changes in fair value or cash flows attributable to the hedged risk during the period are within a range of between 80% and 125%.

Hedge accounting is discontinued when a derivative is not highly effective as a hedge, is sold, terminated, exercised or where the forecast transaction is no longer highly probable to occur. The same applies if the hedged item is sold or repaid. Instruments that have been designated as hedging instruments are reported in a separate line on the statements of financial position at each reporting date.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. Prospective testing is based on the estimation of certain parameters to assess whether the hedging relationship will be effective or not. The estimation of these parameters is performed using best practice statistical forecasting and simulation methodologies based on current and historical market data. Resultant simulated hedging relationships are assessed by calculating a statistically based hedge effectiveness test criterion.

1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

1.7.8 Hedge accounting (continued)

Fair value hedge accounting
Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedge accounting
For qualifying cash flow hedges, the fair value gain or loss on the hedging instrument associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, also disclosed in the cash flow hedging reserve within equity, and then recycled to profit or loss in the reporting periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

1.7.9 Equity instruments

Equity instruments are instruments that represent a residual interest in the Bank's net assets. The key feature which distinguishes an equity instrument from a financial liability is whether there is a contractual obligation of the issuer to deliver cash or another financial asset to the holder of the instrument.

1.7.10 Compound financial instruments

The Bank applies IAS 32 to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument. Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

1.7.11 Subordinated debt

The majority of subordinated debt is measured at amortised cost using the EIR method except where hedge accounting is applied as per 1.7.8.

1.7.12 Repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Bank obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Bank purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Bank may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability.

1.7.13 Loan commitments

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions.

Under IFRS 9, loan commitments are measured with reference to the quantum of ECL required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

1.7.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument. Financial guarantees are initially recognised at fair value on the date that the guarantee was given. Other than where the fair value option is applied subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss any fee income earned over the reporting period, and the amount of the loss allowance expected from the guarantee at the reporting date. Any increase in the liability relating to guarantees is recognised in profit or loss. For financial guarantee contracts the cash shortfalls are future payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity would expect to receive from the holder, the debtor or any other party.

1.8 Share capital

1.8.1 Ordinary share capital

Proceeds received upon the issuance of shares are included in equity, net of directly attributable transaction costs. Dividends and other distributions made to equity holders are recognised as a reduction in equity when they are appropriately authorised and are no longer at the discretion of the entity.

1.8.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the entity's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific future date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends which are therefore paid on these instruments are included in the cash flows applied in determining the EIR of the instrument. The accrual of dividends is presented as an interest expense in profit or loss.

1. Summary of significant accounting policies (continued)

1.9 Revenue recognition

1.9.1 Net interest income

Interest revenue which is calculated using the effective Interest rate method is separately presented on the face of the statement of comprehensive income. Effective interest is calculated on loans and advances and debt instruments which are classified at amortised cost or at fair value through other comprehensive income. Further, an effective interest expense is calculated on financial liabilities held at amortised cost. Application of the EIR methodology results in the recognition of interest, together with direct and incremental fees and costs, on a time portion basis over the expected lives of the assets and liabilities. The expected life of an instrument or a portfolio of instruments may be modelled as being shorter than the contractual tenor where historical experience suggests that customer prepayment behaviour impacts the forecasted cash flow profile.

Commitment fees are typically received by the Bank in return for loan commitments issued. For loan commitments where drawdown is probable, the fee will be recognised as deferred income on balance sheet and subsequently recognised as an adjustment to EIR on the loan upon drawdown. The remaining portion will continue to be deferred until further loan drawdown takes place or else be recognised as fee income when the loan commitment expires without being drawn. To the extent that the drawdown of the loan commitment is not probable, the commitment fee is regarded as compensation for the provision of a service and is amortised to profit or loss as fee income over the loan commitment period. Commitment fees charged based on unutilised or undrawn amounts is accrued as fee income based on the actual undrawn amount.

The Bank also presents as part of net interest income, other interest income and other interest charges, which are not calculated on the effective interest method.

Impact of IFRS 9 ECL on interest recognition

IFRS 9 requires interest income to be calculated on stage 1 or stage 2 financial assets by multiplying the EIR by the gross carrying amount of such assets. Dissimilar to stage 1 and stage 2 assets, IFRS 9 requires interest income on stage 3 financial assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. In order to practically give effect to this requirement, the Bank first suspends the recognition of contractual interest, and second, multiplies the net carrying value by the EIR. Unrecognised interest (which is referred to as interest in suspense (IIS)) is the difference between the interest calculated on the gross carrying amount of the financial asset (that is, the interest charged), and the net interest amount, calculated based on the net carrying amount of the financial asset. In some instances, an entity may recover cash flows which are in excess of the cumulative interest previously suspended over the life of the instrument. The IIS recovered is presented as a gain within ECL.

1.9.2 Net trading income

In accordance with IFRS 9 trading positions are measured at fair value, with fair value gains and losses being recognised within profit or loss as part of 'gains and losses from banking and trading activities'. Interest and dividends which are received or paid as a consequence of issuing or holding instruments that are managed as part of the Bank's trading activities are presented together with the fair value gains and losses on such instruments. Fair value gains or losses may be caused by movements in interest and exchange rates, equity prices and other market variables.

Gains and losses on derivatives linked to investment contracts are recognised in 'gains and losses from investment activities'.

1.9.3 Net fee and commission income

Net fee and commission income is calculated by subtracting fee and commission charges from fee and commission income. Fee and commission income relates to revenue earned for the rendering of services and is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties, such as sales taxes, goods and service taxes and value added taxes.

In assessing whether the Bank is acting as a principal or agent to the transaction, consideration is given to the rights held by other parties against the Bank and the Bank's exposure to risks and rewards. Evidence that suggests that the Bank is acting as an agent include:

- Minimal legal obligations owing to the buyer and seller;
- No liability for the non-performance of obligations by its clients and/or the market counterparties under the transactions executed;
- The immediate and entire transfer of any risks and rewards to the other party with no residual exposure retained;
- No exposure to client or market counterparty credit risk arising from amounts receivable;
- The nature and amount of remuneration received.

When the Bank is acting as an agent, amounts collected on behalf of the principal are not income. Only the net commission retained by the Bank is, in this case, recognised as income.

Fees and commission income earned in respect of services rendered are recognised on an accrual basis when the service is rendered, which is either over the period over which the performance obligation is discharged; or at a point in time, should the performance obligation be discharged at a point in time. For example, fees earned on the execution of a significant act are recognised when the significant act has been completed.

Fee and commission expenses are expenses which are direct and incremental to the generation of fee and commission income.

1.10 Commodities

The Bank may actively buy and sell metals, for both physical and financial settlement. Positions are principally acquired or incurred for the purpose of selling or repurchasing in the near term and for short-term profit taking. When dealing activities are executed in this manner the Bank is considered to be a broker-trader of commodities. Inventories held by broker-traders are outside the measurement scope of IAS 2 *Inventories* (IAS 2) and are accordingly measured at fair value less cost to sell (with any changes in fair value less cost to sell recognised in profit or loss). Commodities held under this business model are presented within trading and hedging portfolio assets, and fair value measurement changes are presented within gains and losses from banking and trading activities.

The fair value for commodities is determined primarily using data derived from markets in which the underlying commodities are traded.

1. Summary of significant accounting policies (continued)

1.11 Intangible assets

1.11.1 Goodwill

Goodwill recognised in a business combination under IFRS 3 is an asset which represents the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised. Goodwill does not generate cash flows independently of other assets or groups of assets, and often contributes to the cash flows of multiple cash-generating units.

Goodwill arises on the acquisition of subsidiaries and is measured on initial recognition as the excess of (a) over (b) below:

(a) The aggregate of:
- the consideration transferred measured in accordance with IFRS 3;
- the amount of any non-controlling interest in the acquiree, also measured in accordance with IFRS 3; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

In accordance with the requirements of IAS 36, goodwill is tested for impairment on an annual basis, or more frequently when there are indications that an impairment may have occurred. Impairment is tested by comparing the carrying amount of the cash-generating unit (CGU), including the goodwill, with the recoverable amount of the CGU. If the recoverable amount of the unit exceeds its carrying amount, the CGU and the goodwill allocated to that unit is not impaired. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the Bank must recognise an impairment loss.

1.11 Intangible assets

1.11.2 Intangible assets other than goodwill

Intangible assets include brands, customer lists, internally generated software, and licences and are accounted for in accordance with IAS 38 *Intangible Assets* (IAS 38). Intangible assets may only be recognised when all of the requirements under IAS 38 are met. The asset, which is controlled by the entity, must be separately identifiable, reliably measurable, and it should be probable that future economic benefits will be derived from the asset. The asset is identifiable when it is either separable (that is, it is capable of being sold, transferred, licensed, rented or exchanged) or the asset should arise from contractual or other legal rights.

Development expenditure is capitalised only if development costs can be measured reliably, completion of development is technically and commercially feasible, the generation of future economic benefits is probable and the asset's capability of use can be demonstrated. Further, the Bank should have sufficient resources to complete development. The expenditure capitalised includes the cost of materials, staff costs, professional fees and overhead costs that are directly attributable to preparing the asset for intended use. Other development expenditure which does not meet the above requirements is recognised in profit or loss when the Bank has right of access to the goods or as the services are received.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the fair value at acquisition date) less amortisation and any provision for impairment. The assets are amortised over their useful lives in a manner that reflects the pattern in which they contribute to future cash flows, as set out in the following table.

Intangible assets are reviewed for impairment when there are indicators that impairment may have occurred. Should such an indicator exist, or in the instance that an intangible asset is not yet available for use, the asset is tested for impairment by comparing its carrying value with its recoverable amount. Any impairment loss identified is recognised immediately in profit or loss.

	Customer lists and relationships	Computer software development costs	Other
Useful lives	Finite	Finite	Finite
Amortisation method used	Amortised over the period of the expected use on a straight-line basis	Amortised over the period of the expected use from the related project on a straight-line basis	Amortised over the period of the expected use on a straight-line basis
Internally generated or acquired	Acquired	Internally generated	Acquired
Annual amortisation rate (%)	8 – 20	10 – 33	10

1. Summary of significant accounting policies (continued)

1.12 Property and equipment

1.12.1 Property and equipment not subject to lease agreements

Property and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are kept under review to take account of any change in circumstances. The Bank uses the following annual rates in calculating depreciation:

Item	Annual depreciation rate (%)
Computer equipment	14 – 25
Freehold property	2
Furniture and other equipment	10 – 15
Motor vehicles	25
Leasehold improvements	10 – 15

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss within 'other operating income' in the reporting period that the asset is derecognised.

1.12.2 Property and equipment subject to lease agreements

1.12.2.1 Property and equipment subject to lease agreements

As lessee

Where the Bank is a lessee, a right-of-use asset and corresponding lease liability are recognised at the lease commencement date. The right-of-use asset is initially and subsequently measured at cost with depreciation recognised on a straight-line basis over the shorter of the assets useful life and the lease term. The right-of-use asset is included within 'property and equipment' in the statement of financial position. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if readily determinable, or the lessee's incremental borrowing rate. After the commencement date, a lessee shall measure the lease liability by increasing the carrying amount to reflect interest on the lease liability determined and reducing the carrying amount to reflect the lease payments made. Any revisions to in-substance fixed lease payments, reassessment or lease modifications will be reflected by re-measuring the carrying amount. Interest is recognised within net interest income and the lease liability is included within 'other liabilities' in the statement of financial position of the lease liability.

The lease payments in relation to short-term leases (leases with a lease term of 12 months or less at commencement date) and leases in which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

As lessor

Finance leases

A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Bank is the lessor, the leased asset is not held on the statement of financial position; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Finance income on the receivable is allocated over the lease term on a systematic basis so as to reflect a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Bank is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Bank recognises leased assets on the statement of financial position within property and equipment.

1.12.3 Investment properties

IAS 40 *Investment Property* applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation (or both). The Bank initially recognises investment properties at cost, and subsequently at fair value at each reporting date reflecting market conditions at the reporting date. Gains and losses on measurement are included in profit or loss, and presented within 'other operating income'.

1.13 Repossessed properties

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in 'other assets' as inventory as it is held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Bank. The corresponding loans are derecognised when the Bank becomes the holder of the title deed.

The properties acquired are initially recorded at cost, which is the lower of their fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. They are subsequently measured at the lower of the carrying amount or net realisable value. No depreciation is charged in respect of these properties. Any subsequent write-down of the acquired properties to net realisable value is recognised in the statement of comprehensive income, in operating income. Any subsequent increase in net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in 'other impairments'.

Gains or losses on disposal of repossessed properties are reported in 'other operating income' or 'operating expenses', as the case may be.

1.14 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Bank's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties, insurance assets and employee benefit assets, which continue to be measured in accordance with the Bank's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold.

Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

1. Summary of significant accounting policies (continued)

1.15 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises coins and notes, call advances, mandatory reserve balances held with the SARB and other central banks as well as nostro balances. While cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

1.16 Provisions, contingent liabilities and commitments

A provision is recognised to reflect a present obligation (legal or constructive) arising from a past event where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation. Further, the expected transfer of economic benefits must be reliably estimable.

A provision is recognised by the Bank to reflect the anticipated cost of restructuring when the general recognition criteria for a provision are met. In assessing whether a constructive obligation to restructure might exist the Bank assesses whether there is a detailed formal plan to execute the restructuring and the Bank has raised a valid expectation amongst those affected that such restructuring will be implemented.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

Under IFRS 9, the ECL calculated on financial guarantees and letters of credit are presented as provisions on the statement of financial position. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

1.17 Employee benefits

1.17.1 Post-retirement benefits

The Bank operates a number of pension schemes including defined contribution and defined benefit schemes and post-retirement medical aid plans.

Defined contribution schemes

The Bank recognises contributions due in respect of the reporting period in profit or loss. Any contributions unpaid at the reporting date are included as a liability.

Defined benefit schemes

The Bank recognises its obligation (determined using the projected unit credit method) to members of the scheme at the reporting date, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting date.

Costs arising from current service cost, interest on net defined benefit liability or asset, past service cost settlements are recognised in profit or loss.

All actuarial gains and losses are recognised immediately through OCI in order for the net defined benefit scheme asset or liability recognised in the statement of financial position to reflect the full value of the plan surplus or deficit, taking into account the asset ceiling.

Remeasurements of the net defined benefit liability (or asset, as the case may be) comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Interest is calculated by applying the discount rate to the opening net defined liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contribution and benefit payments.

Gains and losses on amendments and curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

Post-employment medical aid plans

The cost of providing healthcare benefits to retired employees is accrued as a liability in the financial statements over the reporting period that the employees provide services to the Bank, using a methodology similar to that for defined benefit pension schemes.

1.17.2 Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

Termination benefits result from either an entity's decision to terminate the employment or an employee's decision to accept an entity's offer of benefits in exchange for termination of employment.

1.17.3 Share-based payments

The Bank operates equity-settled and cash-settled share-based payment plans.

Employee services settled in equity instruments

The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the value of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

1. Summary of significant accounting policies (continued)

1.17 Employee benefits (continued)

1.17.3 Share-based payments (continued)

Employee services settled in equity instruments (continued)

Recharge arrangements that exist between entities within the Bank do not impact the nature of the share-based payment transaction, and therefore do not affect the classification as either equity-settled or cash-settled. Bank entities account for intergroup recharges within equity.

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition.

1.18 Tax

1.18.1 Current tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the reporting period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period.

Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.18.2 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the reporting date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

1.18.3 Dividends withholding tax

The South African tax legislation provides that dividends are taxed at 20% in the hands of certain qualifying shareholders, rather than in the hands of the entity which declares such dividend. As such, where dividends are declared and paid by the Bank, the Bank does not recognise dividends tax.

1.18.4 Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the asset or expense; and
- receivables and payables that are stated with the amount of VAT included.

Non-recoverable VAT on operating expenditure is disclosed separately in 'other expenses' in profit or loss.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19 Reporting changes overview

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

19.1.1 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 Bank has been reviewed and it was concluded that the mandatory reserves with the SARB 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 Bank. This is calculated by applying the percentage that is accessible to the Bank 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 Bank.

1. Summary of significant accounting policies (continued)

1.19 Reporting changes overview (continued)

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

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

	31 December 2021			
Statement of cash flows	As previously reported Rm	**Accounting policy change** Mandatory reserve balances with the SARB Rm	**Correction of prior period errors (refer to note 1.19.2 below)** Nostros Rm	Restated Rm
Cash and cash equivalents	6 170	19 379	4 776	30 325
Net increase in other assets	(25 937)	1 556	—	(24 381)
Net increase in loans and advances	(55 828)	—	(2 520)	(58 348)
Net cash generated from operating activities	(2 047)	1 556	(2 520)	(3 011)

	1 January 2021			
Statement of cash flows	As previously reported Rm	**Accounting policy change** Mandatory reserve balances with the SARB Rm	**Correction of prior period errors (refer to note 1.19.2 below)** Nostros Rm	Restated Rm
Cash and cash equivalents	8 783	17 822	7 297	33 902

1.19.2 Correction of prior period errors

Nostro balances 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 was incorrectly excluded from Cash and cash equivalents and the Statement of cash flows has subsequently been corrected.

Refer to note 1.19.1 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 Bank.

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

In terms of the Bank'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 Bank's hedging strategy were historically reported as part of Hedging portfolio assets and Hedging portfolio liabilities, as opposed to Trading portfolio assets and Trading 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 Bank'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 Bank.

1. Summary of significant accounting policies (continued)

1.19 Reporting changes overview

1.19.2 Correction of prior period errors

Trading and Hedging portfolio assets and liabilities and debt securities in the Statement of financial position (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	141 815	1 462	(1 301)	141 976
Hedging portfolio assets	5 157	(1 462)	—	3 696
Liabilities				
Trading portfolio liabilities	(67 354)	(749)	—	(68 103)
Hedging portfolio liabilities	(3 659)	749	—	(2 910)
Debt securities in issue	(128 571)	—	1 301	(127 271)

	1 January 2021			
	As previously reported Rm	OTC derivatives Rm	Fair value on CLN Rm	Restated balance Rm
Assets				
Trading portfolio assets	166 148	3 525	(1 293)	168 380
Hedging portfolio assets	10 998	(3 525)		7 473
Liabilities				
Trading portfolio liabilities	(105 967)	145	—	(105 822)
Hedging portfolio liabilities	(4 868)	(145)	—	(5 013)
Debt securities in issue	(144 159)	—	1 293	(142 867)

	31 December 2021		
Statement of cash flows	As previously reported Rm	Correction of prior period error Rm	Restated balance Rm
Net decrease in trading and hedging portfolio assets	26 123	7	26 130
Net increase in other liabilities	9 729	(7)	9 722

1.19.3 Changes to reportable segments and business portfolios

Reportable segment changes

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

1. Summary of significant accounting policies (continued)

1.19 Reporting changes overview (continued)

1.19.3 Changes to reportable segments and business portfolios (continued)

Business portfolio changes

The business portfolio changes below 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 Bank.

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

	2021			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Operating expenses				
RBB	(24 102)	—	24 102	—
Product Solutions Cluster	n/a	(560)	(3 775)	(4 335)
Everyday Banking	n/a	601	(12 824)	(12 223)
Relationship Banking	n/a	112	(7 503)	(7 391)
CIB	(7 301)	30	—	(7 271)
Head Office, Treasury and other operations	(2 822)	(183)	—	(3 005)
Other expenses				
RBB	(579)	—	579	—
Product Solutions Cluster	n/a	—	(113)	(113)
Everyday Banking	n/a	—	(415)	(415)
Relationship Banking	n/a	—	(51)	(51)
CIB	(249)	(2)	—	(251)
Head Office, Treasury and other operations	(694)	2	—	(692)

(b) The following reallocations occurred within total income:

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

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

	2021			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Total income				
RBB	43 849	—	(43 849)	—
Product Solutions Cluster	n/a	197	9 107	9 304
Everyday Banking	n/a	439	21 516	21 955
Relationship Banking	n/a	447	13 226	13 673
CIB	12 854	782	—	13 636
Head Office, Treasury and other operations	1 765	(1 865)	—	(100)

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

	2021			
Loans and advances to customers	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
RBB	543 698	(109)	(543 589)	—
Product Solutions Cluster	n/a	—	368 352	368 352
Everyday Banking	n/a	—	49 672	49 672
Relationship Banking	n/a	—	125 565	125 565
CIB	338 008	109	—	338 117

Accounting policies

for the reporting period ended 31 December

1. Summary of significant accounting policies (continued)

1.19 Reporting changes overview (continued)

1.19.3 Changes to reportable segments and business portfolios (continued)

Business portfolio changes (continued)

(d) The reallocations as described in note a to b above resulted in adjustments to the related intercompany balances. These balances are included in 'other assets' and 'other liabilities' the impact of which is shown in the table below.

Statement of financial position	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Fair value correction of CLNs (refer to note 1.19.2) Rm	Restated Rm
	2021				
Other assets					
RBB	436 416	—	(436 416)	—	—
Product Solutions Cluster	n/a	0	29 517	—	29 517
Everyday Banking	n/a	974	291 727	—	292 701
Relationship Banking	n/a	947	115 172	—	116 119
CIB	404 719	(453)	—	(1 293)	402 973
Head Office, Treasury and other operations	(542 400)	(1 475)	—	—	(543 875)
Other liabilities					
RBB	541 230	—	(541 230)	—	—
Product Solutions Cluster	n/a	495	409 774	—	410 269
Everyday Banking	n/a	(411)	75 865	—	75 454
Relationship Banking	n/a	145	55 591	—	55 736
CIB	407 499	(1 325)	—	—	406 174
Head Office, Treasury and other operations	(801 328)	1 096	—	—	(800 231)

1.20 New standards and interpretations not yet adopted

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

1.20.1 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.

1.20.2 Amendment 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.

1.20.3 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, 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.

1.20.4 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.

1.20.5 IFRS 17 – *Insurance contracts*

IFRS 17, Insurance Contracts replaces IFRS 4, Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023. The Bank has not elected for early adoption of the standard.

1.20.6 Amendments to IFRS 16 *sale and lease back 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.

Notes to the consolidated financial statements

for the reporting period ended 31 December

	Bank 2022 Rm	Bank 2021 Rm
2. Cash, cash balances and balances with central banks		
Balances with the SARB	31 103	27 684
Coins and bank notes	6 241	6 067
	37 344	33 751

The minimum reserve balance held in cash with the SARB and other central banks across the different jurisdictions is determined in accordance with the regulatory terms applicable to the respective countries. The portion of the balance that can be utilised by the Bank is included in 'Cash and cash equivalents' (note 45) and is calculated by applying the percentage that is accessible to the Bank in accordance with the respective regulatory terms for each jurisdiction.

	Bank 2022 Rm	Bank 2021 Rm
3. Investment securities		
Government bonds	87 924	75 007
Listed equity instruments	1 414	1 158
Other debt securities	7 312	9 100
Treasury bills	30 680	29 936
Unlisted equity and hybrid instruments	1 110	1 065
Gross investment securities	128 440	116 266
Impairment losses	(1)	(1)
	128 439	116 265

Government bonds of **R0** (2021: R8 281m) which relate to repurchase agreements have been pledged with the SARB and other central banks. The terms of the pledges are usual and customary to such agreements.

Impairment losses relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R184m** (2021: R222m) has been recognised on investment securities at FVOCI.

	Bank 2022 Rm	Bank 2021 Rm
4. Trading and hedging portfolio assets		
Commodities	614	642
Debt instruments[1]	83 845	67 424
Derivative assets (refer to note 48.3 and 48.4)	57 076	55 701
Commodity derivatives	188	920
Credit derivatives	224	142
Equity derivatives	8 779	8 581
Foreign exchange derivatives	16 394	10 090
Interest rate derivatives[1]	31 491	35 968
Equity instruments	1 201	3 877
Money market assets	13 335	14 332
Total trading portfolio assets	156 071	141 976
Hedging portfolio assets (refer to note 48.3)[1]	4 972	3 696
	161 043	145 672

Trading portfolio assets with carrying values of **R42 945m** (2021: R37 907m) and **R1 800m** (2021: R2 810m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers' acceptance notes.

[1] These amounts have been restated, refer to reporting changes overview note 1.19.

	Bank 2022 Rm	Bank 2021 Rm
5. Other assets		
Accounts receivable[1]	10 864	8 595
Prepayments[1]	1 790	1 676
Deferred costs	166	154
Inventories	4	50
Cost	4	50
Write-down	—	—
Retirement benefit fund surplus (refer to note 34)	466	465
Settlement accounts	3 973	5 797
Gross other assets	17 263	16 737
Impairment losses	0	0
	17 263	16 737

For Accounts receivable and Settlement accounts, the ECL impact for is immaterial due to the short term nature of these items.

	Bank 2022 Rm	Bank 2021 Rm
6. Non-current assets held for sale		
Non-current assets held for sale		
Balance at the beginning of the reporting period	57	136
Disposals	(34)	(93)
Impairment of an NCAHFS (refer to 29)	—	(1)
Transfer from property and equipment (refer to note 10)	67	15
Balance at the end of the reporting period	90	57

The following movements in non-current assets occurred during the current financial reporting period:

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R34m**.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R67m** to non-current assets held for sale.

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R93m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R15m to non-current assets held for sale and a R1m impairment was recognised on remaining assets previously classified as held for sale.

[1] Accounts receivable and prepayments, which were previously disclosed as a single line item, have been disclosed separately due to their distinct nature.

Notes to the consolidated financial statements
for the reporting period ended 31 December

	Bank 2022 Rm	Bank 2021 Rm
7. Loans and advances		
Corporate overdrafts and specialised finance loans	23 428	20 479
Credit cards	38 169	34 694
Foreign currency loans	54 477	37 953
Instalment credit agreements	119 356	109 457
Finance lease receivables (refer to note 7.1)	3 311	3 529
Loans to associates and joint ventures	25 163	25 909
Micro loans	4 897	3 448
Mortgages	380 611	353 272
Other advances	15 742	12 700
Overdrafts	49 520	43 542
Overnight finance	25 193	26 579
Personal and term loans	64 424	58 950
Preference shares	30 200	27 450
Reverse repurchase agreements Carries	44 490	60 208
Wholesale overdrafts	110 440	95 618
Gross loans and advances to customers[1]	989 421	913 788
Gross loans and advances to banks[1]	76 572	50 424
Gross loans and advances	1 065 993	964 212
Impairment losses	(33 473)	(31 437)
Impairment losses for loans and advances to customers	(33 445)	(31 387)
Impairment losses for loans and advances to banks	(28)	(50)
Net loans and advances	1 032 520	932 775

The Bank has securitised certain loans and advances to customers, the total value of these securitised assets is **R8 466m** (2021: R6 933m). Included above are collateralised loans of **R3 418m** (2021: R1 673m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly. The financial assets are pledged under terms that are usual and customary to such arrangements.

Other advances include working capital solutions and collateralised loans.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R3 796m** (2021: R3 277m).

Included above in Gross loans and advances to banks are reverse repurchase agreements of **R34 774m** (2021: R19 453m) and other collateralised loans of **R4 180m** (2021: R24m) relating to securities borrowed.

	Bank 2022 Gross advances Rm	2022 Unearned finance charges Rm	2022 Net advances Rm	2021 Gross advances Rm	2021 Unearned finance charges Rm	2021 Net advances Rm
7.1 Finance lease receivables						
Maturity analysis						
Less than one year	340	(25)	315	169	(15)	154
Between one and five years	3 116	(231)	2 885	2 876	(176)	2 700
More than five years	120	(9)	111	817	(142)	675
Gross carrying amount	3 576	(265)	3 311	3 862	(333)	3 529

The Bank enters into finance lease contracts in respect of motor vehicles, equipment and medical equipment.

The majority of these agreements are denominated in South African Rand and the average term entered into is five years.

Under the terms of the agreements, no contingent rentals are payable.

Unguaranteed residual values of finance leases are **R1 872m** (2021: R1 781m).

[1] Included in this amount are credit linked notes of which R2 351m is relating to loans and customers and R1 097m to loans and advances to banks.

	Bank 2022 Rm	Bank 2021 Rm
8. Loans to Group companies		
Gross loans to Group companies	73 452	76 979
Impairment losses	(249)	(246)
	73 203	76 733

Refer to Related parties, note 38 for further details on the gross loans to Group companies.

	Bank 2022 Rm	Bank 2021 Rm
9. Investments in associates and joint ventures		
Unlisted investments	1 725	1 593
9.1 Movement in carrying value of associates and joint ventures accounted for under the equity method		
Balance at the beginning of the reporting period	1 593	1 601
Share of current reporting period post-tax results	132	132
Share of current reporting period results before taxation	181	183
Taxation on reporting period results	(49)	(51)
Disposal of investment	—	(11)
Dividends received	—	(140)
Reversal of impairments (refer to note 29)	—	11
Balance at the end of the reporting period	1 725	1 593

9.2 Associates and joint ventures

The following information is presented in respect of associates and joint ventures accounted for under the equity method:

Bank share	Associates 2022 Rm	Associates 2021 Rm	Joint ventures 2022 Rm	Joint ventures 2021 Rm
Post-tax profit from continuing operations	33	21	99	111
Total comprehensive income	33	21	99	111

	Bank 2022 Rm	Bank 2021 Rm
9.3 Analysis of carrying value of associates and joint ventures accounted for under the equity method		
Unlisted investments		
Shares at cost less impairments	89	89
Share of post-acquisition reserves	1 519	1 387
Additional capital contribution	117	117
	1 725	1 593

9. Investments in associates and joint ventures (continued)

	Bank 2022 Associates Rm	Bank 2022 Joint ventures Rm	Bank 2022 Total Rm	Bank 2021 Associates Rm	Bank 2021 Joint ventures Rm	Bank 2021 Total Rm
9.4 Carrying value of associates and joint ventures						
Equity accounted	456	1 269	1 725	422	1 171	1 593
Designated at fair value through profit or loss	—	209	209	—	209	209
	456	1 478	1 934	422	1 380	1 802

The investments in associates and joint ventures designated at fair value through profit and loss are presented within unlisted equity instruments under 'Investment Securities' (note 3).

Refer to note 38.5 for additional disclosure of the Bank's investments in associates and joint ventures.

	Bank 2022 Cost Rm	Bank 2022 Accumulated depreciation and/or impairments Rm	Bank 2022 Carrying value Rm	Bank 2021 Cost Rm	Bank 2021 Accumulated depreciation and/or impairments Rm	Bank 2021 Carrying value Rm
10. Property and equipment						
Computer equipment	6 315	(4 790)	1 525	6 726	(5 098)	1 628
Freehold property	4 836	(297)	4 539	4 713	(308)	4 405
Furniture and other equipment	8 936	(5 513)	3 423	8 636	(4 713)	3 923
Motor vehicles	13	(5)	8	6	(3)	3
Right-of-use assets (refer to note 33)	5 808	(3 617)	2 191	5 064	(2 641)	2 423
	25 908	(14 222)	11 686	25 145	(12 763)	12 382

10. Property and equipment (continued)

Bank

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers[1] Rm	Transfer to non-current assets held for sale Rm	Foreign exchange move-ments Rm	Depre-ciation Rm	Impairment Rm	Closing balance Rm
2022									
Computer equipment	1 628	683	(31)	—	—	—	(706)	(49)	1 525
Freehold property[2]	4 405	395	(24)	(136)	(65)	—	(9)	(27)	4 539
Furniture and other equipment	3 923	527	(7)	136	(2)	—	(994)	(160)	3 423
Motor vehicles	3	7	—	—	—	—	(2)	—	8
Right-of-use assets	2 423	749	—	—	—	—	(863)	(118)	2 191
	12 382	2 361	(62)	—	(67)	—	(2 574)	(354)	11 686
Note		33			6		28	29	

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer to non-current assets held for sale Rm	Foreign exchange move-ments Rm	Depre-ciation Rm	Impairment Rm	Closing balance Rm
2021									
Computer equipment	2 294	417	(32)	(16)	—	—	(980)	(55)	1 628
Freehold property	4 538	293	(14)	(388)	(15)	—	(9)	—	4 405
Furniture and other equipment	4 561	173	(30)	404	—	—	(1 048)	(137)	3 923
Motor vehicles	1	3	—	—	—	—	(1)	—	3
Right-of-use assets	2 529	769	—	—	—	—	(875)	—	2 423
	13 923	1 655	(76)	—	(15)	—	(2 913)	(192)	12 382
Note		33			6		28	29	

Included in the above additions is **R394m** (2021: R283m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

Assets under construction relating to computer equipment and furniture and other equipment was brought into use during the reporting period **R136m** (2021: 388m).

Certain property and equipment was transferred to non-current assets held for sale due to a change in the use of the assets **R67m** (2021: R15m).

[1] An amount of R136m was transferred from freehold property to furniture and other equipment these transfers consist of transfers to/from asset categories and divisions.

[2] Assets under construction of projects are mapped to freehold which is then moved to different assets classes.

Notes to the consolidated financial statements
for the reporting period ended 31 December

11. Goodwill and intangible assets

Bank

	2022 Cost Rm	2022 Accumulated amortisation and/or impairments Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated amortisation and/or impairments Rm	2021 Carrying value Rm
Computer software development costs	16 345	(5 208)	11 137	14 358	(4 072)	10 286
Goodwill	149	(37)	112	149	(37)	112
Other	30	(24)	6	30	(22)	8
	16 524	(5 269)	11 255	14 537	(4 131)	10 406

Bank

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amor-tisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
2022								
Computer software development costs	10 286	3 351	—	—	(2 348)	(237)	85	11 137
Goodwill	112	—	—	—	—	—	—	112
Other	8	—	—	—	(2)	—	—	6
	10 406	3 351	—	—	(2 350)	(237)	85	11 255
Note					28	29		

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amor-tisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
2021								
Computer software development costs	9 489	3 172	—	(10)	(2 221)	(144)	—	10 286
Goodwill	112	—	—	—	—	—	—	112
Other	25	—	—	(11)	(6)	—	—	8
	9 626	3 172	—	(21)	(2 227)	(144)	—	10 406
Note					28	29		

The majority of computer software development costs were internally generated. Included in computer software development costs is **R4 157m** (2021: R4 135m) relating to assets under construction which is not yet amortised, this includes opening balance and any movements to date.

R2 629m (2021: R1 531m) of assets under construction relating to computer software was brought into use during the reporting period.

Included in 'Other' intangible assets are brands and licences.

Bank

	2022 Rm	2021 Rm
Composition of goodwill		
Absa Vehicle and Management Solutions Proprietary Limited	112	112

	Bank 2022 Rm	Bank 2021 Rm
12. Deferred tax		
12.1 Reconciliation of net deferred tax (asset)/liability		
Balance at the beginning of the reporting period	(3 242)	(2 022)
Deferred tax on amounts charged directly to other comprehensive income and equity	(1 517)	(1 376)
Charge to profit and loss (refer to note 31)	24	117
Tax effect of translation and other differences	19	39
Balance at the end of the reporting period	(4 716)	(3 242)
12.2 Deferred tax (asset)/liability		
Tax effects of temporary differences between tax and book value for:		
Deferred tax liability	23	19
Prepayments, accruals and other provisions	21	19
Impairment of loans and advances	2	—
Deferred tax asset	(4 739)	(3 261)
Prepayments, accruals and other provisions	(1 126)	(1 178)
Capital allowances	1 233	1 122
Cash flow hedge and financial assets at fair value through other comprehensive income reserve	(1 183)	122
Own credit risk	(174)	(122)
Impairment of loans and advances	(3 020)	(2 966)
Lease and rental debtor allowances	(175)	(130)
Property allowances	257	257
Retirement benefit fund asset and liabilities	28	64
Fair value adjustments on financial instruments	(147)	(178)
Share-based payments	(432)	(252)
Net deferred tax (asset)	(4 716)	(3 242)

Future tax relief
The Bank has estimated tax losses of **R0.9m** (2021: R9.4m) which are available for set-off against future taxable income. The assessed losses in Absa Bank Mozambique expire after five years of origination. The Bank has actual losses that have not been recognised of **R0.9m** (2021: R9.4m).

	Bank 2022 Rm	Bank 2021 Rm
13. Trading and hedging portfolio liabilities		
Derivative liabilities (refer to notes 48.3 and 48.4)	54 550	46 957
Commodity derivatives	117	824
Credit derivatives	260	93
Equity derivatives	4 678	2 682
Foreign exchange derivatives	16 947	11 490
Interest rate derivatives[1]	32 548	31 868
Short positions	36 847	21 146
Total trading portfolio liabilities	91 397	68 103
Hedging portfolio liabilities (refer to note 48.3)[1]	2 237	2 910
	93 634	71 013
14. Other liabilities		
Accruals	1 910	1 993
Audit fee accrual	154	130
Cash-settled share-based payment liability (refer to note 46)	50	94
Creditors	10 460	8 542
Deferred income	390	260
Lease liabilities	2 858	3 006
Settlement balances	8 171	21 809
	23 993	35 834

[1] These amounts have been restated, refer to reporting changes overview note 1.19.

	Bank 2022 Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
15. Provisions				
Balance at the beginning of the reporting period	2 147	1 065	735	3 947
Additions	2 371	534	—	2 905
Amounts used	(2 026)	(619)	—	(2 645)
Reversals	(143)	(91)	—	(234)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 52)	—	—	78	78
Balance at the end of the reporting period	2 349	889	813	4 051

Provisions have been raised on financial guarantees, letters of credit and undrawn committed facilities, which is in line with the requirements of IFRS 9 (refer to note 52.2 for detailed reconciliations of the expected credit losses).

Provisions expected to be recovered or settled within 12 months after the reporting date amount to **R2 770m** (2021: R2 443m).

Sundry provisions include amounts with respect to fraud cases, litigation and claims.

	Bank 2022 Rm	Bank 2021 Rm
16. Deposits		
Customers		
Call deposits	88 501	90 398
Cheque account deposits	236 319	229 531
Credit card deposits	2 142	2 137
Fixed deposits	222 001	210 135
Foreign currency deposits	41 388	33 429
Notice deposits	67 562	70 148
Other deposits	871	935
Repurchase agreements	19 071	21 863
Savings and transmission deposits	236 768	225 300
Total deposits due to customers	914 623	883 876
Banks		
Call deposits	2 561	9 322
Fixed deposits	28 914	12 957
Foreign currency deposits	19 357	12 928
Other deposits	2 447	2 871
Repurchase agreements	47 218	51 667
Savings and transmission deposits	503	500
Total deposits due to banks	101 000	90 245
Total deposits	1 015 623	974 121

'Other deposits' due to customers include deposits on structured deals and unclaimed deposits. 'Other deposits' from banks consist mainly of 'Vostro' balances.

	Bank 2022 Rm	Bank 2021 Rm
17. Debt securities in issue		
Commercial paper	**4 802**	1 913
Credit linked notes[1]	**19 734**	13 865
Floating rate notes	**51 722**	34 693
Negotiable certificates of deposit	**85 660**	36 117
Other	**2 646**	2 480
Promissory notes	**2**	2
Senior notes	**38 608**	38 100
Structured notes and bonds	**101**	101
	203 275	127 271

18. Borrowed funds

Subordinated callable notes issued by Absa Bank Limited Interest rate	Final maturity date	Note	Bank 2022 Rm	Bank 2021 Rm
Consumer Price Index linked notes fixed at 5.50%	7 December 2028	i	**1 500**	1 500
11.81%	3 September 2027	ii	**-**	737
Three-month JIBAR + 2.13%	17 May 2030	iii	**2 676**	2 676
Three-month JIBAR + 2.40%	11 April 2029	iv	**1 580**	1 580
Three-month JIBAR + 2.45%	29 November 2028	v	**1 500**	1 500
Three-month JIBAR + 3.60%	3 September 2027	vi	**-**	30
Three-month JIBAR + 3.78%	17 March 2027	vii	**-**	642
Three-month JIBAR + 3.85%	25 May 2027	viii	**-**	500
Three-month JIBAR + 3.85%	14 August 2029	ix	**390**	390
Three-month JIBAR + 3.15%	30 September 2027	x	**-**	295
Three-month JIBAR + 3.45%	29 September 2029	xi	**1 014**	1 014
Three-month JIBAR + 2.10%	16 September 2032	xii	**1 916**	-
Foreign currency denominated notes				
USD 6.25%	25 April 2028	xiii	**4 952**	4 952
USD 6.375%	n/a	xiv	**6 866**	6 866
Other				
Accrued interest			**1 400**	1 195
Fair value adjustments			**(940)**	60
Foreign exchange movements			**3 428**	2 522
			26 282	26 459

18.1 Reconciliation of borrowed funds

	Bank 2022 Rm	Bank 2021 Rm
Opening Balance	**26 459**	20 621
Changes arising from cash movements:	**(3 677)**	4 332
Borrowed fund issuances	**1 916**	6 866
Borrowed fund redemptions	**(2 204)**	(2 381)
Interest paid	**(3 389)**	(153)
Changes arising from non-cash movements:	**3 500**	1 506
Interest accrued	**3 594**	244
Fair value adjustments	**(1 000)**	(358)
Foreign exchange movements	**906**	1 620
Closing Balance	**26 282**	26 459

[1] These numbers have been restated, refer to note 1.19.

18. Borrowed funds (continued)

i. The 5.50% CPI linked notes may be redeemed in full at the option of Absa Bank Limited on 7 December 2023. Interest is paid semi-annually in arrears on 7 June and 7 December of each year, provided that the last day of payment shall be 7 December 2028. If Absa Bank Limited does not exercise the redemption option, a coupon step up of 150 basis points (bps) shall apply.

ii. The 11.81% fixed rate notes were redeemed in full on 3 September 2022.

iii. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 17 May 2025. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 17 May 2025. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

iv. iv. The three-month JIBAR plus 2.40% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 11 April 2024. Interest is paid quarterly in arrears on 11 January, 11 April, 11 July and 11 October. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 11 April 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

v. The three-month JIBAR plus 2.45% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 29 November 2023. Interest is paid quarterly in arrears on 28 February, 29 May, 29 August and 29 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 29 November 2023. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

vi. The three-month JIBAR plus 3.60% floating rate notes were redeemed in full on 3 September 2022.

vii. The three-month JIBAR plus 3.78% floating rate notes were redeemed in full on 17 March 2022.

viii. The three-month JIBAR plus 3.85% floating rate notes were redeemed in full on 25 May 2022.

ix. The three-month JIBAR plus 3.85% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 14 August 2024. Interest is paid quarterly in arrears on 14 February, 14 May, 14 August and 14 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 14 August 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

x. The three-month JIBAR plus 3.15% floating rate notes were redeemed in full on 30 September 2022.

xi. The three-month JIBAR plus 3.45% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 29 September 2024. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 29 September 2024. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

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

xiii. The 6.25% fixed rate reset callable USD notes with a nominal amount of USD 400m may be redeemed in full at the option of Absa Bank Limited on 25 April 2023. Interest is payable semi-annually in arrears on 25 April and 25 October of each year. Absa Bank Limited has the option to exercise the redemption on 25 April 2023. If Absa Bank Limited does not exercise the redemption option from (and including) 25 April 2023, the interest rate per annum will be equal to the reset interest rate which shall be determined by the calculation agent on 27 April 2023. The reset margin is 3.523% per annum.

xiv. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Bank. The Bank is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount. The interest is payable semi- annually in arrears on 27 May and 27 November each year, commencing on 27 November 2021. The reset dates are every 5 years. The interest rate is 6.375% from the issue date to (but excluding) the first reset date, 27 November 2026. Thereafter, the interest rate will be reset to an interest applicable to the relevant reset period. The terms of the Additional Tier 1 capital notes include a regulatory requirement which provides for the write off, in whole or in part, in the case of a disqualifying event. In addition, interest payments are mandatorily payable if, for any reason, the instrument no longer meets the criteria of AT1 Capital in terms of Regulation 38(11).

Notes i is listed on the Johannesburg Stock Exchange Debt Market.

Note ii to xiv have been issued to Absa Group Limited.

In accordance with its memorandum of incorporation, the borrowing powers of Absa Bank Limited are unlimited.

	Bank 2022 Rm	Bank 2021 Rm
19. Share capital and premium		
19.1 Ordinary share capital		
Authorised		
320 000 000 (2021: 320 000 000) ordinary shares of R1.00 each	320	320
250 000 000 (2021: 250 000 000) 'A' ordinary shares of R0.01 each	3	3
	323	323
Issued		
302 609 369 (2021: 302 609 369) ordinary shares of R1.00 each	303	303
145 691 959 (2021: 145 691 959) 'A' ordinary shares of R0.01 each	1	1
	304	304
Total issued capital		
Share capital	304	304
Share premium	36 879	36 879
	37 183	37 183

Authorised shares
There were no changes to the authorised share capital during the current reporting period.

Unissued shares
The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming annual general meeting of the Bank.

Ordinary share capital
Ordinary shares when issued entitles the holders to distribution of profit and the right to vote on any matter to be decided by a vote of holders of the ordinary shares of the Bank.

Shares issued
There were no shares issued during the current and prior reporting periods. All shares issued by the Bank were paid in full.

	Bank 2022 Rm	Bank 2021 Rm
19.2 Preference share capital and premium		
Authorised		
30 000 000 (2021: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Issued		
4 944 839 (2021: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Total issued capital		
Share capital	1	1
Share premium	4 643	4 643
	4 644	4 644

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of such shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or a resolution is proposed by the Company which directly affects the rights attracted to the preference shares or the interest of the holders thereof.

19.3 Directors' interests in Absa Bank Limited preference shares
As at the reporting date, no director held any preference shares of Absa Bank Limited.

19. Share capital and premium (continued)
19.4 Additional tier 1 capital

Subordinated callable notes issued by Absa Bank Limited		Bank 2022 Rm	Bank 2021 Rm
Interest rate	**Date of issue**		
Three-month JIBAR + 5.65%	11 September 2017	—	1 500
Three-month JIBAR + 4.75%	9 October 2018	1 241	1 241
Three-month JIBAR + 4.50%	28 May 2019	1 678	1 678
Three-month JIBAR + 4.25%	5 December 2019	1 376	1 376
Three-month JIBAR + 4.55%	26 October 2020	1 209	1 209
Three-month JIBAR + 3.58%	15 November 2022	1 999	—
		7 503	7 004

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the issuer) on 10 October 2023, 28 November 2024, 5 June 2025, 27 October 2025 and 16 November 2027 subject to regulatory approval. AT1's that were issued on 11 September 2017 were redeemed on 12 September 2022. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 Notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments.

20. Other reserves
20.1 Fair value through other comprehensive income reserve
The fair value reserve comprises only the cumulative net change in the fair value of debt instruments measured at FVOCI, until such time as they are derecognised. Upon derecognition of debt instruments at FVOCI, the cumulative amount recognised in other comprehensive income is released to profit or loss. Since the cumulative net change in the fair value of equity instruments designated as at FVOCI is not recycled to profit or loss upon derecognition, the Bank recognises the cumulative net change in fair value in retained earnings.

20.2 Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20.3 Foreign currency translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.4 Capital reserve
The capital reserve arose on the amalgamation of the founding banks of Absa Bank Limited.

20.5 Share-based payment reserve
The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised or if the options lapse after vesting, the reserve related to the specific options is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

20.6 Associates' and joint ventures' reserve
The associates' and joint ventures' reserve comprises the Bank's share of its associates' and/or joint ventures' reserves.

20.7 Retained earnings
The retained earnings comprises of the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries and including changes in OCI with respect to the following:

- movement in the fair value of equity instruments measured at FVOCI;
- movement in own credit risk on liabilities designated at FVTPL;
- movement in the actuarial valuation of retirement benefit fund assets and liabilities; and
- direct shareholder contributions.

	Bank 2022 Rm	Bank 2021 Rm
21. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	—	2
Interest on hedging instruments	1 297	2 270
Investment securities	10 002	7 993
Loans and advances	76 910	60 331
Loans and advances to customers	74 453	58 460
Corporate overdrafts and specialised finance loans	1 542	961
Credit cards	4 945	4 021
Foreign currency loans	1 701	1 059
Instalment credit agreements and finance lease receivables	10 842	8 627
Loans to associates and joint ventures	1 720	1 376
Microloans	668	432
Mortgages	27 013	21 455
Other advances	1 178	917
Overdrafts	4 167	3 614
Overnight finance	1 372	964
Personal and term loans	9 044	7 544
Preference shares	2 073	1 608
Reverse repurchase agreements	13	8
Wholesale overdrafts	8 175	5 874
Loans and advances to banks	2 457	1 871
Other interest	960	1 548
	89 169	72 144
Classification of interest and similar income		
Interest on hedging instruments	1 297	2 270
Cash flow hedges (refer to note 48.6)	2 486	3 985
Fair value hedges	(1 189)	(1 715)
Interest on financial assets held at amortised cost	81 719	66 148
Interest on financial assets measured at FVOCI	4 240	2 072
Interest on financial assets measured at FVTPL	1 913	1 654
Investment securities	114	156
Loans and advances	1 799	1 498
	89 169	72 144

Interest income on 'other advances' includes items such as interest on factored debtors' books. Other interest includes items such as overnight interest on contracts for difference.

	Bank 2022 Rm	Bank 2021 Rm
22. Interest expense and similar charges		
Interest expense and similar charges are paid on:		
Borrowed funds	2 928	2 540
Debt securities in issue	9 271	6 271
Deposits	34 824	26 404
Deposits due to customers	33 377	25 664
Call deposits	7 335	4 961
Cheque account deposits	3 978	3 447
Credit card deposits	6	6
Fixed deposits	7 813	6 876
Foreign currency deposits	293	164
Notice deposits	3 870	3 118
Other deposits	974	605
Savings and transmission deposits	9 108	6 487
Deposits from banks	1 447	740
Call deposits	144	186
Fixed deposits	1 185	444
Foreign currency deposits	118	110
Interest on hedging instruments	(615)	(1 739)
Interest incurred on finance leases	231	243
Other	143	124
	46 782	33 843
Classification of interest expense and similar charges		
Interest on hedging instruments	(615)	(1 739)
Cash flow hedges (refer to note 48.6)	(150)	(321)
Fair value hedges	(465)	(1 418)
Interest on financial liabilities held at amortised cost	47 397	35 582
	46 782	33 843

Other interest and similar charges include items such as overnight interest on contracts for difference.

	Bank 2022 Rm	2021 Rm
23. Net fee and commission income		
Consulting and administration fees	318	343
Insurance commission received	663	631
Investment, markets execution and investment banking fees	404	391
Merchant income	2 280	2 101
Other	195	197
Transactional fees and commissions	17 396	16 035
Cheque accounts	4 805	4 681
Credit cards	2 105	1 820
Electronic banking	6 336	5 593
Other	2 779	2 439
Savings accounts	1 371	1 502
Trust and other fiduciary services	94	79
Portfolio and other management fees	93	77
Trust and estate income	1	2
Fee and commission income	21 350	19 777
Fee and commission expense	(2 018)	(1 704)
Brokerage fees	(1)	-
Cheque processing fees	(5)	(13)
Clearing and settlement charges	(1 102)	(890)
Notification fees	(251)	(235)
Other	(554)	(446)
Valuation fees	(105)	(120)
	19 332	18 073

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care.

	Bank 2022 Rm	2021 Rm
23.1 Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	4 805	4 681
Credit cards	2 105	1 820
Electronic banking	6 336	5 593
Other	2 779	2 439
Savings accounts	1 371	1 502
Fee and commission income	17 396	16 035
Fee and commission expense	(1 804)	(1 470)
	15 592	14 565

Credit cards include acquiring and issuing fees.

Other transactional fees and commissions income include service and credit-related fees of **R874m** (2021: R644m) and exchange commission of **R795m** (2021: R680m).

The majority of these items are accounted for as revenue recognised at a point in time in accordance with the requirements of IFRS 15.

	Bank 2022 Rm	2021 Rm
24. Gains and losses from banking and trading activities		
Net gains on investments	147	147
Equity instruments mandatorily held at FVTPL	140	27
Unwind from reserves for debt instruments at FVOCI	7	120
Net trading result	1 465	1 585
Net trading income excluding the impact of hedge accounting	1 658	2 090
Ineffective portion of hedges	(193)	(505)
Cash flow hedges (refer to note 48.6.2)	(208)	(539)
Fair value hedges (refer to note 48.6.1)	15	34
Other losses	(26)	(10)
	1 586	1 722
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	1 658	2 090
Gains/(losses) on financial instruments designated at FVTPL	312	(2 423)
Net gains/(losses) on financial assets designated at FVTPL	1 484	(853)
Net losses on financial liabilities designated at FVTPL	(1 172)	(1 570)
Gains on financial instruments mandatorily measured at FVTPL	1 346	4 513
Other losses	(26)	(10)
Losses on financial instruments designated at FVTPL	(563)	(769)
Gains on financial instruments mandatorily measured at FVTPL	537	759

	Bank 2022 Rm	2021 Rm
25. Gains and losses from investment activities		
Other gains	3	1

	Bank 2022 Rm	2021 Rm
26. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	(14)	(3)
Income arising from contracts with customers[1]	27	41
Income from maintenance contracts[1]	27	37
Profit on sale of repossessed properties	—	4
Gross sales	8	18
Cost of sales	(8)	(14)
Insurance proceeds received related to property and equipment[2]	126	96
Profit on disposal of property and equipment[1]	2	(2)
Rental income	9	10
Sundry income[3]	616	253
	766	395

[1] Line items not included within the scope of IFRS 15 have been removed from "Revenue arising from contracts with customers" and have been separately disclosed within this note. Revenue arising from contracts with customers was previously reported with the value of R137m and this has now been amended to R48m as result of the above.

[2] 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.

[3] Sundry income includes profit on disposal of non-core assets and non-interest income

	Bank 2022 Rm	Bank 2021 Rm
27. Credit impairment charges		
Impairment losses raised during the reporting period	8 960	6 603
Stage 1 expected losses	(1 281)	(1 727)
Stage 2 expected losses	1 950	(171)
Stage 3 expected losses	8 291	8 501
Losses on modifications	488	365
Recoveries of loans and advances previously written off	(761)	(573)
	8 687	6 395
Charge to the statement of comprehensive income by market segment		
Comprising:		
Credit impairment charges raised	8 960	6 603
Loans and advances to customers and undrawn facilities	8 920	6 121
Loans and advances to banks	(23)	28
Other financial instruments subject to credit impairment	(52)	223
Guarantees and letters of credit	115	231
Recoveries of financial instruments subject to credit impairment previously written off	(761)	(573)
Modifications	488	365
Total charge to the statement of comprehensive income	8 687	6 395

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	Bank 2022 Rm	Bank 2021 Rm
28. Operating expenses		
Administration fees	114	149
Amortisation of intangible assets (refer to note 11)	2 350	2 227
Auditors' remuneration	369	333
Audit fees – current reporting period	323	273
Audit fees – under provision	6	3
Audit-related fees	30	23
Other services	10	34
Cash transportation	988	1 024
Depreciation (refer to note 10)	2 574	2 913
Equipment costs	296	196
Maintenance	212	115
Rentals	84	81
Information technology	4 397	4 032
Marketing costs	1 309	1 006
Other	916	927
Printing and stationery	186	159
Professional fees	2 452	1 892
Property costs	1 401	1 480
Staff costs	18 908	18 032
Bonuses	2 361	2 063
Deferred cash and share-based payments (refer to note 46)	603	514
Other	269	218
Salaries and current service costs on post-retirement benefit funds	15 177	14 911
Training costs	498	326
Straight line lease expenses on short-term leases and low value assets	127	127
Telephone and postage	735	735
	37 122	35 232

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Professional fees include research and development costs totaling **R167m** (2021: R193m).

'Other' includes fraud losses, travel, entertainment costs and recoveries from fellow subsidiaries.

	Bank 2022 Rm	Bank 2021 Rm
29. Other impairments		
Intangible assets (refer to note 11)[1]	237	144
Investments in associates and joint ventures (refer to note 9)	—	(11)
Non-current asset held for sale (refer to note 6)	—	1
Property and equipment (refer to note 10)[2]	354	192
	591	326

	Bank 2022 Rm	Bank 2021 Rm
30. Indirect taxation		
Training levy	165	146
VAT net of input credits	1 160	989
	1 325	1 135

[1] The Bank has impaired certain software assets totaling **R237m** (2021: R144m) for which the value in use is determined to be zero.

[2] Property and equipment amounting to **R354m** (2021: R192m) was impaired without a related transfer to non-current assets held for sale. Included in the **R354m** recognised during 2022, is the impairment of a right of use asset of **R117m**, impairment on furniture and other equipment of **R84m** and an impairment of buildings of **R27m** due to the underutilisation of the properties.

	Bank 2022 Rm	2021 Rm
31. Taxation expense		
Current		
Foreign and other taxation	161	172
South African current tax	4 440	3 967
South African current tax – previous reporting period	(333)	(117)
	4 268	4 022
Deferred		
Deferred tax (refer to note 12)	24	117
Capital allowances	22	180
Expected credit losses/allowances for loan losses	(125)	255
Provisions	(7)	(270)
Retirement benefit/pension fund	87	—
Movements in prepayments, accruals and other provisions	62	115
Fair value and similar adjustments through profit and loss	(153)	(88)
Fair value and similar adjustments in relation to prior year	191	(30)
Share-based payments	(53)	(45)
	4 292	4 139
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	16 481	15 536
Share of post-tax results of associates and joint ventures (refer to note 9)	(132)	(132)
	16 349	15 404
Tax calculated at a tax rate of 28%	4 578	4 313
Effect of different tax rates in other countries[1]	123	136
Expenses not deductible for tax purposes[1]	165	240
Recognition of previously unrecognized deferred tax assets	(11)	-
Dividend income[2]	(602)	(475)
Non-taxable interest	(170)	(164)
Income not subject to tax	(22)	(14)
Non-taxable portion of capital gain	(2)	79
Other	117	24
Effect of tax rate changes[2]	116	-
	4 292	4 139

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.

[2] 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 Bank's deferred tax balances at 31 December 2022.

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	Bank 2022 Gross Rm	2022 Net Rm	2021 Gross Rm	2021 Net Rm
32. Headline earnings				
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Bank		11 314		10 573
Total headline earnings adjustment:		336		153
IFRS 5 – Gains and losses on disposal of non-current assets held for sale (refer to note 6)	(20)	(15)	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale (refer to note 6)	—	—	1	1
IAS 16 – Loss/(profit) on disposal of property and equipment (refer to note 10)	(2)	—	2	—
IAS 16 and IAS 36 – Insurance recovery of property and equipment (refer to note 26 and 29)	(126)	(92)	(121)	(87)
IAS 28 –Reversal of investments in associates and joint ventures (refer to note 29)	—	—	(11)	(11)
IAS 28 – Profit on disposal of associates and joint ventures	—	—	(1)	(1)
IAS 36 – Impairment of property and equipment (refer to note 29)	354	254	217	157
IAS 36 – Impairment of intangible assets (refer to note 29)	237	185	144	110
IAS 40 – Profit on disposal of investment property	(0)	(0)	—	—
Change in tax rate	—	4	—	—
Headline earnings/diluted headline earnings		11 650		10 726
Headline earnings per ordinary share/diluted headline earnings per ordinary share (cents)		2 598.7		2 392.6

The net amount is reflected after taxation and non-controlling interest. Other non-core assets include assets such as property and equipment and intangible assets that are not core to the operations of the Bank.

	Bank 2022 Rm	Bank 2021 Rm
33. Leases		
The following amounts have been recognised in the statement of comprehensive income in respect of leases in which the Bank is the lessee:		
Depreciation charge for right-of-use assets (refer to note 10)	**863**	875
Property	**863**	875
Interest expense on lease liabilities (refer to note 22)	**231**	243
Expense related to short-term leases	**180**	179
Expense related to low-value assets	**5**	8
Variable lease payments	**21**	16
Right-of-use assets recognised in the statement of financial position relate to the following classes of assets:		
Right-of-use assets (refer to note 10)	**2 191**	2 423
Property	**2 191**	2 423
Total additions to right-of-use assets recognised during the year (refer to note 10)	**749**	769
Total cash outflow included in the statement of cash flows related to leases	**1 215**	1 227
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	**1 026**	1 026
Between one and five years	**2 040**	2 093
More than five years	**330**	524
Total undiscounted lease liabilities	**3 396**	3 643
Lease liabilities included in the statement of financial position (refer to note 14)	**2 858**	3 006

The Bank's leases consist mostly of property leases including branches, head offices, ATM sites and other administrative buildings. None of these leases are considered individually significant to the Bank. Leases are negotiated for an average term of three to five years although this differs depending on the type of property. Some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the Bank will exercise the extension option. Most leases in the Bank have fixed escalations.

Notes to the consolidated financial statements
for the reporting period ended 31 December

34. Retirement benefit fund obligations

34.1 Absa Pension Fund

The Absa Pension Fund (the Fund) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of the Fund be carried out at least once every three years. The most recent statutory valuation of the Fund was effected on 31 March 2021 and confirmed that the Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (the PF Act).

The valuation has been performed using the projected unit credit method in respect of the defined benefit portion. The asset ceiling of the Fund is limited to the Employer Surplus Account (ESA). According to the Fund rules and the PF Act, the ESA can be used for a number of purposes including funding a deficit in the Fund, enhancing benefits of the Fund or enabling a contribution holiday.

In terms of Section 7 of the PF Act, notwithstanding the rules of a fund, every fund must have a board of trustees consisting of at least four Board members, at least 50% of whom the members of the Fund have the right to elect. The objective of the board is to direct, control and oversee the operations of a fund in accordance with the applicable laws and the rules of the Fund. In carrying out this objective, the Board must take all reasonable steps to ensure that the interests of members in terms of the rules of the Fund and the provisions of this Act are protected at all times that they act with due care, diligence and good faith; and avoid conflicts of interest. The Board must act independently and with impartiality in respect of all members and beneficiaries. The members of the board have a fiduciary duty to members and beneficiaries in respect of accrued benefits or any amount accrued to provide a benefit, as well as a fiduciary duty to the Fund, to ensure that The Fund is financially sound and is responsibly managed and governed in accordance with the rules and the PF Act.

The rules of the Fund were amended in July 2015 to allow a retiring member who had joined the Fund before 1 July 2015 the choice to receive either a conventional annuity or a living annuity from the Fund (as was previously the case) or to purchase a pension from a registered insurer (new option). Members joining the Fund on or after 1 July 2015 had the choice to receive a living annuity from the Fund or to purchase a pension from a registered insurer.

Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. The conventional annuity is calculated based on the defined contribution plan assets at the retirement date. The Bank is therefore not exposed to any asset return risk prior to the election of this option i.e., the retirement date. The classification rules within IAS 19 require that, where the employer is exposed to any actuarial risk, the entire fund be classified as a defined benefit plan. The valuation of the option is included in the defined benefit obligation. The assets and liabilities of the defined contribution active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on/after 1 July 2015 have been excluded from the IAS 19 disclosures as at 31 December 2022 the employer is not exposed to any longevity or other actuarial risk in respect of these members at this date.

The change in investment strategy implemented in the prior year (refer below) results in the assets of the Fund fully matching the nature, term and cashflows of the pensions in payment. As a result, the Trustees approved a change to the rules of the Fund in September 2022 to again allow all members an option, effective 1 January 2023, to purchase a living annuity from the Fund, regardless of their date of employment. This change to the rules does not have an impact on the net defined benefit recognised as at 31 December 2022 but will increase the values disclosed for the defined contribution portion, from 1 January 2023.

Net defined benefit plans assets relating to these pensioners that have elected to receive a living annuity, amount to **R4 459.6m** (2021: R4 180m).

	Bank Absa Pension Fund 2022	Bank Absa Pension Fund 2021
Categories of the Fund		
Defined benefit active members	**11**	13
Defined benefit deferred pensioners	**1**	1
Defined benefit pensioners	**7 131**	8 084
Defined contribution active members	**16 969**	18 405
Defined contribution pensioners	**2 973**	2 963
Duration of the scheme – defined benefit (years)	**7.7**	8.3
Duration of the scheme – defined contribution (years)	**18.3**	18.9
Duration of the scheme – defined contribution option (years)	**—**	—
Expected contributions to the Fund for the next 12 months (Rm)	**1 814.5**	1 121.6

The benefits provided by the defined benefit portion of the Fund are based on a formula, taking into account years of membership and remuneration levels. The benefits provided by the defined contribution portion of the Fund are determined by accumulated contributions and return on investments.

While the Fund as a whole has been classified as a defined benefit fund for IAS 19 purposes, the defined contribution portion provides its members with an asset-based return. The Bank has measured the liability for the defined contribution portion of the Fund at the fair value of the assets upon which the benefits are based.

The Fund is financed by employer and employee contributions and investment income. Employer contributions in respect of the defined benefit portion are based on actuarial advice. The expense or income recorded in profit or loss includes the current service cost, interest income on plan assets as well as interest expense on the defined benefit obligation and the irrecoverable surplus. It is the Bank's policy to ensure that The Fund is adequately funded to provide for the benefits due to members, and particularly to ensure that any shortfall with regard to the defined benefit portion will be met by way of additional contributions.

During the prior year, the investment strategy of the Trustee Portfolio moved to a fully matching strategy with the objective of matching the investment strategy for these assets to the nature, term and cashflows of the current pensions in payment, together with the future targeted pension increases (as a percentage of inflation).

The abovementioned strategy is known as a Liability Driven Investment (LDI) strategy. The portion of the assets in the Trustee Portfolio not invested in the liability matching strategy or reserve accounts are invested in growth assets to create some possible upside for funding increases above the policy increase. The assets in the liability matching strategy will mainly be invested in South African nominal and inflation-linked government bonds. This strategy aims to fully match the reasonable benefit expectations of the pensioners to receive annual pension increases in line with the inflation target chosen by a pensioner at retirement.

34. Retirement benefit fund obligations (continued)

34.1 Absa Pension Fund (continued)

	Bank 2022 Rm	Bank 2021 Rm
34.1.1 Reconciliation of the net defined benefit plan surplus		
Reconciliation of the net surplus		
Present value of funded obligations	(30 341)	(30 870)
Defined benefit portion	(7 582)	(7 648)
Defined contribution portion	(22 759)	(23 222)
Fair value of the plan assets	32 790	33 155
Defined benefit portion	10 031	9 933
Defined contribution portion	22 759	23 222
Funded status	2 449	2 285
Irrecoverable surplus (effect of asset ceiling)	(1 983)	(1 820)
Net surplus arising from the defined benefit obligation	466	465

	Bank 2022 Rm	Bank 2021 Rm
34.1.2 Reconciliation of movement in the funded obligation		
Balance at the beginning of the reporting period	(30 870)	(26 100)
Defined benefit portion	(7 648)	(7 319)
Defined contribution portion	(23 222)	(18 781)
Reconciling items – defined benefit portion	66	(329)
Actuarial gains/(losses)– financial	516	(11)
Actuarial gains – experience adjustments	74	233
Benefits paid	794	748
Current service costs	(13)	(13)
Past service costs	—	(54)
Interest expense	(805)	(755)
Defined contribution member transfers	(500)	(477)
Reconciling items – defined contribution portion	463	(4 441)
Increase in obligation linked to plan assets return	(2 086)	(6 562)
Employer contributions	(636)	(657)
Employee contributions	(506)	(524)
Disbursements and member transfers	3 691	3 302
Balance at the end of the reporting period	(30 341)	(30 870)

	Bank 2022 Rm	Bank 2021 Rm
34.1.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	33 155	27 124
Defined benefit portion	9 933	8 343
Defined contribution portion	23 222	18 781
Reconciling items – defined benefit portion	98	1 590
Benefits paid	(794)	(748)
Employer contributions	2	1
Interest income	1 048	862
Return on plan assets in excess of interest	(658)	998
Defined contribution member transfers	500	477
Reconciling items – defined contribution portion	(463)	4 441
Return on plan assets	2 085	6 562
Employer contributions	637	657
Employee contributions	506	524
Disbursements and member transfers	(3 691)	(3 302)
Balance at the end of the reporting period	32 790	33 155
34.1.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	(1 820)	(631)
Interest on irrecoverable surplus	(195)	(67)
Changes in the irrecoverable surplus in excess of interest	32	(1 122)
Balance at the end of the reporting period	(1 983)	(1 820)

	Bank 2022 Fair value of plan assets: Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
34.1.5 Nature of the pension fund assets				
Plan assets relating to the defined benefit plan				
Defined benefit portion	8 396	1 227	408	10 031
Quoted fair value	8 055	1 202	103	9 360
Unquoted fair value	233	5	272	510
Own transferable financial instruments	108	20	1	129
Investments in listed property entities/funds	—	—	32	32
Defined contribution portion	7 890	14 132	737	22 759
Quoted fair value	5 497	13 863	352	19 712
Unquoted fair value	2 221	5	(18)	2 208
Own transferable financial instruments	172	264	2	438
Investments in listed property entities/funds	—	—	401	401
	16 286	15 359	1 145	32 790

34. Retirement benefit fund obligations (continued)
34.1 Absa Pension Fund (continued)

	2021			
	Fair value of plan assets			
	Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Defined benefit portion	8 230	1 293	410	9 933
Quoted fair value	7 762	1 272	89	9 123
Unquoted fair value	367	5	272	644
Own transferable financial instruments	101	16	2	119
Investments in listed property entities/funds	—	—	47	47
Defined contribution portion	6 807	15 277	1 138	23 222
Quoted fair value	6 091	15 099	401	21 591
Unquoted fair value	577	4	300	881
Own transferable financial instruments	139	174	-	313
Investments in listed property entities/funds	—	—	437	437
	15 037	16 570	1 548	33 155

	Bank	
	2022 Rm	2021 Rm
34.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest income	**(48)**	(42)
Current service cost	**13**	13
Past service cost	**—**	54
	(35)	25
Recognised in other comprehensive income:		
Actuarial (gains)/ losses – financial	**(516)**	11
Actuarial adjustments (gains) – experience	**(74)**	(233)
Return on plan assets in excess of interest	**658**	(998)
Changes in the irrecoverable surplus in excess of interest	**(32)**	1 122
	36	(98)
34.1.7 Actuarial assumptions used:		
Discount rate (%) p.a.	**11.9**	10.7
Inflation rate (%) p.a.	**6.4**	6.0
Expected rate on the plan assets (%) p.a.	**10.4**	10.0
Future salary increases (%) p.a.	**7.4**	7.0
Average life expectancy in years of pensioner retiring at 60 – male	**22.0**	21.9
Average life expectancy in years of pensioner retiring at 60 – female	**26.9**	26.8

34. Retirement benefit fund obligations (continued)
34.1 Absa Pension Fund (continued)

	Bank	
	2022	
	Reasonable possible change	**Increase/ (decrease) on defined benefit obligation Rm**
34.1.8 Sensitivity analysis of the significant actuarial assumptions		
Increase in discount rate (%)	**0.5%**	**246**
Increase in inflation (%)	**0.5%**	**279**
Increase in life expectancy (years)	**1**	**203**
	2021	
	Reasonable possible change	Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	0.5%	(296)
Increase in inflation (%)	0.5%	276
Increase in life expectancy (years)	1	219

34.1.9 Sensitivity analysis of the significant assumptions
Sensitivity analysis

The aforementioned sensitivity analysis indicates how changes in significant actuarial assumptions would affect the defined benefit portion of **R7 582m** (2021: R7 648m).

The sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e., certain pension increases and salary growth. In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period. The defined contribution obligation of **R22 759m** (2021: R23 222m) does not give rise to any actuarial risks as the measurement is derived from the defined contribution plan assets.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

	Bank 2022 Rm	Bank 2021 Rm
35. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend **(15 August 2022: 1 003.78911 cents per share (cps))** (16 August 2021: 0 cps)	4 500	—
Final dividend **(13 March 2023: 669.19277 cps)** (14 March 2022: 446.12851 cps)	3 000	2 000
	7 500	2 000
Dividends declared to preference equity holders		
Interim dividend **(15 August 2022: 2 883.42466 cps)** (16 August 2021: 2 470.13699 cps)	143	122
Final dividend **(13 March 2023: 3 509.58904 cps)** (14 March 2022: 2 494.10959 cps)	174	123
	317	245
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2022: 21 024.73 Rands per note (rpn); 11 January 2021: 20 214.47 rpn	26	25
27 January 2022: 20 751.67 rpn; 27 January 2021: 20 085.45 rpn	26	24
28 February 2022: 20 860.19 rpn; 26 February 2021: 19 268.38 rpn	35	32
07 March 2022: 20 236.90 rpn; 05 March 2021: 18 786.19 rpn	28	26
14 March 2022: 23 747.26 rpn; 12 March 2021: 22 301.37 rpn	36	33
11 April 2022: 21 545.81 rpn; 12 April 2021: 20 922.52 rpn	27	26
28 April 2022: 21 087.07 rpn; 28 April 2021: 20 423.89 rpn	26	25
30 May 2022: 21 732.79 rpn; 28 May 2021: 20 299.23 rpn	36	34
06 June 2022: 21 109.51 rpn; 07 June 2021: 20 326.60 rpn	29	28
13 June 2022: 24 744.52 rpn; 14 June 2021: 23 971.29 rpn	37	36
11 July 2022: 22 769.95 rpn; 12 July 2021: 20 984.85 rpn	28	26
27 July 2022: 22 068.49 rpn; 27 July 2021: 20 280.82 rpn[1]	27	25
29 August 2022: 23 415.67 rpn; 30 August 2021: 21 074.03 rpn	39	36
05 September 2022: 22 792.38 rpn; 06 September 2021: 19 778.16 rpn	31	27
12 September 2022: 26 345.12 rpn; 13 September 2021: 23 268.58 rpn	40	35
10 October 2022: 24 515.15 rpn; 11 October 2021: 21 047.18 rpn	30	26
27 October 2022: 25 878.67 rpn; 27 October 2021: 20 751.67 rpn	31	25
28 November 2022: 25 574.74; 29 November 2021: 20 361.56 rpn	43	34
05 December 2022: 24 993.84 rpn; 06 December 2021: 19 738.27 rpn	34	27
13 December 2021: 23 248.63 rpn	—	35
	609	585
Dividends paid to ordinary equity holders		
Final dividend **(22 April 2022: 446.12851 cps)** (2021: 0 cps)	2 000	—
Interim dividend **(19 September 2022: 2 883.42466 cps)** (2021: 0 cps)	4 500	—
	6 500	—
Dividends paid to preference equity holders		
Final dividend **(22 April 2022: 2 494.10959)** (25 April 2021: 2 429.86301 cps)	123	120
Interim dividend **(19 September 2022: 2 883.42466 cps)** (20 September 2021: 2 470.13699 cps)	143	122
	266	242

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

36. Securities borrowed/lent and repurchase/reverse repurchase agreements

36.1 Reverse repurchase agreements and securities borrowed

As part of the reverse repurchase agreements and securities borrowing agreements, the Bank has received securities as collateral that are allowed to be sold or repledged. These securities are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements. The fair value of these securities at the reporting date amounts to **R79 790m** (2021: R83 430)[1] of which **R61 838m** (2021: R46 162m)[1] have been sold or repledged. The Bank has an obligation to return the collateral held except in the event of default.

36.2 Repurchase agreements and securities lent

The following table shows the carrying amount of transferred assets that have not resulted in any derecognition, together with the associated liabilities.

Bank	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
2022					
Debt instruments	42 945	(41 513)	42 945	(41 513)	1 432
2021[1]					
Debt instruments	45 856	(45 636)	45 856	(45 636)	220

The transferred assets are presented in the 'Trading portfolio assets' and 'Investment securities' lines on the statement of financial position.

37. Transfer of financial assets

37.1 Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Bank transfers financial assets to SEs, either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

37.2 Transfer of financial assets that does not result in derecognition

Bank	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
2022					
Investment securities	3 083	(2 315)	3 083	(2 315)	768
Loans and advances to customers	5 693	(1 929)	5 693	(1 929)	3 764
2021					
Investment securities	1 716	(1 195)	1 716	(1 195)	521
Loans and advances to customers	7 924	(4 514)	7 924	(4 514)	3 410

Balances included within loans and advances to customers represent instances where substantially all the risks and rewards (credit risk and prepayment risk) of the financial asset have been retained by the Bank.

The relationship between the transferred assets and the associated liabilities is that holders of the associated liabilities may only look to cash flows from the transferred assets for payments due to them, although the contractual terms may differ from those of the transferred assets.

[1] Equity instruments with a net fair value of R1 257m were erroneously included as part of securities lent. However, as these related to inter-company transactions, which should not have been eliminated.

37. Transfer of financial assets (continued)

37.3 Continuing involvement in financial assets that have been derecognised in their entirety

The instance may arise where the Bank transfers a financial asset to an SE in its entirety but may have continuing involvement in it. Continuing involvement largely arises from providing financing to the SE in the form of retained notes, which do not bear first losses as they are not considered equity instruments of the SE. As at 31 December 2022, the Bank had no continuing involvement where financial assets have been derecognised in their entirety (2021: None).

38. Related parties

38.1 Transactions with key management personnel

Daniel Mminele announced his resignation as the Group Chief Executive Officer of Absa Group Limited from 30 April 2021. The Board appointed Jason Quinn as the Interim Chief Executive Officer and Punki Modise as the Interim Financial Director with effect from 20 April 2021 and 23 April 2021, respectively. She held the position of Interim Chief Executive of Retail Business Banking till 30 June 2022 after which she was appointed as Group Chief Strategy and Sustainability Officer effective 1 July 2022.

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

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

IAS 24 Related Party Disclosures (IAS 24), requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee (Exco). A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with other employees. These include loans, deposits and foreign currency transactions. The outstanding balances at the reporting date with related parties and related party transactions conducted during the reporting period are as follows:

	Bank 2022 Rm	Bank 2021 Rm
Key management personnel compensation		
Directors		
Deferred cash payments	0	1
Non-deferred cash payments	18	15
Post-employment benefit contributions	1	1
Salaries and other short-term benefits	38	43
Share-based payments	26	16
	83	76
Other key management personnel		
Deferred cash payments	1	3
Non-deferred cash payments	41	31
Post-employment benefit contributions	2	1
Salaries and other short-term benefits	44	40
Share-based payments	46	30
	134	105

38. Related parties (continued)

38.1 Transactions with key management personnel (continued)

	Bank 2022 Transactions with key management Rm	Bank 2022 Transactions with entities controlled by key management Rm	Bank 2021 Transactions with key management Rm	Bank 2021 Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	48	5	37	16
Inception/(discontinuance) of related-party relationships[1]	21	—	9	(1)
Loans issued and interest earned	34	2	44	1
Loans repaid	(34)	—	(42)	(11)
Balance at the end of the reporting period	69	7	48	5
Interest income	(10)	(1)	(9)	(3)
Deposits				
Balance at the beginning of the reporting period	23	1	22	—
Inception/(discontinuance) of related-party relationships[1]	22	—	2	1
Deposits received	67	23	152	3
Deposits repaid and interest paid	(60)	(21)	(153)	(3)
Balance at the end of the reporting period	52	3	23	1
Interest expense	5	—	—	—
Guarantees	211	8	92	20
Other investments				
Balance at the beginning of the reporting period	114	43	90	35
(Discontinuance)/inception of related-party relationships[1]	94	44	—	—
Value of new investments/contributions	—	—	3	—
Value of withdrawals/disinvestments	(10)	—	(7)	—
Fees and charges	—	—	—	—
Investment returns	—	—	28	8
Balance at the end of the reporting period	198	87	114	43

Loans include mortgages, asset finance transactions, overdrafts and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Bank, including interest rates and collateral requirements.
No loans to key management personnel or entities controlled by key management personnel were written off as irrecoverable.

In addition to the specific guarantees, a number of key management personnel and entities controlled by key management personnel have unlimited surety with the Bank.

Insurance premiums paid and claims received

Key management personnel paid insurance premiums of **R1m** (2021: R0m) and received claims of **R0m** (2021: R0m).

[1] Includes balances relating to key management personnel who resigned during the reporting periods.

38. Related parties (continued)

38.2 Balances and transactions with the parent company, fellow subsidiaries, and associates and joint ventures of the parent company

	Bank[1]			
	2022		2021	
	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent Rm	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent Rm
Balances				
Cash and cash balances with central banks	—	—	—	—
Loans and advances to banks	—	94	—	200
Trading portfolio assets/liabilities	—	—	—	349
Other assets	—	1 138	—	1 217
Loans to Absa group companies	—	73 452	—	76 978
Deposits from banks	—	(688)	—	(807)
Other liabilities	—	(677)	—	(351)
Borrowed funds	—	(24 491)	—	(23 845)
Trading portfolio liabilities	—	(128)	—	—
Loans from Absa group companies	—	(9 152)	—	—
Transactions				
Dividends paid	—	—	—	—
Distributions paid to Tier 1 capital holders	609	—	585	—
Interest and similar income	—	(1 012)	—	(1 555)
Interest expense and similar charges	1 679	(36)	2 242	116
Fee and commission income	—	(565)	—	(587)
Fee and commission expense	—	3	—	3
Gains and losses from banking and trading activities	—	1 619	—	(7 867)
Gains and losses from investing activities	—	2	—	3
Other operating income	—	1	—	(2)
Operating expenditure/(recovered expenses)	—	(729)	—	(934)

[1] Debit amounts are shown as positive, credit amounts are shown as negative.

38. Related parties (continued)

38.3 Subsidiaries and consolidated structured entities

The following information provided is in respect of the Bank's main subsidiaries. The main subsidiaries are those entities whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank's subsidiaries, The significance of this impact is judged from both a qualitative and a quantitative perspective and is assessed on a half yearly basis.

			Bank	
Name	Nature of business	Country of incorporation	2022 % holding	2021 % holding
Absa Representative Office Nigeria Limited	Representative office to facilitate trade and obtain market share in Nigeria.	Nigeria	100	100
Absa Technology Prague s.r.o	Provides infromation technology services for Absa Group.	Czech Republic	100	100
Absa Vehicle and Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	100	100
Home Obligors Mortgage Enhanced Securities (RF) Proprietary Limited	Securitisation vehicle for Absa Home Loans Division.	South Africa	100	100
United Towers Proprietary Limited	Investment in and issuance of preference shares.	South Africa	100	100
Structured entities				
Absa Foundation Trust	Fund used to invest in unit trusts. Provides funding for community upliftment. It receives a percentage of the Group's dividends which it distributes to identified community-related projects.	South Africa	n/a	n/a
NewFunds Collective Investment Scheme	Collective Investment Scheme.	South Africa	n/a	n/a
iMpumelelo CP Note Programme 1 (RF) Limited	Special purpose, bankruptcy-remote company incorporated for the purpose of issuing Absa Bank guaranteed Commercial		n/a	n/a
Absa Home Loans 101 (RF) Limited	Securitisation vehicle.	South Africa	n/a	n/a
Commissioner Street No 10 (RF) Proprietary Limited	Securitisation vehicle.	South Africa	n/a	n/a
AB Finco 1 (RF) Limited	Securitisation vehicle.	South Africa	n/a	n/a

A full list of subsidiaries and consolidated Structured Entities (SE's) is available, on request, at the registered address of the Bank.

38.4 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Bank to require distributions of capital, access the assets, or repay the liabilities of members of its group arising from regulatory and contractual requirements and from the protective rights of non-controlling interests.

Regulatory requirements

The Bank's banking and insurance subsidiaries are subject to the regulatory capital (RC) requirements of the countries in which they operate. These require, inter alia, that these entities maintain minimum capital ratios which restrict the ability of these entities to make distributions to the parent company. Distributions are also restricted by leverage constraints, large exposure limits and local legal licence requirements.

The requirements to maintain capital also affect certain equity and non-equity instruments in these subsidiaries such as Tier 1 and Tier 2 capital instruments and other subordinated liabilities which enable subsidiaries to meet their ratios. To the extent that these are retired, they must be replaced with instruments of similar terms.

The minimum amount of RC required to be maintained by the Bank was **R87.3bn** (2021: R76.8bn).

Contractual requirements

Certain of the Bank's securitisation and SEs hold assets or interests in assets that are only available to meet the liabilities of those entities and may have issued public debt securities. The Bank has the ability to wind up these structures and repay the notes, but only on the occurrence of certain contingencies, such as changes in tax laws or regulatory requirements. The carrying amount of the assets and liabilities of the entities to which these restrictions apply as at 31 December 2022 was **R15bn** and **R15bn** respectively (2021: R14bn and R12bn respectively).

38. Related parties (continued)

38.5 Associates, joint ventures and retirement benefit fund

The Bank provides certain banking and financial services to associates and joint ventures. The Bank also provides a number of current and interest-bearing cash accounts to the Absa Pension. These transactions are generally conducted on the same terms as third-party transactions.

In aggregate, the amounts included in the Bank's consolidated financial statements are as follows:

	Bank 2022 Associates and joint ventures Rm
Statement of financial position	
Other assets	15
Loans and advances	22 224
Other liabilities	(15)
Deposits	(87)
Statement of comprehensive income	
Interest income from joint ventures and associates and on plan assets	1 691
Interest expense on defined benefit obligations	(5)
Fee and commission income	—
Fee and commission expense	(3)
Operating expenses	(1 127)
Operating income	—

	2021 Associates and joint ventures Rm
Statement of financial position	
Other assets	9
Loans and advances to customers	25 918
Other liabilities	(9)
Deposits	(107)
Statement of comprehensive income	
Interest income from joint ventures and associates and on plan assets	1 371
Interest expense on defined benefit obligations	(5)
Fee and commission income	—
Fee and commission expense	(3)
Operating expenses	1 305
Operating income	—

The information provided below is in respect of the Bank's main associates and joint ventures. The main associates and joint ventures are those arrangements whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank's associates and joint ventures, on the Bank's consolidated financial statements. Despite these investments having the most significant impact relative to all the Bank's associates and joint ventures, none of the Bank's associates or joint ventures are considered to have an impact that is individually material. Materiality and the relative significance of the Bank's associates and joint ventures are judged from a qualitative and quantitative perspective and is assessed half-yearly.

[1] Loans and advances is made up of joint ventures.

Related parties (continued)

Associates, joint ventures and retirement benefit fund (continued)

Name	Nature of business	Bank 2022 Ownership %	2021 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	25	25
Document Exchange Association (DEA)	Facilitates the electronic exchange of documents between the banks.	25	25
South African Bankers Services Company Proprietary Limited	Automatic clearing house.	23	23
Equity-accounted joint ventures			
FFS Finance South Africa (RF) Proprietary Limited	Provides financing solutions to Ford Motor Company customers.	50	50
MAN Financial Services (SA) (RF) Proprietary Limited	Joint venture with MAN Financial Services GmbH for financing of trucks and buses.	50	55
Zeerust Joint Venture	Engages in property investment.	55	55
John Deere Financial (Pty) Ltd	Undertakes marketing activities for asset financing of John Deere products.	50	50
Associates and joint ventures designated at fair value through profit or loss	Various	Various	Various

All associates and joint ventures are incorporated in South Africa.

A full list of associates and joint ventures is available, on request, at the registered address of the Bank.

SBV Services Proprietary Limited and The South Africa Bankers Services Company Proprietary Limted have a reporting period of 30 June.

39. Segment report

39.1 Summary of segments

The Bank has identified its operating model with 'customer' as primary dimension, creating a platform for increased focus and dedicated management capacity. The identified reportable segments are in a manner in which the Bank's businesses are managed and reported to the Chief Operating Decision Maker (CODM).The Bank has changed its operating model, effective from 1 July 2022. This change is part of the Bank's journey to enhance market competitiveness, while also improving its transformation position. In essence, the Bank has moved from two commercial businesses, Corporate and Investment Bank (CIB) and Retail and Business Banking (RBB), to four business units (Everyday Banking, Relationship Banking, Product Solutions Cluster and CIB).

The following summary describes the operations in each of the Bank's business units:

- **Product Solutions Cluster:** offers a comprehensive suite of product solutions to the retail consumer segment. Products include mortgages, vehicle financing, life and non-life insurance products, investment products and advisory services. Customers are served through an extensive distribution network, including digital channels, branches, mortgage originators, dealerships, financial advisors and partnerships. The focus remains on providing a consistently superior experience across channels tailored to each customer's needs and expectations.
- **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.
- **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 Bank. 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.
- **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.
- **Head Office, Treasury and other operations** consists of various non-banking activities and includes investment income earned by the Bank, as well as income earned by Absa Manx Holdings and Corporate Real Estate Services.

39. Segment report (continued)

39.1 Summary of segments (continued)

- **Barclay's separation:** Barclays PLC contributed R12.1 billion to the Bank in June 2017, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. This contribution was invested primarily in rebranding, technology and separation- related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time. The Separation Programme was completed within agreed timelines. The separation process has had a significant impact on the Group's financial results over the past years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the assets as they are brought into use. The afore-mentioned results show a disconnect between the underlying business performance and the IFRS financial results. Normalised results have therefore been disclosed to reflect the underlying business performance.

Reportable segments:

Product Solutions Cluster: offers a comprehensive suite of residential and vehicle finance solutions along with insurance products and services to protect customer's wealth and investment. The focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer. Customers across all segments are serviced through an extensive branch network, electronic channels, financial advisors, originators, dealerships as well as alliances and joint ventures.

Key business areas:

- **Home Loans:** offers residential property-related finance solutions direct to customers through personalised services, 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** consists of:
  - **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.
  - Insurance Group holding companies, related consolidation entries, allocated shareholder overhead expenses and investments spend.

Everyday Banking: offers the day-to-day banking services for the retail customer and includes:

- **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 short-term 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.

Relationship Banking: places primary focus on client segment in drive to put the customer first. Essentially, the business focuses on the following key client segments Small and Medium Enterprises (SMEs), Commercial Segment and Private Wealth which are serviced by the following key business areas:

- **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** – 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.
- **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.

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

- **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 Banking** comprising:
  - **Global Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
  - **Investment Banking Division** – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
  - **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
  - **Private Equity and Infrastructure Investments (PEII)** – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

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39. Segment report (continued)

39.2 Statement of comprehensive income

	Product Solutions Cluster 2022 Rm	Product Solutions Cluster 2021[1] Rm	Everyday Banking 2022 Rm	Everyday Banking 2021[1] Rm	Relationship Banking 2022 Rm	Relationship Banking 2021[1] Rm
Net interest income[3]	9 138	8 242	12 855	11 614	9 328	8 759
Interest and similar income	34 351	26 227	11 346	9 394	13 026	10 472
Interest expense and similar charges	(25 213)	(17 985)	1 509	2 220	(3 698)	(1 713)
Non-interest income (refer to note 39.4)	1 109	1 062	11 185	10 341	5 095	4 914
Total income	10 247	9 304	24 040	21 955	14 423	13 673
Impairment losses	(2 586)	(1 292)	(5 070)	(3 569)	(616)	(876)
Operating expenses[3]	(4 677)	(4 335)	(12 675)	(12 223)	(7 894)	(7 391)
Depreciation and amortisation	(64)	(31)	(1 432)	(1 469)	(258)	(283)
Information technology costs	(92)	(89)	(555)	(487)	(126)	(109)
Staff costs	(1 291)	(1 191)	(5 613)	(5 484)	(2 664)	(2 603)
Other operating expenses	(3 230)	(3 024)	(5 075)	(4 783)	(4 846)	(4 396)
Other expenses	(120)	(113)	(544)	(415)	(69)	(51)
Other impairments	(36)	(25)	(171)	(120)	—	(4)
Indirect taxation	(84)	(88)	(373)	(295)	(69)	(47)
Share of post-tax results of associates and joint ventures	59	90	—	—	40	22
Operating profit before income tax	2 923	3 654	5 751	5 748	5 884	5 377
Tax expense	(774)	(967)	(1 695)	(1 583)	(1 657)	(1 469)
Profit for the reporting period	2 149	2 687	4 056	4 165	4 227	3 908
Profit attributable to:						
Ordinary equity holders	1 934	2 496	3 919	4 045	4 045	3 722
Non-controlling interest – ordinary shares	—	—	—	—	—	—
Non-controlling interest – preference shares	65	56	42	35	56	55
Other equity – Additional Tier 1 capital	150	135	95	85	126	131
	2 149	2 687	4 056	4 165	4 227	3 908
Headline earnings	1 960	2 521	3 948	4 050	4 046	3 723
Statement of financial position						
Loans and advances	400 643	368 648	63 777	62 331	135 897	126 171
Loans and advances to customers	400 354	368 352	54 945	49 672	134 699	125 565
Loans and advances to banks	289	296	8 832	12 659	1 198	606
Investment securities	20 841	18 490	3 901	3 574	6 590	6 111
Other assets	33 640	29 517	309 469	292 701	123 150	116 119
Total assets	455 124	416 655	377 147	358 606	265 637	248 401
Deposits	1 863	1 915	289 606	278 334	201 191	188 394
Deposits due to customers	1 863	1 915	289 606	278 334	201 185	188 390
Deposits due to banks	—	—	—	—	6	4
Debt securities in issue	—	—	—	—	—	—
Other liabilities	448 800	410 269	83 523	75 454	59 993	55 736
Total liabilities	450 663	412 184	373 129	353 788	261 184	244 130

[1] These numbers have been restated, refer to note 1.19.
[2] Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.
[3] The segment reporting presentation has been enhanced based on the requirements of IFRS 8 – Operating Segments. The Bank has disaggregated net interest income into interest income and similar income and interest expense and similar charges, as well as operating expenses into technology and staff costs.

Notes to the consolidated financial statements
for the reporting period ended 31 December

	CIB 2022 Rm	CIB 2021[1] Rm	Head Office, Treasury and other operations 2022 Rm	Head Office, Treasury and other operations 2021[1,2] Rm	Total before Barclays separation effects 2022 Rm	Total before Barclays separation effects 2021 Rm	Barclays separation effects 2022 Rm	Barclays separation effects 2021 Rm	Bank 2022 Rm	Bank 2021 Rm
Net interest income[3]	10 199	9 657	809	4	42 329	38 276	58	25	42 387	38 301
Interest and similar income	23 060	18 136	7 386	7 915	89 169	72 144	—	—	89 169	72 144
Interest expense and similar charges	(12 861)	(8 479)	(6 577)	(7 911)	(46 840)	(33 868)	58	25	(46 782)	(33 843)
Non-interest income (refer to note 39.4)	3 937	3 979	361	(104)	21 687	20 192	—	(1)	21 687	20 191
Total income	14 136	13 636	1 170	(100)	64 016	58 468	58	24	64 074	58 492
Impairment losses	(413)	(657)	(2)	(2)	(8 687)	(6 396)	—	1	(8 687)	(6 395)
Operating expenses[3]	(8 105)	(7 271)	(2 854)	(3 005)	(36 205)	(34 225)	(917)	(1 007)	(37 122)	(35 232)
Depreciation and amortisation	(297)	(225)	(1 867)	(2 058)	(3 918)	(4 066)	(1 006)	(1 074)	(4 924)	(5 140)
Information technology costs	(448)	(471)	(2 607)	(2 824)	(4 394)	(3 980)	(3)	(52)	(4 397)	(4 032)
Staff costs	(4 746)	(4 176)	(4 329)	(4 593)	(18 908)	(18 047)	—	15	(18 908)	(18 032)
Other operating expenses	(2 614)	(2 399)	5 949	6 470	(8 985)	(8 132)	92	104	(8 893)	(8 028)
Other expenses	(205)	(251)	(978)	(692)	(1 916)	(1 522)	—	61	(1 916)	(1 461)
Other impairments	—	(54)	(384)	(87)	(591)	(290)	—	(36)	(591)	(326)
Indirect taxation	(205)	(197)	(594)	(605)	(1 325)	(1 232)	—	97	(1 325)	(1 135)
Share of post-tax results of associates and joint ventures	15	9	18	11	132	132	—	—	132	132
Operating profit before income tax	5 428	5 466	(2 646)	(3 788)	17 340	16 457	(859)	(921)	16 481	15 536
Tax expense	(876)	(1 094)	474	720	(4 528)	(4 393)	236	254	(4 292)	(4 139)
Profit for the reporting period	4 552	4 372	(2 172)	(3 068)	12 812	12 064	(623)	(667)	12 189	11 397
Profit attributable to:										
Ordinary equity holders	4 211	4 041	(2 172)	(3 064)	11 937	11 240	(623)	(667)	11 314	10 573
Non-controlling interest – ordinary shares	—	—	—	(3)	—	(3)	—	—	—	(3)
Non-controlling interest – preference shares	103	97	—	(1)	266	242	—	—	266	242
Other equity – Additional Tier 1 capital	238	234	—	—	609	585	—	—	609	585
	4 552	4 372	(2 172)	(3 068)	12 812	12 064	(623)	(667)	12 189	11 397
Headline earnings	4 211	4 081	(1 891)	(3 020)	12 274	11 355	(624)	(629)	11 650	10 726
Statement of financial position										
Loans and advances	431 733	379 464	470	(3 839)	1 032 520	932 775	—	—	1 032 520	932 775
Loans and advances to customers	362 782	338 117	3 195	695	955 975	882 401	—	—	955 975	882 401
Loans and advances to banks	68 951	41 347	(2 725)	(4 534)	76 545	50 374	—	—	76 545	50 374
Investment securities	43 396	40 503	53 711	47 587	128 439	116 265	—	—	128 439	116 265
Other assets	435 046	402 973	(585 065)	(543 875)	316 240	297 435	2 153	3 223	318 393	300 658
Total assets	910 175	822 940	(530 884)	(500 127)	1 477 199	1 346 475	2 153	3 223	1 479 352	1 349 698
Deposits	405 780	392 985	117 183	112 493	1 015 623	974 121	—	—	1 015 623	974 121
Deposits due to customers	318 885	320 689	103 084	94 548	914 623	883 876	—	—	914 623	883 876
Deposits due to banks	86 895	72 296	14 099	17 945	101 000	90 245	—	—	101 000	90 245
Debt securities in issue	27 282	18 428	175 993	108 843	203 275	127 271	—	—	203 275	127 271
Other liabilities	471 673	406 174	(905 368)	(800 231)	158 621	147 402	(1 105)	(814)	157 516	146 588
Total liabilities	904 735	817 587	(612 192)	(578 895)	1 377 519	1 248 794	(1 105)	(814)	1 376 414	1 247 980

	Bank 2022 Rm	Bank 2021[3] Rm
39. Segment report (continued)		
39.3 Total internal income		
Product Solutions Cluster	(23 301)	(15 996)
Everyday Banking	16 138	13 206
Relationship Banking	4 574	3 745
CIB	(6 739)	4 173
Head Office, Treasury and other operations	9 345	2 494
Barclays PLC separation effects	58	25
Total internal income	75	7 647

39.4 Disaggregation of non-interest income

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

2022	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	1 155	11 740	5 768	2 714	(27)	21 350
Consulting and administration fees	137	—	122	32	27	318
Transactional fees and commissions	727	10 798	3 744	2 055	71	17 395
Cheque accounts	—	2 921	1 729	155	—	4 805
Credit cards	—	1 868	194	—	43	2 105
Electronic banking	—	4 045	1 136	1 154	—	6 335
Other[1]	727	715	561	748	28	2 779
Savings accounts	—	1 249	124	(2)	—	1 371
Merchant income	—	563	1 717	—	—	2 280
Trust and other fiduciary services fees	—	—	76	18	—	94
Other fees and commissions	2	9	66	244	(125)	196
Insurance commissions received	289	370	4	—	—	663
Investment banking fees	—	—	39	365	—	404
Other income from contracts with customers	—	—	27	—	—	27
Other non-interest income, net of expenses[2]	(46)	(555)	(700)	1 223	388	310
Total non-interest income	1 109	11 185	5 095	3 937	361	21 687

[1] Other transactional fees and commissions income include service and credit-related fees of **R873m** (2021: R644m), exchange commission of **R795m** (2021: R680m) and cash handling fees of **R315m** (2021: R242m).

[2] This amount consists of other sources of income not accounted for under IFRS 15. This amount has been included to reconcile to the total non-interest income amount presented in the consolidated statement of comprehensive income.

[3] These numbers have been restated, refer to the reporting changes overview, note 1.19.

2021[1]	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
39. Segment report (continued)						
39.4 Disaggregation of non-interest income (continued)						
Fee and commission income from contracts with customers	1 106	10 887	5 395	2 477	(88)	19 777
Consulting and administration fees	147	—	153	24	20	344
Transactional fees and commissions	667	9 997	3 534	1 857	(20)	16 035
Cheque accounts	—	2 742	1 804	135	—	4 681
Credit cards	—	1 665	155	—	—	1 820
Electronic banking	—	3 514	996	1 083	—	5 593
Other[1]	667	703	450	639	(20)	2 439
Savings accounts	—	1 373	129	—	—	1 502
Merchant income	—	543	1 558	—	—	2 101
Trust and other fiduciary services fees	—	2	59	18	—	79
Other fees and commissions	3	9	49	223	(88)	196
Insurance commissions received	289	336	6	—	—	631
Investment banking fees	—	—	36	355	—	391
Other income from contracts with customers	—	—	37	—	—	37
Other non-interest income, net of expenses[2]	(45)	(547)	(517)	1 502	(16)	377
Total non-interest income	1 061	10 340	4 915	3 979	(104)	20 191

[1] These numbers have been restated, refer to the reporting changes overview, note 1.19.

40. Offsetting financial assets and financial liabilities

Where relevant the Bank reports derivative financial instruments, reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and financial liabilities that are reported net on the statement of financial position. Also presented are derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the IAS 32 netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Bank's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Bank 2022							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position[1] Rm	Offsetting financial instruments Rm	Financial collateral[2] Rm	Net amount Rm	Amounts not subject to legally enforceable netting arrangements[3] Rm	Total per statement of financial position[4] Rm
Derivative financial assets	96 760	(35 500)	61 260	(48 390)	(1 727)	11 143	788	62 048
Reverse repurchase agreements and other similar secured lending	86 861	—	86 861	—	(86 861)	—	—	86 861
Total assets	183 621	(35 500)	148 121	(48 390)	(88 588)	11 143	788	148 909
Derivative financial liabilities	(94 748)	40 768	(53 980)	48 390	—	(5 590)	(2 807)	(56 787)
Repurchase agreements and other similar secured borrowings	(66 356)	—	(66 356)	—	66 356	—	—	(66 356)
Total liabilities	(161 104)	40 768	(120 336)	48 390	66 356	(5 590)	(2 807)	(123 143)

[1] Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.

[2] Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure. The financial collateral is pledged under terms that are usual and customary to such arrangements.

[3] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[4] Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

40. Offsetting financial assets and financial liabilities (continued)

	Bank 2021							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position[1] Rm	Offsetting financial instruments Rm	Financial collateral[2] Rm	Net amount Rm	Amounts not subject to legally enforceable netting arrangements[3] Rm	Total per statement of financial position[4] Rm
Derivative financial assets	66 431	(8 285)	58 146	(37 139)	(2 219)	18 788	1 249	59 395
Reverse repurchase agreements and other similar secured lending	81 358	—	81 358	—	(81 358)	—	—	81 358
Total assets	147 789	(8 285)	139 504	(37 139)	(83 577)	18 788	1 249	140 753
Derivative financial liabilities	(53 391)	7 924	(45 467)	37 139	—	(8 328)	(4 401)	(49 868)
Repurchase agreements and other similar secured borrowings	(75 555)	—	(75 555)	—	75 555	—	—	(75 555)
Total liabilities	(128 946)	7 924	(121 022)	37 139	75 555	(8 328)	(4 401)	(125 423)

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association (ISDA) Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and the credit risk mitigation strategies used by the Bank are further explained in the Credit risk mitigation, collateral and other credit enhancements section of note 52.

[1] Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.

[2] Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[3] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[4] Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

	Bank 2022 Rm	Bank 2021 Rm
41. Earnings per share		
Basic and diluted earnings per share		
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders, by the weighted average number of ordinary shares in issue during the reporting period.		
Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are no instruments that would have a dilutive impact.		
Basic and diluted earnings attributable to ordinary equity holders	11 314	10 573
Weighted average number and diluted number of ordinary shares in issue (millions)	448.3	448.3
Issued shares at the beginning of the reporting period	448.3	448.3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	2 523.8	2 358.5

	Bank 2022 Rm	Bank 2021 Rm
42. Assets under management and administration (unaudited)		
Alternative asset management and exchange-traded funds	25 908	27 790
Other assets under administration	350 790	285 401
Portfolio management	4 397	5 046
Unit trusts	1 518	1 589
	382 613	319 826

'Other assets under administration' includes those for which custody and trustee services are provided. It includes assets managed on behalf of Absa Bank Limited.

	Bank 2022 Rm	Bank 2021 Rm
43. Contingencies, commitments and similar items		
Guarantees	44 102	36 293
Irrevocable debt facilities[1]	98 379	100 334
Letters of credit	12 873	9 475
Other	10	—
	155 364	146 102
Authorised capital expenditure		
Contracted but not provided for	622	509

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

Irrevocable facilities are commitments to extend credit where the Bank does not have the right to terminate the facilities by written notice. Irrevocable debt facilities has been updated, in the current year, to remove other lending facilities for which an impairment provision has been raised, and to present gross loan commitments that are contractually committed only 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 Bank has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

[1] During the year, the Bank 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 R144 832m to R100 334m to reflect this change.

43. Contingencies, commitments and similar items

Legal proceedings

Legal matters

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

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

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

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

Regulatory developments

The scale of regulatory change remains challenging post the reforms introduced in response to the global financial crisis. These reforms resulted in significant tightening of regulation and changes to regulatory structures globally and locally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny in the operation of 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 Bank's control. We are also awaiting policy positions to be taken by Regulators. Some of these are likely to have an impact on the Bank's customers, business lines, systems and earnings.

The Bank is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to the same. The Bank undertakes monitoring, review and assurance activities, and has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate. The Bank 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, enabled banks to continue the provision of credit into the economy during this period of financial stress. This support was discontinued in its entirety in April 2022.

Income taxes

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

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

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

44. Structured entities

Preference share funding vehicles

The Bank provides financing to a number of SEs, established and managed by clients, in the form of a subscription for cumulative redeemable preference shares. These instruments typically have the economic characteristics of vanilla debt instruments, and as such the Bank recognises interest income from its investments. Often the Bank subscribes for preference shares in these vehicles together with other financial institutions on a syndicated basis. The Bank does not have the ability to direct the relevant business activities in these vehicles and therefore in the absence of control, the vehicles are not consolidated. An entity which forms part of the same group of companies as the preference share funding vehicle, most commonly the parent company, writes the Bank a financial guarantee or a put option, so as to provide security in the event of default.

Structured investment vehicles

The Bank holds investments in a number of vehicles which were established and are managed by third-party fund managers. These vehicles are generally not consolidated by the Bank on the basis that the relevant activities of the vehicles are directed by the fund manager, and no substantive kick-out rights exist. The investments held in the vehicles are measured at fair value with changes therein being recognised in profit or loss. Distributions made by the vehicles will be recognised as investment income in profit or loss. The vehicles are funded through the commitment and provision of capital by investors.

Securitisation vehicles

The Bank has used SEs in order to securitise loans that were originated by the Bank. These entities have minimal equity and therefore rely on funding in the form of notes in order to acquire the underlying loans. The Bank transfers the contractual right to receive cash flows on the underlying loans, but in many instances, does not relinquish exposure to substantially all the risks and rewards of ownership. Exposures to credit risk, prepayment risk and/or interest rate risk are retained when the Bank purchases either senior notes or junior notes and sells derivatives to the entity. When the securitisation vehicles are established to run entirely on autopilot or when the only relevant activity of the entity constitutes recovery of the securitised loans in the event of default, then provided such activity is not directed by the Bank, the Bank will not have power over the relevant activities of the vehicle. The Bank earns interest income on the notes issued by the vehicles, together with management fees from the Bank's ongoing involvement. To the extent that the notes are fair valued, unrealised gains and losses are generated, which are recognised by the Bank in profit or loss.

Exchange-traded funds

Exchange Traded Funds (ETFs) are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of and/or gains a broad exposure to a particular index, sector or commodity for individual and institutional investors. All ETFs have a market maker to ensure that liquidity is always maintained, and in many instances, the Bank will act in this capacity. The Bank may therefore hold a direct interest in the fund, but the magnitude of such interest will vary with sufficient regularity. Whether the Bank consolidates any of the funds depends on the magnitude of the interest held therein, as well as on the Bank's ability to direct the relevant activities of the fund, either directly or indirectly. The Bank, through its contractual undertaking to act as market maker, ensures that liquidity is always maintained. The Bank earns management fee income from its involvement in the funds. To the extent that the Bank holds participatory units in the funds, the Bank will receive distributions recognised as investment income, as well as unrealised gains and losses on the revaluations thereof. ETFs are regulated by the Financial Sector Conduct Authority and the Collective Investment Schemes Control Act, No. 45 of 2002.

Funding vehicles

The Bank provides funding in the form of loans to bankruptcy remote SEs to enable them to purchase fixed assets, such as property. The loans are fully collateralised by the underlying asset, and the repayment of principal and interest is met through the receipt of lease income. The loans are subject to guarantees received from the parent company, or from other trading entities within the same group of companies. The Bank earns interest on the loans. The loans are either measured at amortised cost, or are designated as at fair value through profit or loss.

44. Structured entities (continued)

44.1 Consolidated structured entities

During the reporting period the Bank provided financial or other support to the following consolidated SEs despite not being contractually obliged to do so:

Name	Nature of support	Reason for providing support	Bank 2022 Rm	Bank 2021 Rm
The Absa Foundation Trust	Donation	The Trust was constituted to fund community upliftment and social welfare programmes	—	9
Various ETF portfolios	Expense subsidy	Subsidising the fixed cost incurred by the new ETF funds as the funds cannot yet cover their own costs due to low levels of market capitalisation	—	0

The Bank has consolidated the Absa Foundation Trust since 2006 and new ETFs since 2017.

The Bank intends to provide financial support to the Absa Foundation Trust and any new ETFs in 2023.

44.2 Unconsolidated structured entities

The level of risk that the Bank is exposed to is determined by the nature and purpose of it holding an interest in the entity. Owing to the large number of SEs in which the Bank holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

Bank 2022	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Trading portfolio assets	—	346	—	—	—	346
Investment securities	—	—	—	3 706	—	3 706
Debt securities	—	—	—	—	—	—
Equity securities	—	—	—	3 706	—	3 706
Loans and advances to customers	29 694	—	500	—	13	30 207
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	281	—	—	—
	29 694	346	781	3 706	13	34 540
Maximum exposure to loss[2]	29 694	346	781	3 706	13	34 540
Total size of entities[3]	122 529	346	1 447	25 908	13	150 243

[1] There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets.

[2] The Bank's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

[3] Total size of entities is measured relative to total assets.

44. Structured entities (continued)

44.2 Unconsolidated structured entities (continued)

	Bank 2021					
	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Investment securities	—	234	—	4 225	—	4 459
Debt securities	—	234	—	—	—	234
Equity securities	—	—	—	4 225	—	4 225
Loans and advances to customers	26 632	—	593	—	15	27 240
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	240	—	—	240
	26 632	234	833	4 225	15	31 939
Liabilities						
Derivatives held for trading	—	—	—	—	—	—
Interest rate derivatives (carrying value)	—	—	—	—	—	—
Interest rate derivatives (notional value)	—	—	—	—	—	—
Deposits due to customers	—	—	—	—	—	—
Maximum exposure to loss[2]	26 632	234	833	4 225	15	31 939
Total size of entities[3]	120 168	234	1 631	28 999	15	151 047

44.3 Sponsored entities

The Bank did not earn material income from its involvement in the unconsolidated SEs which it sponsors.

Assets transferred to unconsolidated sponsored structured entities

The Bank did not transfer assets during the current reporting year (2021: Rnil) to its unconsolidated sponsored structured entities.

	Bank 2022 Rm	Bank 2021 Rm
45. Cash and cash equivalents		
Mandatory reserve balances with the SARB and other central banks[4]	21 813	19 379
Coins and notes	6 241	6 067
Loans and advances to banks[4]	8 409	4 879
	36 463	30 325

[1] There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets.

[2] The Bank's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

[3] Total size of entities is measured relative to total assets.

[4] This note has been restated, refer to 1.19.

Notes to the consolidated financial statements
for the reporting period ended 31 December

	Bank 2022 Rm	Bank 2021 Rm
46. Deferred cash and share-based payments		
Share-based payments expense	593	473
Equity-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	299	309
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	19	12
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	164	129
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	72	10
Cash-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	33	9
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	0	2
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	6	2
Deferred cash expense		
Absa Group Limited Cash Value Plan (CVP)	10	41
Total deferred cash and share-based payments (refer to note 28)	603	514
Total carrying amount of liabilities for cash-settled arrangements (refer to note 14)	50	94
Total carrying amount of equity-settled share-based payment arrangement (refer to the statement of changes in equity)	977	614

Cash-settled share-based payment schemes are measured with reference to the statement of financial position date and the Absa Group Limited share price.

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital for the Bank.

46. Deferred cash and share-based payments (continued)

Absa Group Limited Share Incentive Plan Performance Award

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Absa Group Limited ordinary shares. The Bank retains the obligation to settle in cash certain SIPP awards that are prohibited from being equity-settled. The award will be issued by Absa Group Limited. In order for the participant to be entitled to these awards, the participant needs to render three years or five years (depending on the grant received) of service and the requisite performance conditions need to be met. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Retention Buyout Award

The Share Incentive Plan Retention Buyout Award (SIPRB) enables the Bank to attract and motivate new employees by buying out the 'in the money' portion of a participant's shares or options under their previous employers' share scheme by offering the employees Absa Group Limited awards. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends may accumulate and are reinvested over the vesting period, which will align with the vesting period of the previous employer.

Absa Group Limited Share Incentive Plan Deferred Award

The Share Incentive Plan Deferred Award (SIPD) (and any associated notional dividends) are awarded at no cost to the participants. The awards typically vest in equal tranches after one to five years. The Bank retains the obligation to settle in cash certain SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Retention Award

The Share Incentive Plan Retention Award (SIPR) (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three to five years. The Bank retains the obligation to settle in cash certain SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Additional to Share Incentive Plan Retention Award: Individual Performance Conditions

Award will vest on the vesting date(s), subject to achieving a performance rating in respect of the 2021, 2022 and 2023 performance years of 'Good or above' (or any other equivalent rating in force from time to time).

Absa Group Limited Restricted Share Value Plan

The Restricted Share Value Plan (RSVP) awards (and any associated notional dividends) are awarded at no cost to the participants. Vesting periods range from two to five years, with each tranche subject to its own independent non-market-related performance conditions on vesting. The Bank retains the obligation to settle in cash certain Restricted SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

Notes to the consolidated financial statements

for the reporting period ended 31 December

46. Deferred cash and share-based payments (continued)

Number of awards '000

	2022					2021				
	Opening balance	Granted/ trans-ferred	Forfeited	Exercised	Closing balance	Opening balance	Granted/ trans-ferred	Forfeited	Exercised	Closing balance
Equity-settled:										
SIPP	14 058	2 469	(4 451)	(929)	11 147	12 610	3 144	(1 642)	(54)	14 058
SIPRB	217	150	(16)	(106)	245	204	148	(36)	(99)	217
SIPD	2 843	1 287	(82)	(1 512)	2 536	4 659	498	(364)	(1 950)	2 843
SIPR	824	754	(60)	—	1 518	—	833	(9)	—	824
RSVP	52	—	—	(20)	32	71	—	—	(19)	52
Cash-settled:										
SIPP	95	33	(23)	(9)	96	62	33	—	—	95
SIPRB	6	—	—	(6)	(0)	16	—	—	(10)	6
SIPD	14	14	(1)	(6)	21	14	4	—	(4)	14

The terms and conditions of the above share-based payment arrangements dictate that awards be settled immediately on vesting and therefore there are no awards which have vested but have not yet been settled at any given time. Furthermore the awards outstanding in the aforementioned schemes have no exercise price.

	Weighted average share price at exercise date during the reporting period (Rand)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rand)	
	2022	2021	2022	2021	2022	2021
Equity-settled:						
SIPP	155.46	151.61	1.06	1.33	190.62	137.18
SIPRB	135.05	138.54	1.08	1.22	167.19	129.13
SIPD	102.66	117.40	0.80	0.72	190.64	124.17
SIPR	—	—	1.97	2.75	190.58	153.24
RSVP	153.00	138.43	—	0.09	—	—
Cash-settled:						
SIPP	178.58	—	1.26	1.40	191.00	124.17
SIPRB	181.56	147.06	—	0.54	—	—
SIPD	191.00	124.17	0.96	0.88	191.00	124.17

46. Deferred cash and share-based payments (continued)

Future cash flow effects associated with equity-settled share-based payments

Bank 2022	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	642	627	—	1 269

2021	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	228	513	—	741

The estimates provided above indicate the amounts which are expected to be transferred to tax authorities relating to the employees' tax obligations on equity schemes which have been granted but which vest in future periods. The amounts were estimated based on the number of awards expected to vest, the share price as at year end and an estimate of the average applicable employee effective tax rate.

47. Acquisitions and disposals of businesses and other similar transactions

47.1 Acquisitions of businesses during the current reporting period

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

47.1.2 Disposals of businesses during the current reporting period

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

47.2.1 Acquisitions of businesses during the previous reporting period

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

47.2.2 Disposals of businesses during the previous reporting period

The Bank disposed of Card Issuing and Personal loan books on 30 June 2021. The Bank received a cash consideration of R94m on disposal. The Bank disposed of the Integrated Processing Solution investment on 30 September 2021. The Bank received a cash consideration of R12m on disposal.

48. Derivatives

48.1 Derivative financial instruments

Derivative financial instruments are entered into in the normal course of business to manage various financial risks.

The derivative instrument contract value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, net fee and commission income and derivative assets and liabilities.

Some derivative financial instruments have been designated as hedging instruments in fair value or cash flow hedging relationships or hedges of net investments in foreign operations. At the reporting date, the Bank did not have any compound financial instruments with multiple embedded derivatives in issue.

The Bank trades the following derivative instruments:

Foreign exchange derivatives

The Bank's principal exchange rate-related contracts are forward foreign exchange contracts, currency swaps and currency options.

Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Bank's principal interest rate-related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount.

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers as well as investments in fixed rate debt securities held.

Credit derivatives

The Bank's principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer of the protection in return receives a predetermined amount.

Equity derivatives

The Bank's principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date. The Bank also enters into fund-linked derivatives, being swaps and options which include mutual funds, hedge funds, indices and multi-asset portfolios as underlying.

Commodity derivatives

The Bank's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are agricultural commodities and precious metals.

48.2 Notional amount

The gross notional amount is the sum of the absolute value of all contracts. The notional amount will not generally reflect the amount receivable or payable under a derivative contract. The notional amount should be viewed only as a means of assessing the Bank's participation in derivative contracts and not the market risk position nor the credit exposure arising on such contracts.

The absolute value of all contracts is also not indicative of the Bank's net exposure to, or position in any of the markets that the Bank trades in.

48. Derivatives (continued)

48.3 Derivative financial instruments

The Bank's total derivative asset and liability position as reported on the statement of financial position is as follows:

	Bank					
	2022			2021		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm[1]	Liabilities Rm[1]	Notional contract amounts Rm
Derivatives held for trading (refer to note 4 and note 13)[1]	57 076	(54 550)	10 270 883	55 701	(46 957)	7 274 921
Derivatives designated as hedging instruments (refer to note 4 and note 13)[1]	4 972	(2 237)	291 801	3 696	(2 910)	272 461
Total derivatives	62 048	(56 787)	10 562 684	59 397	(49 867)	7 547 382

48.4 Derivatives held for trading – detail by market and instrument type

Derivatives held for trading by the Bank related to the various markets and instrument types the Bank trades in are as follows:

	Bank					
	2022			2021		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm[1]	Liabilities Rm[1]	Notional contract amounts Rm[1]
Foreign exchange derivatives	16 394	(16 947)	907 135	10 090	(11 490)	660 085
Forwards	5 912	(6 679)	158 074	2 092	(2 840)	116 229
Futures	—	—	14 957	—	—	14 099
Swaps	8 020	(9 636)	522 634	5 305	(8 378)	435 994
Options	2 462	(632)	211 470	2 693	(272)	93 763
Interest rate derivatives	31 491	(32 548)	9 156 886	35 968	(31 868)	6 454 779
Forwards	1 639	(1 665)	2 177 588	848	(1 195)	1 660 426
Futures	—	—	111 209	—	—	78 069
Swaps[1]	29 632	(30 671)	6 825 954	34 976	(30 546)	4 691 414
Options[1]	220	(212)	42 135	144	(127)	24 870
Equity derivatives	8 779	(4 678)	188 426	8 581	(2 682)	148 871
Forwards	565	(823)	30 261	177	(1 170)	23 275
Futures	—	—	42 392	—	—	22 408
Swaps[1]	4 936	(3 730)	51 536	533	(1 319)	50 388
Options[1]	3 278	(125)	52 701	7 871	(193)	40 013
Options – exchange traded	—	—	—	—	—	3 951
Other – OTC	—	—	11 536	—	—	8 836
Commodity derivatives	188	(117)	6 764	920	(824)	5 359
Forwards	23	(69)	4 381	85	(88)	4 792
Swaps	129	(25)	2 056	578	(540)	403
Options	36	(23)	327	257	(196)	164
Credit derivatives						
Default swaps	224	(260)	11 673	142	(93)	5 827
Derivatives held for trading	57 076	(54 550)	10 270 884	55 701	(46 957)	7 274 921
Note	4	13		4	13	

Forwards, swaps and options in the table above have been traded on a bilateral OTC basis, unless specified otherwise. Futures in the table above have been traded on authorised exchanges.

[1] During the year the Bank determined that certain items previously disclosed as Swaps within Interest rate and Equity derivatives would be more appropriately disclosed as Options within these same categories. Amounts have accordingly been reclassified as follows:
- Interest rate derivatives (Assets – R110m; Liabilities – R114m; Notionals – R22 090m)
- Equity derivatives (Assets – R1 249m; Notionals – R3 951m)

48. Derivatives (continued)

48.5 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R61 260m** (2021: R58 146m). Additionally, the Bank held **R1 727m** (2021: R2 219m) of collateral against the net derivative asset exposure.

OTC traded instruments are subject to counterparty credit risk as the related cash flows are not guaranteed by an independent third party. This risk is mitigated by means of netting agreements. The International Swaps and Derivatives Association (ISDA) Master Agreement is used by the Bank. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other.

48.6 Hedge accounting

Risk management strategy

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged. The assessment of the effectiveness of hedge relationships are performed on a cumulative life to date basis.

In order to hedge the risks to which the Bank is exposed, the hedging instruments employed are interest rate swaps, inflation swaps, cross currency swaps and forward foreign exchange contracts. The economic relationship between the hedge instrument and the hedged items is aligned since all hedging instruments are exposed to the same risks as the hedged items, being interest rate risk, inflation risk and/or foreign currency risk.

Interest rate derivatives designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate borrowed funds or debt securities held and highly probable forecast investment transactions.

Foreign exchange derivatives designated as cash flow hedge, primarily hedge the exposure to highly probable forecast foreign denominated expenditure.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers as well as investments in fixed rate debt securities held.

In certain circumstances, items that are designated for hedge accounting purposes are different from the economic hedge owing to the existence of restrictions on the ability to apply hedge accounting to the economic hedge. Specifically, the Bank employs a governed interest rate risk management strategy (hedging programme) through the interest rate cycle to reduce volatility associated with structural balances (i.e., rate insensitive liabilities as well as the endowment associated with equity).

The hedge ratio between the hedged item and the hedging instruments is typically determined with reference to the sensitivity of the hedged item, on designation, to the risk factor, compared to the hedging instrument. In many cases the hedge ratio is directly proportional to the hedged item.

In some hedging relationships, the Bank would designate risk components of hedged items as follows:

(i) Benchmark interest rate risk;
(ii) Inflation risk as a contractually specified component of a debt instrument;
(iii) Spot exchange rate risk for foreign currency denominated financial assets or financial liabilities;
(iv) Spot or forward exchange rate risk for highly probable forecast foreign denominated expenditure or a net investment in a foreign operation;
(v) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Sources of ineffectiveness which may affect the Bank's designated hedge relationships are as follows:

(i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument;
(ii) Changes in credit risk of the hedging instruments;
(iii) If a hedge accounting relationship becomes overhedged. This might occur in hedges of net investments if the net asset value designated at the start of the period falls below the amount of the hedging instrument.

No other source of ineffectiveness has arisen during the period.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting

Fair value hedges are used by the Bank to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include investment securities, loans and advances, debt securities and borrowed funds. The profile and timing of hedging instruments designated in fair value hedge relationships based on notional amounts are as follows:

Bank

	2022 Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	6 776	586	3 390	28 713	1 630	32 835	73 930
Hedge of investment securities	817	—	2 229	19 528	171	32 265	55 010
Hedge of loans and advances	882	544	569	141	42	320	2 498
Hedge of debt securities in issue	125	42	592	2 178	1 417	250	4 604
Hedge of borrowed funds	4 952	—	—	6 866	—	—	11 818
Interest rate risk – cross currency swaps							
Hedge of investment securities	—	—	—	—	—	—	—
Inflation risk – interest rate swaps							
Hedge of investment securities	225	280	100	—	—	379	984

	2021 Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	6 161	7 066	827	4 129	27 588	26 925	72 696
Hedge of investment securities	2 700	817	239	2 967	18 403	24 892	50 018
Hedge of loans and advances	1 867	823	546	570	141	366	4 313
Hedge of debt securities in issue	1 229	125	42	592	2 178	1 667	5 833
Hedge of borrowed funds	365	5 301	—	—	6 866	—	12 532
Interest rate risk – cross currency swaps							
Hedge of investment securities	2 857	—	—	—	—	—	2 857
Inflation risk – interest rate swaps							
Hedge of investment securities	736	200	155	100	—	379	1 570

The average rates or prices set out below relate to the hedging instruments designated in fair value hedging relationships:

Bank

	2022 Average price or rate %	2021 Average price or rate %
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	8%	8%
Inflation risk		
Interest rate swaps		
Average fixed interest rate	3%	3%

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting (continued)

The following amounts relate to items designated as hedging instruments in fair value hedge relationships:

Bank

	2022 Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2022 Rm	Ineffectiveness recognised in profit or loss Rm
Total	74 914	4 498	(1 274)	2 798	(15)
Interest rate risk	73 930	4 160	(1 015)	2 824	10
Interest rate swaps – hedge of investment securities	55 010	5 080	(812)	4 036	—
Cross currency swaps – hedge of investment securities	—	—	—	(2)	—
Interest rate swaps – hedge of loans and advances	2 498	17	(168)	124	9
Interest rate swaps – hedge of borrowed funds	11 818	(987)	—	(1 001)	1
Interest rate swaps – hedge of debt securities in issue	4 604	50	(35)	(333)	—
Inflation risk					
Inflation linked swaps – hedge of investment securities	984	16	(259)	(26)	(25)
Collateral held against derivatives[2]	—	322	—	—	—

	2021 Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2021 Rm	Ineffectiveness recognised in profit or loss Rm
Total	77 123	1 265	(2 755)	1 508	(34)
Interest rate risk	75 553	1 295	(2 262)	1 503	1
Interest rate swaps – hedge of investment securities[1]	50 018	789	(1 878)	2 078	11
Cross currency swaps – hedge of investment securities	2 857	—	(71)	(2)	—
Interest rate swaps – hedge of loans and advances[1]	4 313	—	(311)	183	1
Interest rate swaps – hedge of borrowed funds[1]	12 532	110	—	(359)	1
Interest rate swaps – hedge of debt securities in issue[1]	5 833	396	(2)	(397)	(12)
Inflation risk					
Inflation linked swaps – hedge of investment securities[1]	1 570	15	(493)	5	(35)
Collateral held against derivatives[2]	—	(45)	—	—	—

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the Statement of Comprehensive Income, and the hedging instruments of the Bank are presented within Hedging portfolio assets and liabilities on the Statement of Financial Position.

[1] These amounts have been restated, refer to reporting changes overview note 1.19.
[2] These disclosures have been included for fair presentation.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.1 Fair value hedge accounting (continued)

The following amounts relate to items that were designated as hedged items in a fair value hedge relationship:

Bank

Hedged item statement of financial position classification and risk category	2022 Carrying value Rm	Accumulated fair value adjustment included in the carrying amount of the hedged item Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	54 665	(3 762)	(10)	(3 989)
Interest rate risk	52 339	(3 643)	(13)	(4 035)
Inflation risk	2 326	(119)	3	46
Loans and advances				
Interest rate risk	2 953	(58)	(5)	(139)
Financial liabilities				
Debt securities in issue				
Interest rate risk	(5 347)	23	0	333
Borrowed funds				
Interest rate risk	(15 329)	940	—	1 000

Hedged item statement of financial position classification and risk category	2021 Carrying value Rm	Accumulated fair value adjustment included in the carrying amount of the hedged item Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	56 363	728	(6)	(2 057)
Interest rate risk	52 901	783	(14)	(2 087)
Inflation risk	3 462	(55)	8	30
Loans and advances				
Interest rate risk	3 975	71	(7)	(195)
Financial liabilities				
Debt securities in issue				
Interest rate risk	(6 503)	(337)	0	409
Borrowed funds				
Interest rate risk	(15 170)	(60)	—	358

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.2 Cash flow hedge accounting

Cash flow hedges are used by the Bank to protect against the potential cash flow variability arising from the Bank exposure to interest rate and foreign currency risk. The financial instruments designated as hedged items include loans and advances, and highly probable forecast foreign denominated expenditure.

The profile and timing of hedging instruments designated in cash flow hedge relationships based on notional amounts are as follows:

Bank

2022	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	78 895	21 763	26 754	28 305	23 717	21 200	200 634
Foreign currency risk – cross currency swaps	6 887	30	—	5 420	—	—	12 337
Hedge of debt securities	—	30	—	—	—	—	30
Hedge of borrowed funds	6 887	—	—	5 420	—	—	12 307
Foreign currency risk – forwards							
Hedge of highly probable forecast expenditure	2 804	1 112	—	—	—	—	3 916

2021	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	59 424	32 592	18 393	26 513	28 295	15 432	180 649
Foreign currency risk - cross currency swaps	—	6 887	50	—	5 420	128	12 485
Hedge of investment securities	—	—	—	—	—	128	128
Hedge of debt securities	—	—	50	—	—	—	50
Hedge of borrowed funds	—	6 887	—	—	5 420	—	12 307
Foreign currency risk – forwards							—
Hedge of highly probable forecast expenditure	2 112	92	—	—	—	—	2 204

The average rates or prices set out below relate to the hedging instruments designated in cash flow hedging relationships:

Bank

	2022 Average price or rate	2021 Average price or rate
Interest rate risk		
Interest rate swaps	7%	7%
Foreign currency risk		
Currency swaps		
Average EUR/ZAR exchange rates	18.75	11.99
Average GBP/ZAR exchange rates	21.84	14.34
Average GBP/ZAR exchange rates	16.93	17.04
Average CZK/ZAR exchange rates	0.71	0.00

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.2 Cash flow hedge accounting (continued)

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship.

The following amounts relate to items designated as hedging instruments in cash flow hedge relationships:

Bank – 2022

	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Interest rate risk						
Total	216 887	474	(963)	(6 402)	(3 438)	(208)
Interest rate swaps – hedge of loans and advances	200 634	92	(4 595)	(6 387)	(3 490)	(218)
Foreign currency risk – cross currency swaps	12 337	220	—	(52)	15	—
Foreign currency swaps – hedge of investment securities	—	—	—	—	—	—
Foreign currency swaps – hedge of debt securities	30	11	—	(9)	(1)	—
Foreign currency swaps – hedge of borrowed funds	12 307	209	—	(43)	16	—
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	3 916	162	(63)	37	37	10
Collateral held against derivatives[2]	—	—	3 695	—	—	—

2021

	Notional amount Rm	Assets[1] Rm	Liabilities[1] Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Interest rate risk						
Total	195 338	2 429	(154)	(6 427)	(1 463)	(539)
Interest rate swaps – hedge of loans and advances[1]	180 649	2 694	(139)	(6 688)	(1 802)	(535)
Foreign currency risk – cross currency swaps	12 485	355	—	183	262	1
Foreign currency swaps – hedge of loans and advances	128	142	—	(1)	66	1
Foreign currency swaps – hedge of debt securities	50	20	—	(2)	10	—
Foreign currency swaps – hedge of borrowed funds	12 307	193	—	186	186	—
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	2 204	48	(15)	78	77	(5)
Collateral held against derivatives[2]	—	(668)	—	—	—	—

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the Statement of Comprehensive Income.

[1] These numbers have been restated, refer to reporting changes overview note 1.19.

[2] These disclosures have been included for fair presentation.

48. Derivatives (continued)

48.6 Hedge accounting (continued)

48.6.2 Cash flow hedge accounting (continued)

The hedging instruments of the Bank are presented within Hedging portfolio assets/liabilities, on the statement of financial position.

Hedge accounting has not been applied to any forecast transactions that have not subsequently occurred.

Impact on the income statement and OCI of recycling amounts in respect of cash flow hedges during the period.

Bank

	2022 Amount recycled from OCI to profit and loss due to continuing hedges Rm	2022 Amount recycled from OCI due to discontinued hedges Rm	2022 Total Rm	2021 Amount recycled from OCI to profit and loss due to continuing hedges Rm	2021 Amount recycled from OCI due to discontinued hedges Rm	2021 Total Rm
Cash flow hedge of interest rate risk	2 663	(3)	2 660	4 211	27	4 238
Recycled to interest income	2 486	24	2 510	3 902	15	3 917
Recycled to interest expense	177	(27)	150	309	12	321
Cash flow hedge of currency risk	47	11	58	(75)	—	(75)
Recycled to interest income	—	11	11	68	—	68
Recycled to interest expense	59	—	59	—	—	—
Recycled to operating expenses	(12)	—	(12)	(143)	—	(143)
Total	2 710	8	2 718	4 136	27	4 163

The following amounts relate to items designated as hedged items in cash flow hedges:

Bank

	2022 Change in value used for calculating hedge ineffectiveness Rm	2022 Cash flow hedge reserve in respect of continued hedges Rm	2022 Cash flow hedge reserve in respect of discontinued hedges Rm	2021 Change in value used for calculating hedge ineffectiveness Rm	2021 Cash flow hedge reserve in respect of continued hedges Rm	2021 Cash flow hedge reserve in respect of discontinued hedges Rm
Loans and advances to customers						
Interest rate risk	6 983	(4 586)	(42)	5 960	1 546	(22)
Highly probable forecast transactions						
Foreign currency risk	(37)	80	—	(78)	30	—
Highly probable forecast transactions						
Foreign currency risk	—	—	—	1	11	—
Highly probable forecast transactions						
Foreign currency risk	9	—	—	2	1	—
Highly probable forecast transactions						
Foreign currency risk	(43)	143	—	(186)	186	—

48. Derivatives (continued)
48.6 Hedge accounting (continued)
48.6.3 Reconciliation of equity
The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (before tax) resulting from hedge accounting.

	Bank 2022 Cash flow hedge reserve Rm	Bank 2021 Cash flow hedge reserve Rm
Balance on 1 January		
Foreign currency translation movements	1 755	7 381
Hedging gains/(losses) for the reporting period	(3 438)	(1 463)
Interest rate risk	(3 490)	(1 802)
Foreign currency risk	52	339
Amounts reclassified to profit or loss		
In relation to cash flows affecting profit or loss	(2 718)	(4 163)
Balance on 31 December	(4 401)	1 755

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

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

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

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

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

The Bank's exposure to IBORs subject to change at 31 December 2022 were not significant compared to those expected to be changed post June 2023. The GBP LIBOR, EUR LIBOR, JPY LIBOR and USD LIBOR have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively, as alternative reference rates.

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

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

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

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

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

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

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

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

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

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

Developments made towards implementing alternative benchmark interest rates
For derivatives subject to interest rate reform, the Bank and a significant portion of its counterparties have adhered to the Protocol as well as the Supplement. The protocol provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

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

The Bank will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty on the timing and amount of cash flows arising from interest rate benchmark reform ends. It is expected that this uncertainty will continue until the Bank's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread. The Bank has elected to apply the Phase 2 amendments prospectively from effective date with no restatement of comparatives.

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

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

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

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

48. Derivatives (continued)

48.7 Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

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

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

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

[1] Includes both on-balance sheet and off-balance sheet exposures. Carrying amounts for on-balance sheet and notional amounts for off-balance sheet have been included.

[2] Balances represent the notional amount of derivative assets and liabilities directly impacted by the IBOR reform.

48. Derivatives (continued)

48.7 Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

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

	Bank				
	Carrying values of financial instruments impacted by benchmark reform and yet to transition				
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm
Non-derivative assets[1]	**30 763**	**—**	**—**	**—**	**30 763**
Non-derivative liabilities[1]	**2 891**	**—**	**—**	**—**	**2 891**
Derivative notionals[2]	**764 528**	**—**	**—**	**—**	**764 528**

	Carrying values of financial instruments impacted by benchmark reform and yet to transition				
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm
Non-derivative assets[1]	59 758	1 554	926	0	62 238
Non-derivative liabilities[1]	5 251	0	0	0	5 251
Derivative notionals[2]	867 998	4 001	2 212	63	874 274

Financial instrument modifications due to IBOR reforms

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

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49. Consolidated statement of financial position summary – IFRS 9 classification

2022

	Fair value through profit or loss				Fair value through other comprehensive income[7]				Amortised cost				Total assets and liabilities
	Mandatorily held at fair value Rm	Designated at fair value[4] Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9[1] Rm	Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	37 344	—	37 344	—	37 344
Investment securities	4 171	9 397	—	13 568	43 745	438	29 926	74 109	16 025	24 738	40 763	—	128 439
Trading portfolio assets	155 457	—	—	155 457	—	—	—	—	—	—	—	614	156 071
Hedging portfolio assets[2]	—	—	4 972	4 972	—	—	—	—	—	—	—	—	4 972
Other assets	—	—	—	—	—	—	—	—	14 837	—	14 837	2 426	17 263
Loans and advances	76 554	31 674	—	108 228	—	—	—	—	921 339	2 953	924 292	—	1 032 520
Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—	—	90	90
Loans to Group companies	—	—	—	—	—	—	—	—	73 203	—	73 203	—	73 203
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	29 450	29 450
	236 182	41 071	4 972	282 225	43 745	438	29 926	74 109	1 062 748	27 691	1 090 439	32 580	1 479 352
Liabilities													
Trading portfolio liabilities	91 397	—	—	91 397	—	—	—	—	—	—	—	—	91 397
Hedging portfolio liabilities[3]	—	—	2 237	2 237	—	—	—	—	—	—	—	—	2 237
Other liabilities	—	—	—	—	—	—	—	—	21 488	—	21 488	2 505	23 993
Deposits	—	117 655	—	117 655	—	—	—	—	897 968	—	897 968	—	1 015 623
Debt securities in issue	—	62 219	—	62 219	—	—	—	—	135 708	5 347	141 055	—	203 275
Borrowed funds	—	—	—	—	—	—	—	—	26 282	—	26 282	—	26 282
Loans from Group companies	—	—	—	—	—	—	—	—	9 152	—	9 152	—	9 152
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	4 455	4 455
	91 397	179 874	2 237	273 508	—	—	—	—	1 090 598	5 347	1 095 945	6 960	1 376 414

1 Includes non-financial assets and liabilities and financial instruments outside the scope of IFRS 9.
2 Includes derivative assets to the amount of **R474m** (2021: R3 502m) and **R4 498m** (2021: R1 300m) that have been designated as cash flow and fair value hedging instruments respectively.
3 Includes derivative liabilities to the amount of **R963m** (2021: R913m) and **R1 274m** (2021: R2 746m) that have been designated as cash flow and fair value hedging instruments respectively.
4 Includes items designated as hedged items in fair value hedging relationships.
5 Liabilities outside the scope of IFRS 9 includes **R813m** (2021: R735m) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.
6 These numbers have been restated, refer to note 1.19.
7 The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but have the ability to be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

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49. Consolidated statement of financial position summary – IFRS 9 classification (continued)

	2021												
	Fair value through profit or loss				Fair value through other comprehensive income				Amortised cost				Total assets and liabilities
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9[1] Rm	Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	33 751	—	33 751	—	33 751
Investment securities	5 752	281	—	6 033	40 180	408	36 744	77 332	13 281	19 619	32 900	—	116 265
Trading portfolio assets[6]	141 334	—	—	141 334	—	—	—	—	—	—	—	642	141 976
Hedging portfolio assets[2,6]	—	—	3 696	3 696	—	—		—	—	—	—	—	3 696
Other assets	—	—	—	—	—	—	—	—	14 392	—	14 392	2 345	16 737
Loans and advances[6]	82 362	29 514	—	111 876	—	—	—	—	816 924	3 975	820 899	—	932 775
Non-current assets held for sale	—	—	—	—	—		—	—	—	—	—	57	57
Loans to Group companies	—	—	—	—	—	—	—	—	76 733	—	76 733	—	76 733
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	27 708	27 708
	229 448	29 795	3 696	262 939	40 180	408	36 744	77 332	955 081	23 594	978 675	30 752	1 349 698
Liabilities													
Trading portfolio liabilities[6]	68 103	—	—	68 103	—	—	—	—	—	—	—	—	68 103
Hedging portfolio liabilities[3,6]	—	—	2 910	2 910	—	—	—	—	—	—	—	—	2 910
Other liabilities	—	—	—	—	—	—	—	—	33 357	—	33 357	2 476	35 834
Deposits	—	121 375	—	121 375	—	—	—	—	852 746	—	852 746	—	974 121
Debt securities in issue[6]	—	23 877	—	23 877	—	—	—	—	96 891	6 503	103 394	—	127 271
Borrowed funds	—	—	—	—	—	—	—	—	11 289	15 170	26 459	—	26 459
Loans from Group companies	—	—	—	—	—	—	—	—	9 214	—	9 214	—	9 214
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	4 068	4 068
	68 103	145 252	2 910	216 265	—	—	—	—	1 003 497	21 673	1 025 170	6 544	1 247 980

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IFRS 9.
[2] Includes derivative assets to the amount of **R474m** (2021: R3 502m) and **R4 498m** (2021: R1 300m) that have been designated as cash flow and fair value hedging instruments respectively.
[3] Includes derivative liabilities to the amount of **R963m** (2021: R913m) and **R1 274m** (2021: R2 746m) that have been designated as cash flow and fair value hedging instruments respectively.
[4] Includes items designated as hedged items in fair value hedging relationships.
[5] Liabilities outside the scope of IFRS 9 includes **R813m** (2021: R735m) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.
[6] These numbers have been restated, refer to note 1.19.
[7] The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but have the ability to be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

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50. Fair value disclosures

50.1 Assets and liabilities held at fair value

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

Bank

	2022 Level 1 Rm	2022 Level 2 Rm	2022 Level 3[1] Rm	2022 Total Rm	2021 Level 1 Rm	2021 Level 2[3] Rm	2021 Level 3 Rm	2021 Total Rm
Financial assets								
Investment securities	44 522	38 575	4 580	87 677	37 400	39 541	6 424	83 365
Trading and hedging portfolio assets	84 706	65 645	10 078	160 429	71 515	71 188	2 327	145 030
Debt instruments[3]	81 011	2 348	486	83 845	66 545	758	122	67 425
Derivative assets	—	58 098	3 950	62 048	—	58 010	1 386	59 396
Commodity derivatives	—	188	—	188	—	907	13	920
Credit derivatives	—	32	192	224	—	2	140	142
Equity derivatives	—	5 027	3 752	8 779	—	7 349	1 232	8 581
Foreign exchange derivatives	—	16 388	6	16 394	—	10 089	1	10 090
Interest rate derivatives	—	36 463	—	36 463	—	39 663	—	39 663
Equity instruments	1 201	—	—	1 201	3 877	—	—	3 877
Money market assets	2 494	5 199	5 642	13 335	1 093	12 420	819	14 332
Loans and advances	—	98 701	9 527	108 228	—	95 147	16 729	111 876
Total financial assets	129 228	202 921	24 185	356 334	108 915	205 876	25 480	340 271
Financial liabilities								
Trading and hedging portfolio liabilities	36 847	56 424	363	93 634	21 146	49 594	273	71 013
Derivative liabilities	—	56 424	363	56 787	—	49 594	273	49 867
Commodity derivatives	—	117	—	117	—	823	1	824
Credit derivatives	—	—	260	260	—	—	93	93
Equity derivatives	—	4 588	90	4 678	—	2 513	169	2 682
Foreign exchange derivatives	—	16 934	13	16 947	—	11 490	—	11 490
Interest rate derivatives	—	34 785	—	34 785	—	34 768	10	34 778
Short positions	36 847	—	—	36 847	21 146	—	—	21 146
Deposits	1	115 373	2 281	117 655	156	119 245	1 974	121 375
Debt securities in issue[3]	1 222	60 997	—	62 219	975	22 902	—	23 877
Total financial liabilities	38 070	232 794	2 644	273 508	22 277	191 741	2 247	216 265
Non-financial assets								
Commodities	614	—	—	614	642	—	—	642
Non-recurring fair value adjustments								
Non-current assets held for sale[2]	—	—	90	90	—	—	57	57

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

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

[3] These amounts have been restated, refer to reporting changes overview note 1.19.

50. Fair value disclosures (continued)

50.2 Reconciliation of Level 3 assets and liabilities

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

Bank

2022

	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	2 327	16 729	6 424	25 480	273	1 974	2 247
Net interest income	—	202	144	346	—	—	—
Gains and losses from banking and trading activities	(544)	(447)	(52)	(1 043)	(31)	(84)	(115)
Purchases	5 689	816	596	7 101	—	—	—
Sales	(304)	(2 463)	(3 358)	(6 125)	—	—	—
Movement in other comprehensive income	—	—	14	14	—	—	—
Issues	—	—	—	—	240	1 145	1 385
Settlements	—	—	—	—	(8)	(736)	(744)
Transfer to Level 3	3 450	—	813	4 263	2	—	2
Transfer out of Level 3	(540)	(5 310)	(1)	(5 851)	(113)	(18)	(131)
Closing balance at the end of the reporting period	10 078	9 527	4 580	24 185	363	2 281	2 644

Bank

2021

	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	9 612	25 711	172	3 562	3 734
Net interest income	—	180	47	227	—	—	—
Gains and losses from banking and trading activities	906	(96)	(5)	805	48	(118)	(70)
Purchases	626	6 009	916	7 551	—	—	—
Sales	(42)	(4 137)	(2 913)	(7 092)	—	—	—
Movement in other comprehensive income	—	—	21	21	—	—	—
Issues	—	—	—	—	55	373	428
Settlements	—	—	(60)	(60)	(1)	(1 692)	(1 693)
Transfer to Level 3	175	1 176	—	1 351	—	—	—
Transfer out of Level 3	(1 840)	—	(1 194)	(3 034)	(1)	(151)	(152)
Closing balance at the end of the reporting period	2 327	16 729	6 424	25 480	273	1 974	2 247

50.2.1 Significant transfers between levels

During the 2022 and 2021 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers between level 1 and level 2 are not considered significant for disclosure.

These transfers have been reflected as if they had taken place at the beginning of the year.

50. Fair value disclosures (continued)

50.3 Unrealised gains and losses on Level 3 assets and liabilities

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

	Bank			
	2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	2 777	(306)	24	2 495
	2021			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	147	1 833	45	2 025

	Bank		
	2022		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(30)	354	324
	2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	189	1 190	1 379

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50. Fair value disclosures (continued)

50.4 Sensitivity analysis of valuations using unobservable inputs

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

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

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

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

		2022	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	119/(128)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(77)/80
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

50. Fair value disclosures (continued)

50.4 Sensitivity analysis of valuations using unobservable inputs (continued)

	Significant unobservable parameters	2021 Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	2021 Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	126/(138)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(113)/116
Loans and advances	Credit spreads	979/1 060	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(41)/41	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

50.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

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

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

50.6 Third-party credit enhancements

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

50. Fair value disclosures (continued)

50.7 Assets and liabilities not held at fair value

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

	Bank 2022 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB[1]	31 103	31 103	31 103	—	—
Coins and bank notes[1]	6 241	6 241	6 241	—	—
Cash, cash balances and balances with central banks[1]	37 344	37 344	37 344	—	—
Investment securities	40 763	40 337	40 337	—	—
Other assets	14 837	14 601	3 728	5 823	5 050
Product Solutions Cluster	400 354	384 544	—	—	384 544
Home Loans	293 402	285 089	—	—	285 089
Vehicle and Asset Finance	106 952	99 455	—	—	99 455
Everyday Banking	54 946	53 285	—	—	53 285
Card	31 446	31 446	—	—	31 446
Personal Loans	20 382	18 721	—	—	18 721
Transactions and Deposits	3 118	3 118	—	—	3 118
Relationship Banking	134 699	133 472	—	—	133 472
CIB	288 980	291 903	—	—	291 903
Head Office, Treasury and other operations	3 195	3 195	—	2 865	330
Loans and advances to customers	882 174	866 399	—	2 865	863 534
Loans and advances to banks[1]	42 118	42 118	15 446	26 672	—
Loans and advances	924 292	908 517	15 446	29 537	863 534
Loans to Group companies	73 203	73 255	—	73 255	—
Total assets (not held at fair value)	1 090 439	1 074 054	96 855	108 615	868 584
Financial liabilities					
Other liabilities	21 488	21 302	9 848	5 633	5 821
Call deposits[1]	88 501	88 501	88 501	—	—
Cheque account deposits[1]	236 318	236 318	236 318	—	—
Credit card deposits[1]	2 142	2 142	2 142	—	—
Fixed deposits	171 107	171 119	—	68 552	102 567
Foreign currency deposits	41 388	41 388	—	39 715	1 673
Notice deposits	67 562	67 562	—	67 562	—
Other deposits	871	871	367	504	—
Saving and transmission deposits[1]	236 768	236 768	219 536	291	16 941
Deposits due to customers	844 657	844 669	546 864	176 624	121 181
Deposits from banks	53 311	53 307	2 560	50 747	—
Deposits	897 968	897 976	549 424	227 371	121 181
Debt securities in issue	141 055	140 946	—	140 946	—
Borrowed funds	26 282	26 269	—	26 269	—
Loans from Group companies	9 152	9 152	—	9 152	—
Total liabilities (not held at fair value)	1 095 945	1 095 645	559 272	409 371	127 002

[1] These financial instruments have been included in level 1 as the carrying value approximates fair value and no valuation techniques are applied.

50. Fair value disclosures (continued)

50.7 Assets and liabilities not held at fair value (continued)

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

	2021				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB[1]	27 684	27 684	27 684	—	—
Coins and bank notes[1]	6 067	6 067	6 067	—	—
Cash, cash balances and balances with central banks[1]	33 751	33 751	33 751	—	—
Investment securities	32 900	33 919	33 919	—	—
Other assets	14 392	14 392	5 831	5 379	3 182
Product Solutions Cluster	368 352	367 117	—	—	367 117
Home Loans	270 275	266 310	—	—	266 310
Vehicle and Asset Finance	98 077	100 807	—	—	100 807
Everyday Banking	49 672	49 845	—	—	49 845
Card	28 227	28 227	—	—	28 227
Personal Loans	18 611	18 784	—	—	18 784
Transactions and Deposits	2 834	2 834	—	—	2 834
Relationship Banking	125 565	130 427	—	—	130 427
CIB	248 129	249 152	—	—	249 152
Head Office, Treasury and other operations	695	695	339	356	—
Loans and advances to customers	792 413	797 236	339	356	796 540
Loans and advances to banks[1]	28 486	28 486	10 166	18 320	—
Loans and advances	820 899	825 722	10 505	18 676	796 540
Loans to Group companies	76 733	76 733	—	76 733	—
Total assets (not held at fair value)	978 675	984 517	84 006	100 788	799 722
Financial liabilities					
Other liabilities	33 357	33 357	21 810	11 547	—
Call deposits[1]	90 398	90 398	90 398	—	—
Cheque account deposits[1]	229 375	229 375	229 375	—	—
Credit card deposits[1]	2 137	2 137	2 137	—	—
Fixed deposits	154 785	154 186	—	151 711	2 475
Foreign currency deposits	33 429	33 429	—	33 429	—
Notice deposits[1]	70 148	70 148	33 623	36 525	—
Other deposits	935	935	—	935	—
Saving and transmission deposits	225 300	225 300	29 590	17 571	178 139
Deposits due to customers	806 507	805 908	385 123	240 171	180 614
Deposits from banks	46 239	46 229	9 164	37 065	—
Deposits	852 746	852 137	394 287	277 236	180 614
Debt securities in issue	103 394	102 718	—	102 718	—
Borrowed funds	26 459	26 282	—	26 282	—
Liabilities from Group companies	9 214	9 214	—	9 214	—
Total liabilities (not held at fair value)	1 025 170	1 023 708	416 097	426 997	180 614

[1] These financial instruments have been included in level 1 as the carrying value approximates fair value and no valuation techniques are applied.

51. Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial assets designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements:

	Bank	
	2022 Rm	2021 Rm
Assets		
Investment securities	9 397	281
Loans and advances	31 675	29 514
Loans and advances to banks	367	—
Loans and advances to customers	31 308	29 514
	41 072	29 795

The Bank utilised credit derivatives and credit linked notes as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss. The value of collateral has been limited to the fair value of the instrument.

The Bank does not hold any collateral against the financial assets designated at fair value in the current year.

Contractual obligation at maturity of financial liabilities designated at fair value through profit and loss

The following table represents the carrying amount of financial liabilities designated at fair value through profit and loss and the amount that the Bank is contractually required to pay to the holder of the obligation at maturity:

	Bank			
	2022		2021	
	Carrying value Rm	Contractual obligation Rm	Carrying value Rm	Contractual obligation Rm
Liabilities				
Deposits	117 655	135 253	121 365	130 381
Deposits from banks	47 689	52 436	44 006	44 664
Deposits due to customers	69 966	82 817	77 359	85 717
Debt securities in issue[1]	62 219	71 163	23 876	29 180
	179 874	206 416	145 241	159 561

(Increase)/decrease in fair value attributable to changes in own credit risk during the reporting period

	Bank	
	2022 Rm	2021 Rm
Liabilities		
Deposits from banks and customers	(202)	(36)

Cumulative adjustments in fair value attributable to changes in own risk

	Bank	
	2022 Rm	2021 Rm
Liabilities		
Deposits from banks and customers	712	510

The following approach is used in determining changes in fair value due to changes in credit risk for deposits from banks and customers designated at fair value through profit or loss:

- The carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as funding issued by the Bank. Most market parameters are either directly observable or are implied by instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

[1] These numbers have been restated, refer to note 1.19.

52. Risk management

52.1 Effective risk management and control are essential for sustainable and profitable growth

The Bank actively identifies and assesses risks arising from internal and external environments, while also proactively identifying emerging risks. To ensure effective implementation, this consolidated response is monitored as follows:

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

The role of risk management is to evaluate, respond to and monitor risks in the execution of the Bank's strategy. The Bank's strategy is supported by an effective ERMF. The Bank's risk function performs conformance reviews; checks and challenges the risk profile; and retains independence in analysis and decision-making, underpinned by regular reporting to the Executive Committee and the Board. The GCRO assumes responsibility for the ERMF.

The ERMF:

- Outlines the approach to the management of risk and provides the basis for setting frameworks and policies, and establishing appropriate risk practices throughout the Bank;
- Defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure material risks can be identified and managed;
- Ensures appropriate responses are in place to protect the Bank and its stakeholders; and
- Sets out principal risks and assigns clear ownership and accountability for these risks.

The principal risks as defined in the ERMF are credit, traded market, treasury, insurance, business, model, operational, resilience, conduct, financial crime, reputational and sustainability. Risks are defined in recognition of their significance to the Bank's strategic ambitions.

The ERMF is reviewed and approved annually by the Board.

Strategy and risk appetite

The risk strategy is developed alongside the Bank's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Bank is willing to take to meet its strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within risk appetite, and risk information is considered in the organisation's decision-making and planning process.

The Bank's risk appetite:

- Specifies the level of risk the Bank is willing to take.
- Considers all principal and material risks individually and, where appropriate, in aggregate.
- Consistently measures, monitors and communicates the level of risk for different risk types, expressed in qualitative and quantitative terms.
- Describes agreed parameters for the Bank's performance under varying levels of financial stress relating to earnings, capital adequacy, leverage and liquidity ratios.
- Is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

The Bank's risk appetite is stated qualitatively in terms of risk principles and risk preferences, and refers to the types of risk the Bank actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Bank is prepared to accept to achieve its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, liquidity and leverage. These are cascaded to the level of principal risk, legal entity and business unit.

Stress testing and scenario planning

Stress testing and scenario analyses are key elements of the Bank's integrated planning and risk management process. The use thereof allows the Bank to assess the performance and resilience of its business model in specific economic environments.

Stress tests provide a forward-looking view of risks under adverse circumstances to estimate the potential impact on the financial system and the Bank, including its subsidiaries and business lines/portfolios. This is supported by a framework, policies, procedures and consideration of international best practice and infrastructure platforms.

The Group Risk and Capital Management Committee is responsible for oversight of the stress testing results with senior management committees such as the Executive Risk Committee tasked with developing, reviewing and challenging the robustness of the process.

52. Risk management

52.1 Effective risk management and control are essential for sustainable and profitable growth

(continued)

Credit risk

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

Traded market risk

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

Liquidity risk

The risk that the Bank 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.

Capital risk

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

Interest rate risk in the banking book

The risk that the Bank'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.

52.2 Credit risk

The following table sets out information about the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable:

	Bank			
	2022			
		Stage 1[1]		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	31 103	31 103	—	—
Cash, cash balances and balances with central banks	31 103	31 103	—	—
Government bonds	87 924	84 295	3 629	—
Other	6 959	4 143	564	—
Treasury bills	19 551	19 551	—	—
Investment securities	114 434	107 989	4 193	—
Accounts receivable	10 865	6 264	4 595	—
Settlement accounts	3 973	705	3 268	—
Other assets	14 838	6 969	7 863	—
Product Solutions Cluster	414 412	36 597	295 636	19 283
Home Loans	300 980	31 623	216 777	9 038
Vehicle and Asset Finance	113 432	4 974	78 859	10 245
Everyday Banking	66 586	4 076	39 548	5 477
Card	37 249	3 449	23 698	2 066
Personal Loans	25 345	365	13 712	3 202
Transactions and Deposits	3 940	262	2 138	209
Other	52	—	—	—
Relationship Banking	139 526	12 947	106 061	—
CIB	292 220	178 231	97 209	10
Head Office, Treasury and other operations	2 875	2 010	863	—
Loans and advances to customers	915 619	233 861	539 317	24 770
Loans and advances to banks	42 146	35 944	3 616	—
Loans and advances	957 765	269 805	542 933	24 770
Loans and advances to Group companies	73 452	73 452	—	—
Off-statement of financial position exposure				
Guarantees	44 102	24 969	14 307	36
Letters of credit	12 872	6 777	4 678	—
Revocable and irrevocable debt facilities[2]	206 220	41 636	160 325	731
Total off-statement of financial position exposure	263 194	73 382	179 310	767

[1] Refer to note 1.2.1.3 for DG bucket definitions.

[2] Includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Bank.

52. Risk management (continued)

52.2 Credit risk (continued)

	Bank			
	2022			
	Stage 2[1]			Stage 3[1]
Maximum exposure to credit risk	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm	Default Rm
Balances with the SARB	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—
Government bonds	—	—	—	—
Other	—	1 605	—	647
Treasury bills	—	—	—	—
Investment securities	—	1 605	—	647
Accounts receivable	—	6	—	—
Settlement accounts	—	—	—	—
Other assets	—	6	—	—
Product Solutions Cluster	497	13 323	19 489	29 587
Home Loans	496	9 774	12 094	21 178
Vehicle and Asset Finance	1	3 549	7 395	8 409
Everyday Banking	101	4 096	4 016	9 272
Card	11	1 275	1 931	4 819
Personal Loans	16	2 154	1 977	3 919
Transactions and Deposits	74	667	108	482
Other	—	—	—	52
Relationship Banking	741	12 103	—	7 674
CIB	2 538	8 229	127	5 876
Head Office, Treasury and other operations	—	2	—	—
Loans and advances to customers	3 877	37 753	23 632	52 409
Loans and advances to banks	90	2 256	240	—
Loans and advances	3 967	40 009	23 872	52 409
Loans and advances to Group companies	—	—	—	—
Off-statement of financial position exposure				
Guarantees	2	3 725	304	759
Letters of credit	21	1 125	268	3
Revocable and irrevocable debt facilities[2]	454	2 527	212	335
Total off-statement of financial position exposure	477	7 377	784	1 097

[1] Refer to note 1.2.1.3 for DG bucket definitions.
[2] Includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Bank.

52. Risk management (continued)

52.2 Credit risk (continued)

	Bank			
	2021[1]			
		Stage 1[2]		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	27 684	27 684	—	—
Cash, cash balances and balances with central banks	27 684	27 684	—	—
Government bonds	74 992	74 992	—	—
Other	8 863	6 038	663	—
Treasury bills	25 970	25 970	—	—
Investment securities	109 825	107 000	663	—
Accounts receivable	8 595	4 493	4 101	—
Settlement accounts	5 797	5 771	26	—
Other assets	14 392	10 264	4 127	—
Product Solutions Cluster	381 506	39 070	265 347	19 187
Home Loans	277 413	28 686	197 326	10 441
Vehicle and Asset Finance	104 093	10 384	68 021	8 746
Everyday Banking	60 149	3 632	35 949	5 782
Card	33 922	2 943	21 512	2 070
Personal Loans	22 571	444	12 593	3 417
Transactions and Deposits	3 603	245	1 844	295
Other	53	—	—	—
Relationship Banking	130 801	13 242	95 480	—
CIB	251 005	134 931	81 240	200
Head Office, Treasury and other operations	339	266	9	—
Loans and advances to customers	823 800	191 141	478 025	25 169
Loans and advances to banks	28 537	23 396	4 048	—
Loans and advances	852 337	214 537	482 073	25 169
Loans and advances to Group companies	76 978	76 978	—	—
Off-statement of financial position exposure				
Guarantees	36 293	26 414	8 233	11
Letters of credit	9 475	2 253	6 479	—
Revocable and irrevocable debt facilities[3]	194 942	53 167	137 493	749
Total off-statement of financial position exposure	240 710	81 834	152 205	760

[1] These numbers have been restated, refer to note 1.19.
[2] Refer to note 1.2.1.3 for DG bucket definitions.
[3] Includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Bank.

52. Risk management (continued)

52.2 Credit risk (continued)

Bank 2021[1]	Stage 2[2]			Stage 3[2]
Maximum exposure to credit risk	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm	Default Rm
Balances with the SARB	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—
Government bonds	—	—	—	—
Other	253	1 038	—	871
Treasury bills	—	—	—	—
Investment securities	253	1 038	—	871
Accounts receivable	—	1	—	—
Settlement accounts	—	—	—	—
Other assets	—	1	—	—
Product Solutions Cluster	558	13 527	16 813	27 004
Home Loans	526	9 959	10 606	19 869
Vehicle and Asset Finance	32	3 568	6 207	7 135
Everyday Banking	98	2 578	3 376	8 734
Card	21	1 120	1 477	4 779
Personal Loans	14	946	1 766	3 391
Transactions and Deposits	63	512	133	511
Other	—	—	—	53
Relationship Banking	265	13 465	—	8 349
CIB	6 023	23 035	142	5 434
Head Office, Treasury and other operations	—	64	—	—
Loans and advances to customers	6 944	52 669	20 331	49 521
Loans and advances to banks	—	981	112	—
Loans and advances	6 944	53 650	20 443	49 521
Loans and advances to Group companies	—	—	—	—
Off-statement of financial position exposure				
Guarantees	63	949	103	520
Letters of credit	—	659	82	2
Revocable and irrevocable debt facilities[3]	650	2 297	228	358
Total off-statement of financial position exposure	713	3 905	413	880

[1] These numbers have been restated, refer to note 1.19.

[2] Refer to note 1.2.1.3 for DG bucket definitions.

[3] Includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Bank.

52. Risk management (continued)

52.2 Credit risk (continued)

The following table sets out information about the credit quality of financial instruments which are classified at fair value through profit or loss:

Bank 2022				
Maximum exposure to credit risk	Gross carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Investment securities	11 482	11 129	353	—
Government bonds	—	—	—	—
Other	353	—	353	—
Treasury bills	11 129	11 129	—	—
Trading and hedging portfolio assets	159 227	129 439	29 612	176
Debt instruments	83 846	72 739	10 936	171
Derivative assets	62 047	46 390	15 652	5
Money market assets	13 334	10 310	3 024	—
Loans and advances	108 228	38 483	69 745	—
Loans and advances to customers	73 802	24 941	48 861	—
Loans and advances to banks	34 426	13 542	20 884	—
Total	278 937	179 051	99 710	176

2021				
Maximum exposure to credit risk	Gross carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Investment securities	4 218	3 981	237	—
Government bonds	15	15	—	—
Other	237	—	237	—
Treasury bills	3 966	3 966	—	—
Trading and hedging portfolio assets	141 153	114 242	26 688	223
Debt instruments[1]	67 423	51 139	16 284	—
Derivative assets[1]	59 397	51 697	7 477	223
Money market assets	14 333	11 406	2 927	—
Loans and advances	111 875	52 696	59 179	—
Loans and advances to customers	89 988	38 685	51 303	—
Loans and advances to banks	21 887	14 011	7 876	—
Total	257 246	170 919	86 104	223

[1] These numbers have been restated, refer to 1.19.

52. Risk management (continued)

52.2 Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions:

Bank 2022 Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	31 103	31 103
Investment securities	11 359	—	31	114 526	125 916
Trading portfolio assets	5 341	23 687	5 078	120 150	154 256
Hedging portfolio assets	—	—	—	4 972	4 972
Other assets	50	—	626	14 161	14 837
Loans and advances	25 204	36 051	51 257	953 481	1 065 993
Loans and advances to Group companies	—	250	14 863	58 339	73 452
Subject to credit risk	41 954	59 988	71 855	1 296 732	1 470 529
Off-statement of financial position exposures					
Guarantees	917	3 055	2 638	37 492	44 102
Letters of credit	999	461	4 659	6 753	12 872
Revocable debt facilities[2]	—	—	—	206 220	206 220
Subject to credit risk	1 916	3 516	7 297	250 465	263 194

Bank 2021 Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	27 684	27 684
Investment securities	8 951	5 001	78	100 013	114 043
Trading portfolio assets[1]	1 820	21 579	6 160	107 898	137 457
Hedging portfolio assets[1]	—	—	—	3 696	3 696
Other assets	51	—	684	13 657	14 392
Loans and advances	26 771	46 505	23 992	866 944	964 212
Loans and advances to Group companies	—	250	15 024	61 704	76 978
Subject to credit risk	37 593	73 335	45 938	1 181 596	1 338 462
Off-statement of financial position exposures					
Guarantees	2 130	3 436	3 909	26 818	36 293
Letters of credit	1 345	303	4 282	3 545	9 475
Revocable debt facilities[2]	—	—	—	194 942	194 942
Subject to credit risk	3 475	3 739	8 191	225 305	240 710

[1] These numbers have been restated, please refer to 1.19.
[2] Includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Bank.

52. Risk management (continued)

52.2 Credit risk (continued)

IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for financial instruments that are credit impaired at the reporting date are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset and off–statement of financial position exposure as described in note 1.2.1.

The Bank offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Bank has a legally enforceable right to do so. Amounts disclosed in the maximum exposure category are stated net of these.

The collateral reported is calculated by determining the values of available underlying collateral, limited to the carrying amount and the undrawn facility of the related credit exposure where a loan is possibly over-collateralised.

The Bank may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount of this collateral and the value of this collateral is not reported.

During the period there were no changes in the Bank's collateral policies.

Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements, put options, and highly liquid securities held under reverse repo agreements.

Notes to the consolidated financial statements
for the reporting period ended 31 December

52. Risk management (continued)

52.2 Credit risk (continued)

	2022 Collateral – credit impaired financial assets							2022 Collateral – not credit impaired financial assets					
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
Debt instruments	83 846	—	—	—	—	—	—	—	—	—	—	83 846	83 846
Derivative assets	62 048	—	—	—	—	—	—	6 550	—	1 727	48 390	5 381	62 048
Money market assets	13 335	—	—	—	—	—	—	—	—	—	—	13 335	13 335
Trading and hedging portfolio assets	159 229	—	—	—	—	—	—	6 550	—	1 727	48 390	102 562	159 229
Product Solutions Cluster	470 749	—	25 601	—	—	4 028	29 629	—	374 625	—	—	66 495	441 120
Home Loans	355 768	—	18 965	—	—	2 255	21 220	—	313 517	—	—	21 031	334 548
Vehicle and Asset Finance	114 981	—	6 636	—	—	1 773	8 409	—	61 108	—	—	45 464	106 572
Everyday Banking	94 769	—	—	—	—	9 472	9 472	—	—	—	—	85 297	85 297
Card	60 432	—	—	—	—	4 999	4 999	—	—	—	—	55 433	55 433
Personal Loans	25 853	—	—	—	—	3 923	3 923	—	—	—	—	21 930	21 930
Transactions and Deposits	8 432	—	—	—	—	498	498	—	—	—	—	7 934	7 934
Other	52	—	—	—	—	52	52	—	—	—	—	—	—
Relationship Banking	163 094	87	4 383	2	2	3 293	7 767	1 442	142 984	122	6	10 773	155 327
CIB	464 009	—	515	—	—	5 361	5 876	—	56 248	—	103 497	298 388	458 133
Head Office, Treasury and other operations	3 020	—	—	—	—	—	—	—	—	—	778	2 242	3 020
Loans and advances to customers	1 195 641	87	30 499	2	2	22 154	52 744	1 442	573 857	122	104 281	463 195	1 142 897
Loans and advances to banks	76 572	—	—	—	—	—	—	—	—	—	47 552	29 020	76 572
Loans and advances	1 272 213	87	30 499	2	2	22 154	52 744	1 442	573 857	122	151 833	492 215	1 219 469
Off-balance sheet													
Guarantees	44 103	—	—	—	—	759	759	5	1 957	149	19	41 214	43 344
Letters of credit	12 873	—	—	—	—	3	3	—	—	—	—	12 870	12 870
Total off-statement of financial position exposure	56 976	—	—	—	—	762	762	5	1 957	149	19	54 084	56 214

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

[1] Included in the gross maximum exposure is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Bank to the risk of draw down in the absence of further intervention from the Bank.

Notes to the consolidated financial statements

for the reporting period ended 31 December

52. Risk management (continued)
52.2 Credit risk (continued)

		2021[2] Collateral – credit impaired financial assets						2021[1] Collateral – not credit impaired financial assets					
Analysis of credit risk mitigation and collateral	Gross maximum exposure[2] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure credit impaired financial assets[2] Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[2] Rm
Debt instruments	67 423	—	—	—	—	—	—	—	—	—	—	67 423	67 423
Derivative assets	59 397	—	—	—	—	—	—	—	—	3 723	47 111	8 563	59 397
Money market assets	14 332	—	—	—	—	—	—	—	—	—	—	14 332	14 332
Trading and hedging portfolio assets	141 152	—	—	—	—	—	—	—	—	3 723	47 111	90 318	141 152
Product Solutions Cluster	438 815	—	23 132	—	—	3 916	27 048	—	343 426	—	—	68 341	411 767
Home Loans	332 256	—	17 778	—	—	2 135	19 913	—	288 106	—	—	24 237	312 343
Vehicle and Asset Finance	106 559	—	5 354	—	—	1 781	7 135	—	55 320	—	—	44 104	99 424
Everyday Banking	87 898	—	—	—	—	8 955	8 955	—	—	—	—	78 943	78 943
Card	56 515	—	—	—	—	4 970	4 970	—	—	—	—	51 545	51 545
Personal Loans	23 108	—	—	—	—	3 396	3 396	—	—	—	—	19 712	19 712
Transactions and Deposits	8 222	—	—	—	—	536	536	—	—	—	—	7 686	7 686
Other	53	—	—	—	—	53	53	—	—	—	—	—	—
Relationship Banking	155 022	173	4 377	57	54	3 781	8 442	2 073	134 003	887	181	9 436	146 580
CIB	426 313	—	456	—	—	4 600	5 056	—	44 580	—	85 497	291 180	421 257
Head Office, Treasury and other operations	682	—	—	—	—	—	—	—	—	—	—	682	682
Loans and advances to customers	1 108 730	173	27 965	57	54	21 252	49 501	2 073	522 009	887	85 678	448 582	1 059 229
Loans and advances to banks	50 424	—	—	—	—	—	—	2	—	—	28 874	21 548	50 424
Loans and advances	1 159 154	173	27 965	57	54	21 252	49 501	2 075	522 009	887	114 552	470 130	1 109 653
Off-balance sheet													
Guarantees	36 293	—	—	—	—	520	520	12	5 170	756	21	29 814	35 773
Letters of credit	9 475	—	—	—	—	2	2	—	—	—	—	9 473	9 473
Total off-statement of financial position exposure	45 768	—	—	—	—	522	522	12	5 170	756	21	39 287	45 246

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

[1] These numbers have been restated, refer note 1.19.

[2] Included in the gross maximum exposure is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Bank to the risk of draw down in the absence of further intervention from the Bank.

52. Risk management (continued)
52.2 Credit risk (continued)

Financial assets written off during the financial period but still subject to enforcement activities

Contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity:

	Bank 2022 Rm	Bank 2021 Rm
Assets written off during financial period still subject to enforcement activities	9 251	10 160

Reconciliation of impairment loss allowance

Bank 2022		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total expected credit losses Rm**
Balance at the beginning of the reporting period	11	2	210	223
Asset moved/Allowance transferred to stage 1	—	—	—	—
Current period provision	1	15	(71)	(55)
Net change in interest	—	—	17	17
Balance at the end of the reporting period	12	17	156	185

2021		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	11	32	—	43
Asset moved/Allowance transferred to stage 1	1	(1)	—	—
Current period provision	(1)	(29)	210	180
Balance at the end of the reporting period	11	2	210	223

52. Risk management (continued)
52.2 Credit risk (continued)

2022						
Loans and advances at amortised cost and undrawn facilities[1]	**Product Solutions Cluster Rm**	**Everyday Banking Rm**	**Relationship Banking Rm**	**CIB Rm**	**Head Office, Treasury and other operations Rm**	**Total expected credit losses Rm**
Balances at the beginning of the reporting period	13 155	10 477	5 236	2 922	7	31 797
Stage 1	1 534	1 940	682	1 137	7	5 300
Stage 2	2 001	1 902	913	256	—	5 072
Stage 3	9 620	6 635	3 641	1 529	—	21 425
Transfers between stages	—	—	—	—	—	—
Stage 1 net transfers	546	83	337	(47)	—	919
Transfers to/(from) stage 1	805	525	409	(56)	—	1 683
Transfers from/(to) stage 2	(159)	(203)	(42)	8	—	(396)
Transfers from/(to) stage 3	(100)	(239)	(30)	1	—	(368)
Stage 2 net transfers	(200)	(812)	(411)	48	—	(1 375)
Transfers from/(to) stage 1	(500)	(425)	(351)	56	—	(1220)
Transfers to/(from) stage 2	909	419	110	(8)	—	1 430
Transfers from/(to) stage 3	(609)	(806)	(170)	—	—	(1 585)
Stage 3 net transfers	(346)	729	74	(1)	—	456
Transfers from/(to) stage 1	(305)	(101)	(58)	—	—	(464)
Transfers from/(to) stage 2	(750)	(216)	(68)	—	—	(1 034)
Transfers to/(from) stage 3	709	1 046	200	(1)	—	1 954
Credit impairment charges raised	2 607	5 185	771	333	1	8 897
Amounts written off	(2 677)	(4 750)	(1 648)	(176)	—	(9 251)
Net change in interest	973	727	468	187	—	2 355
Balance at the end of the reporting period	14 058	11 639	4 827	3 266	8	33 798
Stage 1	1 534	2 078	544	779	8	4 943
Stage 2	2 209	2 371	747	310	—	5 637
Stage 3	10 315	7 190	3 536	2 177	—	23 218

[1] Previously the Bank presented the loans and advances and undrawn facilities ECL reconciliation at a consolidated level. To enhance the disclosure, this has been disaggregate per segment to provide users with more granularity in the current year and will be applied prospectively.

52. Risk management (continued)
52.2 Credit risk (continued)

	2021[1]					
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 198	12 897	5 446	2 885	6	34 432
Stage 1	1 601	1 845	800	1 335	6	5 587
Stage 2	1 789	2 686	1 228	381	—	6 084
Stage 3	9 808	8 366	3 418	1 169	—	22 761
Transfers between stages	—	—	—	—	—	—
Stage 1 net transfers	704	591	240	(52)	—	1 483
Transfers to/(from) stage 1	946	978	331	(61)	—	2 194
Transfers from/(to) stage 2	(153)	(167)	(54)	9	—	(365)
Transfers from/(to) stage 3	(89)	(220)	(37)	—	—	(346)
Stage 2 net transfers	506	(1 151)	(280)	48	—	(877)
Transfers from/(to) stage 1	(526)	(867)	(273)	61	—	(1 605)
Transfers to/(from) stage 2	1 549	616	100	(13)	—	2 252
Transfers from/(to) stage 3	(517)	(900)	(107)	—	—	(1 524)
Stage 3 net transfers	(1 210)	560	40	4	—	(606)
Transfers from/(to) stage 1	(420)	(109)	(60)	—	—	(589)
Transfers from/(to) stage 2	(1 396)	(450)	(45)	4	—	(1 887)
Transfers to/(from) stage 3	606	1 119	145	—	—	1 870
Credit impairment charges raised	999	3 208	980	238	1	5 426
Amounts written off	(1 730)	(6 390)	(1 719)	(321)	—	(10 160)
Net change in interest	688	762	529	120	—	2 099
Balance at the end of the reporting period	13 155	10 477	5 236	2 922	7	31 797
Stage 1	1 534	1 940	682	1 137	7	5 300
Stage 2	2 001	1 902	913	256	—	5 072
Stage 3	9 620	6 635	3 641	1 529	—	21 425

[1] These numbers have been restated, refer to note 1.19.

52. Risk management (continued)
52.2 Credit risk (continued)
Reconciliation of impairment loss allowance by market segment for loans and advances:

Product Solutions Cluster:

- During the current financial year, gross loans and advances increased to R414 412m particularly driven by new business in Home loans and Vehicle and asset finance. This resulted in an increase in ECL allowance of R1 834m.
- The value of loans written off during the year amounted to R2 678m (Home loans: R680m, Vehicle and asset finance: R1 998m). This led to a decrease in the ECL allowance for the year R2 678m.
- Loan modifications that did not result in derecognition of the loan amounted to R3 300m (Home loans: R1 530m, Vehicle and asset finance: R1 770m)
- No gross loans and advances sold during the current year.

Everyday Banking:

- During the current financial year, gross loans and advances increased to R66 586m particularly driven by new business in Personal loans, Transactions and deposits and higher consumer spend in the Credit Card portfolio. This resulted in an increase in ECL allowance of R3 598m.
- The value of loans written off during the year amounted to R4 749m (Personal loans: R2 084m; Transactions and deposits: R513m; Card: R2 155m). This led to a decrease in the ECL allowance for the year of R4 749m.
- Loan modifications that did not result in derecognition of the loan amounted to R1 343m (Personal loans: R670m; Transactions and deposits: R65m; Card: R608m).
- Gross loans and advances sold during the current year amounted to R1 347m (Personal loans: R770m, Card: R577m). This resulted in a decrease of R1 215m to the ECL allowance.

Relationship Banking:

- During the current financial year, gross loans and advances increased to R139 526m, particularly driven by new business in the Agri and Commercial Asset Finance portfolios. This resulted in an increase in ECL allowance of R236m.
- The value of gross loans written off during the year amounted to R1 648m. This led to a decrease in the ECL allowance for the year of R1 648m.
- No gross loans and advances sold during the current year.

CIB:

- During the current financial year, gross loans and advances increased to R366 022m, particularly driven by new business in Transactional Banking (overdrafts) and Investment Banking (foreign currency loans), offset by trades maturing across these Business Units. This resulted in an increase in ECL allowance of R434m.
- The value of loans written off during the year amounted to R176m. This led to a decrease in the ECL allowance for the year of R176m.
- No new loan modifications that did not result in derecognition of the loan were observed.
- Gross loans and advances sold during the current year amounted to R37m. This resulted in an increase of R2m to the ECL allowance.

Head Office, Treasury and other operations:

- No material ECL balance in the current year.

2021

Although gross loans and advances increased to R1 134bn during the period, particularly driven by a 7% growth in Retail SA secured lending products and a 6% growth in CIB, ECL allowances decreased due to:

- Higher write-offs in Retail SA of R9.8bn in the unsecured portfolios and the workout of NPLs as backlogs in legal processes started to clear.
- Sale of unsecured legal balances in Personal Loans of R881m and Card of R512m.
- Benefits realised from model enhancements and the revised application of the existing definition of default which now aligns more closely with industry practice. Refer to note 1.2.1 Approach to credit risk and impairment of loans and advances.
- The improvement in forward-looking assumptions relative to initial expectations and consumption of the macro-overlay as anticipated risks have either materialised or dissipated over time.

The net change in interest relates only to stage 3 assets where contractual interest is suspended, and interest income is recognised based on the net carrying value of the exposures. The amount of **R2 355m** (2021: R2 099m) disclosed is therefore reflective of the amount of interest not recognised during the current reporting period.

52. Risk management (continued)
52.2 Credit risk (continued)

Guarantees and letters of credit	Bank 2022 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	57	6	312	375
Asset moved/Allowance transferred to stage 1	(24)	1	23	—
Asset moved/Allowance transferred to stage 2	—	—	—	—
Current period provision	(6)	(3)	124	115
Balance at the end of the reporting period	27	4	459	490

Guarantees and letters of credit	Bank 2021 Stage 1 Rm	Lifetime expected credit losses ('LEL') Stage 2 Rm	Stage 3 Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	57	12	76	145
Asset moved/Allowance transferred to stage 1	1	(1)	—	—
Asset moved/Allowance transferred to stage 2	(1)	1	—	—
Current period provision	—	(6)	236	230
Balance at the end of the reporting period	57	6	312	375

Loans and advances to Group companies:
The ECL recognised on loans and advances to Group companies as at 31 December 2022 amounted to **R249m** (2021: R246m).

Modified financial assets
The following table provides information on financial assets that were modified during the reporting period, specifically where a gain or loss has arisen and without resulting in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL.

	Bank 2022 Rm	2021 Rm
Financial assets modified during the period		
Loans and advances		
Amortised cost before modification	3 188	2 696
Net modification loss	(822)	(203)

There were no financial assets modified during the year for which loss allowance has changed to 12-month measurement.

52. Risk management (continued)
52.3 Macro-overlays, payment relief and sensitivity analysis

Macro-overlays
The Bank 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 to adjust for vulnerable sectors in CIB.

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

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

	2022 Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	10 281	—
Baseline	10 032	(2)
Upside	8 664	(16)
Downside	12 254	19

	2021 Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	10 069	—
Baseline	9 855	(2)
Upside	9 825	(2)
Downside	10 547	5

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

	2022 Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 576	1 088
Everyday Banking	2 455	605
Relationship Banking	5 950	319
CIB	13 773	343

	2021[1] Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	16 180	972
Everyday Banking	2 268	616
Relationship Banking	5 436	327
CIB	10 819	38

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.

[1] These numbers have been restated, refer to 1.19

52. Risk management (continued)

52.3 Macro-overlays, payment relief and sensitivity analysis

Macro-overlays

The Bank 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 to adjust for vulnerable sectors in CIB.

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	2022	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	10 281	—
Baseline	10 032	(2)
Upside	8 664	(16)
Downside	12 254	19

	2021	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	10 069	—
Baseline	9 855	(2)
Upside	9 825	(2)
Downside	10 547	5

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	2022	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
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[1] These numbers have been restated, refer to 1.19.

52. Risk management (continued)

52.4 Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Bank's equity investment risk objective is to balance the portfolio composition in line with the Bank's risk appetite, with selective exits as appropriate.

Approach

The Bank's governance of equity investments is based on the following key fundamental principles:

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Bank's equity investments are held in CIB and RBB.

Risk measurement

Equity investment risk is monitored monthly in terms of regulatory and Economic Capital (EC) requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

The Bank has adopted the market-based simple risk-weighted approach to calculate Risk Weighted Assets (RWAs) and Regulatory Capital (RC) for equity risk in the banking book. According to this approach, the Bank applies a 300% risk weighting to listed exposures and 400% to unlisted exposures in non-financial entities subject to a prescribed scaling factor of 1.06. Investments in financial entities are treated in line with the principles embodied in Basel III and the Regulations relating to Banks, whereby the risk weightings are subject to the aggregate value of the Bank's shareholding in those investments and also in relation to the Bank's capital.

Analysis of equity investment risk in the banking book

The table below illustrates the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis. Equity hedge structures were in place for the shareholders' equity investment portfolio in previous reporting periods. This assisted to hedge downside risk on equities if market values decrease with more than 6% and resulted in counterparties sharing in positive returns if market values increased by between 2% and 4%. No equity hedge structures were in place at the reporting date.

	Bank									
	2022					2021				
	Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value		Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Listed equity investments	(67)	(4)	1 414	67	4	(54)	(4)	1 158	54	4
Unlisted equity investments	(75)	(36)	1 110	75	36	(74)	(33)	1 065	74	33
Total Bank equity investments	(142)	(40)	2 524	142	40	(128)	(37)	2 223	128	37

52. Risk management (continued)

52.5 Market risk

Traded market risk

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

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

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

Approach

Traded market risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, providing risk management solutions, generating revenues from assuming and managing risk, and execution of syndications.

Interest rate risk in the banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as 'Interest rate risk in the banking book' as part of the Treasury Risk framework.

Risk appetite

The risk appetite for market risk is based on:

- proposed business strategy;
- budgeted revenue growth;
- statistical modelling measures; and
- risk equated to capital projection under normal and stressed market conditions.

Risk measurement

A number of techniques are used to measure and control traded market risk on a daily basis, which include:

- value at risk (VaR) based measures including both VaR and stressed value at risk (sVaR);
- tail metrics;
- position and sensitivity reporting;
- stress testing;
- backtesting; and
- standardised general and specific risk, as relevant.

Daily value at risk

Daily value at risk (VaR) is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

The Bank uses an internal VaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The VaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 99%.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history.
- VaR is the 99th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss. Daily losses in excess of the VaR figure are likely to occur, on average, up to six times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory back testing and regulatory capital (RC) calculation purposes, respectively. The VaR internal model has been approved by the PA to calculate RC for trading book portfolios in South Africa. The approval covers general position risk across interest rate, foreign exchange, commodity, equity and traded credit products. As part of this approval, the PA has assigned a VaR and sVaR model multiplier to be used in RC calculations. In addition to the VaR internal model, products which have not received IMA approval are capitalized under the standardized approach. General position risk in trading books in the Absa Regions is also capitalised under the regulatory standardised approach. Issuer-specific risk is currently reported in accordance with the regulatory standardised approach across the Bank.

The performance of the VaR model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days when actual losses from trading activities exceed the corresponding 99% level of confidence assuming a one-day holding period calculated by the VaR model.

VaR estimates have a number of limitations:

- Historical simulation assumes that the past is a good representation of the future, which may not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- VaR does not indicate the potential loss beyond the selected percentiles.
- VaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured.
- Prudent valuation practices are used in the VaR calculation when there is difficulty obtaining rate/price information.

sVaR uses a similar methodology to VaR, but is based on a one-year period of financial stress which is reviewed quarterly and assumes a 10-day holding period and a worst case loss. The period of stress used for RC is currently the 2008/2009 financial crisis.

Loss thresholds, tail risk metrics, position and sensitivity reporting and stress testing are used to complement VaR in the management of traded market risk.

52. Risk management (continued)

52.5 Market risk (continued)

Traded market risk (continued)

Analysis of traded market risk exposure

The following table reflects the VaR, sVaR and expected shortfall statistics for trading book activities as measured by the internal models approach (IMA). Traded market risk exposure, as measured by average total VaR, increased to **R56.49m** (2021: R51.86m) for the reporting period, which is a **9%** (2021: 18%) increase on the prior year average. This was principally due to increased volatility in the current two year timeseries and changes in risk positioning, primarily affecting interest rate products as central banks acted aggressively in raising interest rates in order to stem inflation and market liquidity remained sporadic in various markets.

Bank

	2022				2021			
	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm
Interest rate risk	**67.42**	**135.24**	**39.76**	**97.27**	56.64	174.77	26.00	62.67
Foreign exchange risk	**15.23**	**38.31**	**3.74**	**38.31**	21.75	58.94	5.01	14.43
Equity risk	**15.46**	**27.99**	**5.97**	**11.43**	10.98	30.64	3.03	16.83
Commodity risk	**0.72**	**2.93**	**0.43**	**0.94**	0.85	4.85	0.39	0.54
Inflation risk	**48.35**	**73.93**	**23.70**	**68.41**	35.83	117.64	13.36	43.69
Credit spread risk	**8.78**	**12.15**	**5.09**	**5.10**	10.33	11.69	8.36	9.17
Diversification effect	**(99.47)**	**—**	**—**	**(140.12)**	(84.52)	—	—	(94.31)
Total DVaR	**56.49**	**85.30**	**31.83**	**81.35**	51.86	83.33	30.53	53.02
Expected shortfall	**91.99**	**309.36**	**59.77**	**110.55**	81.29	221.71	41.92	70.03
Regulatory VaR[2]	**56.49**	**85.30**	**31.83**	**81.35**	51.86	83.33	30.53	53.01
Regulatory sVaR[2]	**64.62**	**109.11**	**34.10**	**75.19**	78.60	121.65	48.18	65.23

Other market risks

The Bank maintains different pension plans with defined benefit and defined contribution structures for current and former employees. In respect of defined benefit plans, the ability to meet the projected pension payments is maintained through investments and regular contributions. Market risk arises when the estimated market value of the pension plan assets declines, their investment returns reduce, or when the estimated value of the pension liabilities increases, resulting in a weaker funding position or shortfall. In these circumstances the Bank may choose to make additional contributions or be required to make good the shortfall of the plan.

Asset management income risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. The risk is measured in terms of the likely volatility in the annual earnings over the next year to reflect the sensitivity of earnings to shocks in financial markets. Bank policy dictates that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Exposure to this risk currently arises in the Wealth segment.

52.6 Treasury risk

Treasury risk comprises liquidity risk, capital risk and interest rate risk in the banking book.

- **Liquidity risk:** The risk that the Bank is unable to meet its contractual or contingent cash obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that the Bank has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board-approved capital target ranges and above regulatory capital requirements.
- **Interest rate risk in the banking book (IRRBB):** The risk that the Bank is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its banking book assets and liabilities.

[1] The high (and low) VaR figures reported for each category did not necessarily occur on the same day as the high (and low) total VaR. Consequently, a diversification effect number for the high (and low) VaR figures would not be meaningful and is therefore omitted.

[2] Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. The sVaR period is subject to ongoing review for appropriateness.

52. Risk management (continued)

52.6 Treasury risk (continued)

52.6.1 Liquidity risk

Liquidity risk is defined as the risk that the Bank 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. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

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

Priorities

The Bank's liquidity risk management priorities are:

- Preserve the Bank'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 the SARB's approach to resolution planning, depositor insurance schemes and the monetary policy implementation framework in South Africa.

Approach

The efficient management of liquidity is essential for safeguarding the Bank's depositors, preserving market confidence and maintaining the Bank's brand. The Bank considers sustainable access to appropriate liquidity for each of its entities to be extremely important. Liquidity risk is managed under the Liquidity Risk Policy in line with the Treasury Risk Framework to:

- Maintain liquidity resources that are sufficient in amount and quality together with a funding profile that is appropriate to meet the risk appetite as expressed by the Board.
- Maintain market confidence.
- Set limits to manage liquidity risk within and across lines of business and legal entities.
- Price liquidity costs accurately and incorporate these into product pricing and performance measurement.
- Monitor early warning indicators (EWIs) to immediately identify the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources.
- Fully project over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items.
- Maintain a recovery plan that incorporates a contingent funding plan (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and regularly tested to ensure it is operationally robust.

Stress and scenario testing

Under the Treasury Risk Framework, the Bank established the Internal Liquidity Stress Metric (ILSM), which sets the level of liquidity risk the Bank chooses to take to achieve its business objectives and in meeting its regulatory requirements. It is measured with reference to the anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the appropriate size of the liquidity pool, along with the LCR.

Each entity in the Bank undertakes a range of stress tests appropriate to its business. Stress tests consider both name-specific and market-wide scenarios. The results of the stress tests are used to determine the liquid asset buffer, to develop the CFP which is a component of the Bank's recovery plan. Stress testing results are also considered when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the relevant liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price-sensitive overnight loans.

Contingency funding planning

The Contingency Funding Plan (CFP) includes, inter alia:

- the roles and responsibilities of senior management in a crisis.
- authorities for invoking the plan.
- communications strategy.
- an analysis of a realistic range of market-wide and Bank-specific liquidity stress tests.
- scenario analyses and the extent to which each stress test and scenario can be mitigated by the management of the balance sheet.
- a range of early warnings indicators (EWIs), which assist in informing management when deciding whether the CFP should be invoked.

Each banking entity in the Bank must establish local processes and procedures to manage local liquidity stresses that are consistent with the Bank's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. For the Bank the CFP was merged with the recovery plan.

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

The Bank's foreign currency funding position remained robust with diversified funding facilities from international banks and appropriate tenors to meet term funding asset growth.

52. Risk management (continued)

52.6 Treasury risk (continued)

52.6.1 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity and mismatch position of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' time bucket at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Bank

2022

	Carrying amount (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	37 344	—	—	—	—	37 344
Investment securities	2 524	46 173	44 746	34 997	(1)	128 439
Trading and hedging portfolio assets	155 458	192	313	4 467	—	160 430
Derivative assets	57 076	192	313	4 467	—	62 048
Non-derivative assets	98 382	—	—	—	—	98 382
Other financial assets	4 403	10 425	9	—	—	14 837
Loans and advances	117 710	266 002	390 421	291 859	(33 472)	1 032 520
Loans to Group companies	1 929	61 903	7 647	1 973	(249)	73 203
Financial assets	319 368	384 695	443 136	333 296	(33 722)	1 446 773
Non-financial assets[2]						32 579
Total assets						1 479 352
Liabilities[1]						
Trading and hedging portfolio liabilities	91 400	599	1 364	271	—	93 634
Derivative liabilities	54 552	599	1 364	271	—	56 786
Non-derivative liabilities	36 848	—	—	—	—	36 848
Other financial liabilities	11 431	7 200	—	—	—	18 631
Deposits	595 854	342 097	68 111	9 561	—	1 015 623
Debt securities in issue	2 465	115 148	74 054	11 608	—	203 275
Borrowed funds	—	14 971	11 311	—	—	26 282
Loans from Group companies	5 667	3 485	—	—	—	9 152
Financial liabilities	706 817	483 500	154 840	21 440	—	1 366 597
Non-financial liabilities[2]						9 817
Total liabilities						1 376 414
Equity						102 938
Total equity and liabilities						1 479 352
Net liquidity position of financial instruments	(387 449)	(98 805)	288 296	311 856	(33 722)	80 176

[1] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.

[2] The following current items are disclosed under non-financial assets and liabilities: Current Tax Liabilities, Provisions (please refer to note 17 for the split), Current Tax Liability and Deferred Tax Asset/Liability.
The following non-current items are disclosed under non-financial assets and liabilities: Investments in associates and joint ventures, Goodwill and Intangible assets, Provisions (please refer to note 17 for the split), Investment property, Property and Equipment and Deferred Tax Asset/Liability.

52. Risk management (continued)

52.6 Treasury risk (continued)

52.6.1 Liquidity risk (continued)

Bank

2021

	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	33 751	—	—	—	—	33 751
Investment securities	2 220	40 569	46 655	26 822	(1)	116 265
Trading and hedging portfolio assets[1]	141 465	356	2 400	809	—	145 030
Derivative assets[1]	55 832	356	2 400	809	—	59 397
Non-derivative assets[1]	85 633	—	—	—	—	85 633
Other financial assets	5 996	8 396	—	—	—	14 392
Loans and advances	151 174	219 322	342 057	251 659	(31 437)	932 775
Loans to Group companies	52 046	17 353	6 646	934	(246)	76 733
Financial assets[1]	386 652	285 996	397 758	280 224	(31 684)	1 318 946
Non-financial assets						30 752
Total assets						1 349 698
Liabilities[2]						
Trading and hedging portfolio liabilities[1]	68 107	365	1 967	574	—	71 013
Derivative liabilities[1]	46 961	365	1 967	574	—	49 867
Non-derivative liabilities[1]	21 146	—	—	—	—	21 146
Other financial liabilities	24 234	6 116	—	—	—	30 350
Deposits	600 683	305 826	58 155	9 457	—	974 121
Debt securities in issue[1]	1 051	50 434	67 832	7 954	—	127 271
Borrowed funds	—	3 364	23 095	—	—	26 459
Loans from Group companies	8 705	509	—	—	—	9 214
Financial liabilities[1]	702 780	366 614	151 049	17 985	—	1 238 428
Non-financial liabilities						9 552
Total liabilities						1 247 980
Equity						101 718
Total equity and liabilities[1]						1 349 698
Net liquidity position of financial instruments[1]	(316 128)	(80 618)	246 709	262 239	(31 684)	80 518

[1] These numbers have been restated, refer to note 1.19.

[2] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.

52. Risk management (continued)
52.6 Treasury risk (continued)
52.6.1 Liquidity risk (continued)

Bank

Undiscounted maturity[1] (statement of financial position value with impact of future interest)	2022 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	91 400	622	1 723	572	(682)	93 635
Derivative liabilities	54 552	622	1 723	572	(682)	56 787
Non-derivative liabilities	36 848	—	—	—	—	36 848
Other financial liabilities	11 430	7 200	—	—	—	18 630
Deposits	603 130	433 723	94 659	21 670	(36 559)	1116 623
Debt securities in issue	2 465	118 688	92 127	22 039	(32 044)	203 275
Borrowed funds	—	15 533	13 897	—	(3 148)	26 282
Loans from Group companies	12 637	3 525	—	—	(7 010)	9 152
Financial liabilities	721 062	579 291	202 406	44 281	(79 443)	1 467 597
Non-financial liabilities						(91 183)
Total liabilities	—	—	—	—	—	1 376 414
Off-statement of financial position						
Financial guarantee contracts	44 102	—	—	—	—	44 102
Loan commitments	76 843	21 536	—	—	—	98 379
Letters of credit[3]	12 873	—	—	—	—	12 873

Undiscounted maturity[1] (statement of financial position value with impact of future interest)	2021 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities[2]	68 107	371	2 470	1 172	(1 108)	71 013
Derivative liabilities[2]	46 961	371	2 470	1 172	(1 108)	49 867
Non-derivative liabilities[2]	21 146	—	—	—	—	21 146
Other financial liabilities	24 234	6 115	—	—	—	30 350
Deposits	600 683	308 051	67 505	19 846	(21 964)	974 121
Debt securities in issue[2]	1 051	51 342	79 975	13 541	(18 638)	127 271
Borrowed funds	—	3 428	25 856	—	(2 825)	26 459
Loans from Group companies	8 705	475	—	—	34	9 214
Financial liabilities[2]	702 780	369 782	175 806	34 559	(44 499)	1 238 428
Non-financial liabilities						9 552
Total liabilities						1 247 980
Off-statement of financial position						
Financial guarantee contracts	36 293	—	—	—	—	36 293
Loan commitments	73 063	27 271	—	—	—	100 334
Letters of credit[3]	9 475	—	—	—	—	9 475

[1] The above table does not include the maturity analysis of finance lease payables, which is detailed in note 33.
[2] These numbers have been restated, refer to note 1.19.
[3] The disclosure has been enhanced to incorporate letters of credit.

52. Risk management (continued)
52.6 Treasury risk (continued)
52.6.2 Capital management

Capital risk is the risk that the Bank has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board capital target ranges and above regulatory capital requirements.

The Bank's capital management strategy, which is in line with and in support of the Bank's strategy, is to create sustainable value for shareholders within the boundaries imposed by the Bank's risk appetite through effective financial risk management.

The Bank's capital management priorities are to:

- 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. These include the Basel III enhancements, including FRTB; the proposed amendments to the regulations relating to banks and the resolution framework in South Africa.

Various processes play a role in ensuring that the Bank's capital management priorities are met, including:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- Stress testing; and
- Recovery and Resolution Planning.

Appropriate Board-approved capital buffers above the minimum regulatory requirements, are held at an entity level. The Bank ensures that it is adequately capitalised in terms of its minimum regulatory capital adequacy requirements (CARs). The Bank's capital target ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios and its impact on the integrated plan, including the capital position of the Bank;
- Current and future Basel III requirements and accounting developments; and
- Peer analysis.

Capital adequacy ratios (unaudited)

Bank	2022	2021	2022 Board target ranges %	2022 Minimum regulatory capital requirements[1] %	2021 Board target ranges %	2021 Minimum regulatory capital requirements %
Statutory capital ratios (%)						
Common Equity Tier 1	12.5	12.4	10.5 – 12.0	8.5	10.5 – 12.0	8.0
Tier 1	14.8	14.8	>12.0	10.3	>12.0	9.5
Total	17.6	17.9	>14.5	12.5	>14.5	11.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	116 433	112 981				
Total RWA	662 093	629 980				

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions.
Tier1 – Common Equity Tier 1 plus perpetual, non-cumulative instruments with principal loss-absorption features issued in terms of the Basel III rules.

Total Capital – Tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III.

During the past year, the Bank complied in full with all externally imposed capital requirements which remained the same.

[1] The 2022 minimum total regulatory capital adequacy requirement of **12.5%** (2021: 11.5%) 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.

52. Risk management (continued)
52.6 Treasury risk (continued)
52.6.3 Interest rate risk in banking book (IRRBB)

Approach

IRRBB is the risk that the Bank's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, and certain structural exposures within the balance sheet from re-pricing differences between assets, liabilities and equity. These risks impact both the earnings and economic value of the Bank.

The Bank's objective for managing IRRBB is to ensure a higher degree of interest rate margin stability and reduced interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to local treasury or Bank Treasury, which is mandated to hedge material net exposures with the external market. Interest rate risk may arise when some of the net position remains with treasury as a result of timing considerations. A limit framework is in place to ensure that the retained risk remains within approved risk appetite.

Risk mitigation

Risk management strategies considered include:

- strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- the execution of applicable derivative contracts to maintain the Bank's interest rate risk exposure within limits.
  - Where possible, hedge accounting is applied to derivatives that are used to hedge IRRBB. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Bank's accounting policies, are followed.
  - Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Bank's equity, and is managed by Bank Treasury. Interest rate risk also arises in each of the Rest of Africa treasuries in the normal course of managing the balance sheet and facilitating customer activity. The risk is managed by the local treasury functions, subject to risk limits and other controls.

Key assumptions

Embedded optionality risk may also give rise to IRRBB:

- Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Bank is unable to collect full market-related compensation. This risk is managed by modelling the loans on a behaviouralised basis for both pricing and risk measurement. This treatment is also applied to non-maturing customer deposits.
- Recruitment risk arises when the Bank commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Processes are in place to enable robust management of these additional forms of IRRBB.

Risk measurement

The techniques that are used to measure and control IRRBB include re-pricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity (EVE) sensitivity and stress testing. DVaR and tail metrics are assessed on a daily basis while re-pricing profiles, AEaR and EVE are assessed on a monthly basis.

Re-pricing profiles

With the re-pricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour. The re-pricing profiles take the assumed behavioural profile of structural product balances into account.

Annual earnings at risk (AEaR)/Net interest income (NII) sensitivity

AEaR/NII sensitivity measures the sensitivity of NII over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk (DVaR)

The Bank uses a sensitivity-based approach to calculate DVaR at a 95% confidence level for measuring IRRBB. The DVaR is monitored against approved internal limits, and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

Economic value of equity (EVE) sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point in time (PIT) to a specified shock to the yield curve. Similar to DVaR, EVE is a present value sensitivity and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books. Stress testing is carried out by Market Risk to supplement the DVaR and AEaR metrics for South Africa.

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics (position and sensitivity limits), as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective Rest of Africa market risk team with oversight provided by Market Risk.

Risk reporting

DVaR and supporting metrics are reported daily for Bank Treasury, with the exception of two businesses, where reporting is performed on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for Bank Treasury.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Bank's banking book are set out in the table that follows, namely, the re-pricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Re-pricing profile

The re-pricing profile of the Bank's banking books shows that the banking book remains asset sensitive, as interest-earning assets re-price sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates.

52. Risk management (continued)
52.6 Treasury risk (continued)
52.6.3 Interest rate risk in banking book (IRRBB) (continued)

Bank

Expected repricing profile	2022 On demand – 3 months Rm	2022 4 – 6 months Rm	2022 7 – 12 months Rm	2022 Over 12 months Rm
Banking book[1]				
Interest rate sensitivity gap	147 047	(4 632)	(58 428)	(46 695)
Derivatives[2]	(127 205)	(18 469)	53 854	91 820
Net interest rate sensitivity gap	19 842	(23 101)	(4 574)	45 125
Cumulative interest rate gap	19 842	(3 259)	(7 833)	37 292
Cumulative gap as a percentage of the Bank's total assets (%)	1.3	(0.2)	(0.5)	2.5

Expected repricing profile	2021 On demand – 3 months Rm	2021 4 – 6 months Rm	2021 7 – 12 months Rm	2021 Over 12 months Rm
Banking book[1]				
Interest rate sensitivity gap	135 961	(26 896)	(31 272)	(43 958)
Derivatives[2]	(148 911)	31 819	26 036	91 056
Net interest rate sensitivity gap	(12 950)	4 923	(5 236)	47 098
Cumulative interest rate gap	(12 950)	(8 027)	(13 263)	33 835
Cumulative gap as a percentage of the Bank's total assets (%)	(1.0)	(0.6)	(1.0)	(2.5)

Impact on earnings

The following table shows the impact on AEaR/NII sensitivity for 100 and 200 bps up and down movements in market interest rates for the Bank's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of **R0.6bn** (2021: R0.7bn A similar increase would result in an increase in projected 12-month net interest income of **R0.6bn** (2021: R0.41bn). AEaR decreased to **0%** (2021: 1.8%) of the Bank's net interest income.

[1] Includes exposures held in the CIB banking book.
[2] Derivatives for interest rate risk management purposes (net nominal value).

52. Risk management (continued)

52.6 Treasury risk (continued)

52.6.3 Interest rate risk in banking book (IRRBB) (continued)

Annual earnings at risk for 100 and 200 bps changes in market interest rates

Bank	2022 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	(614)	(296)	318	628
Percentage of the Bank's net interest income (%)	(1.4)	(0.7)	0.8	1.5
Percentage of the Bank's equity (%)	(0.6)	(0.3)	0.3	0.6
	2021 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	(700)	(290)	209	414
Percentage of the Bank's net interest income (%)	(1.8)	(0.8)	0.6	1.1
Percentage of the Bank's equity (%)	(0.7)	(0.3)	0.2	0.4

Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following three ways:

- higher or lower profit after tax resulting from higher or lower net interest income;
- higher or lower available-for-sale reserves reflecting higher or lower fair values of available-for-sale financial instruments; and
- higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and available-for-sale portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate available-for-sale financial assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the available-for-sale reserves is mainly due to the increase in the net directional risk.

Sensitivity of reserves to market interest rate movements

Bank	2022			2021		
	Impact on equity at the reporting date Rm	Maximum impact[1,2] Rm	Minimum impact[1,2] Rm	Impact on equity at the reporting date Rm	Maximum impact[1,2] Rm	Minimum impact[1,2] Rm
+100 bps parallel move in all yield curves						
Available-for-sale reserve	1 877	2 405	1 119	1 877	2 405	1 119
Cash flow hedging reserve	(1 148)	191	(5 287)	(1 148)	191	(5 287)
	729	2 596	(4 168)	729	2 596	(4 168)
As a percentage of Bank equity (%)	0.7	2.5	(4.0)	0.7	2.6	(4.1)

The sensitivity of reserves to market interest rates movements exhibit very little convexity resulting in a materially equivalent change in value for -100 bps parallel move. Basis risk has been maintained constant.

[1] The maximum and minimum impacts for each reserve category did not necessarily occur for the same months.

[2] Includes hedging portfolio assets and liabilities, which was separately disclosed in prior reporting period. The number represents the maximum or minimum potential combined impact for both reserve categories in a single month (and does not equate to the sum of the minimum and maximum per month as indicated in footnote 1 above).

52. Risk management (continued)

52.6 Treasury risk (continued)

52.6.4 Foreign exchange risk

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

Transactional foreign exchange risk

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

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

Foreign currency translation sensitivity analysis

The Bank has a **Rnil** carrying value (2021: Rnil) of foreign currency net investments.

53. Going concern

The directors assess the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Bank will not be a going concern in the reporting period ahead. For this reason, these consolidated financial statements are prepared on a going concern basis.

54. Events after the reporting period

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 Bank 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 Bank 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 Bank in the short term.

In line with the disposal of the 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 directors are not aware of any other events, other than the aforementioned (as defined per IAS10 *Events after the Reporting Period*) after the reporting date of 31 December 2022 and the date of authorisation of these annual consolidated and separate financial statements.

55. Directors' and prescribed officers' remuneration

As a subsidiary of the Group, the Bank is governed by the Absa Group Remuneration Committee (RemCo).

The RemCo's mandate includes ensuring that the remuneration policy and related practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold. The Group strives to promote remuneration practices that foster sustainable high performance and accordingly, the Group rewards both short and longer term performance. All elements of remuneration are benchmarked against the relevant markets, as well as local and international best practice.

The RemCo reviews executive director and prescribed officer performance against a balanced scorecard of objectives, which ensures rigorous focus on business imperatives including, importantly, financial performance. The outcomes of this are a primary input to variable remuneration decisions. Risk management is carefully considered.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Tables for 2022 total awarded remuneration

Executive directors Awarded remuneration	Arrie Rautenbach[7] 2022 R	2021 R	Jason Quinn 2022 R	2021 R	Daniel Mminele[8] 2022 R	2021 R	Total 2022 R	2021 R
Salary	8 689 014	6 444 479	6 098 485	5 418 952	—	2 922 288	14 787 499	14 785 719
Medical aid	167 556	161 892	123 804	119 604	—	—	291 360	281 496
Retirement benefits	185 596	158 651	462 660	411 749	—	51 466	648 256	621 866
Other employee benefits	232 918	494 316	67 380	59 008	—	26 247	300 298	579 571
Total fixed remuneration	9 275 084	7 259 338	6 752 329	6 009 313	—	3 000 001	16 027 413	16 268 652
Non-deferred cash award[1]	9 750 000	6 750 000	8 000 000	9 000 000	—	—	17 750 000	15 750 000
Deferred share award[2]	8 750 000	5 750 000	7 000 000	8 000 000	—	—	15 750 000	13 750 000
Total short-term incentive[3]	18 500 000	12 500 000	15 000 000	17 000 000	—	—	33 500 000	29 500 000
Face value of long-term incentive award (on-target award)[4]	17 000 000	17 000 000	13 000 000	12 500 000	—	—	30 000 000	29 500 000
Other payments[5]	—	2 007 617	—	—	—	30 466 273	—	32 473 890
Total awarded remuneration[6]	44 775 084	38 766 955	34 752 329	35 509 313	—	33 466 274	79 527 413	107 742 542

1 This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

2 This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

4 The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

5 'Other payments' reflect all payments made to Daniel Mminele on termination of employment (see note 8) and for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy.

6 Total awarded remuneration includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2023 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle.

7 Arrie Rautenbach was appointed as Group Chief Executive and executive director on 29 March 2022, and was the Chief Executive: Retail and Business Banking and a prescribed officer prior to that. His total remuneration for 2022 is reflected in his capacity as an executive director, with his 2021 remuneration disclosed in respect of his role as a prescribed officer and included for comparative purposes.

8 Daniel Mminele stepped down as an executive director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 has been included in this disclosure. This includes separation payments, contractual notice payments and leave payments which are shown as 'Other payments' Both short-term incentives and long-term incentives are shown at full value.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Tables for 2022 total awarded remuneration

Prescribed officers Awarded remuneration	Charles Russon 2022 R	Charles Russon 2021 R	Punki Modise[7] 2022 R	Punki Modise[7] 2021 R
Salary	5 763 388	5 585 822	1 624 045	1 866 091
Medical aid	209 508	202 428	108 194	156 811
Retirement benefits	192 301	162 055	137 037	159 877
Other employee benefits	62 132	59 008	181 193	210 403
Total fixed remuneration	6 227 329	6 009 313	2 050 469	2 393 182
Non-deferred cash award[1]	7 500 000	6 750 000	3 500 000	5 500 000
Deferred share award[2]	6 500 000	5 750 000	2 500 000	4 500 000
Total short-term incentive[3]	14 000 000	12 500 000	6 000 000	10 000 000
Face value of long-term incentive award (on-target award)[4]	11 000 000	10 000 000	8 000 000	10 000 000
Other payments[5]	—	—	—	816 546
Total awarded remuneration[6]	31 227 329	28 509 313	16 050 469	23 209 728

Prescribed officers Awarded remuneration	Faisal Mkhize[8] 2022 R	Faisal Mkhize[8] 2021 R	Cowyk Fox[8] 2022 R	Cowyk Fox[8] 2021 R	Geoffrey Lee[8] 2022 R	Geoffrey Lee[8] 2021 R	Total 2022 R	Total 2021 R
Salary	2 543 235	—	2 478 656	—	2 652 901	—	15 062 225	7 451 913
Medical aid	55 710	—	104 754	—	94 266	—	572 432	359 239
Retirement benefits	196 991	—	99 769	—	107 639	—	733 737	321 932
Other employee benefits	79 064	—	293 380	—	19 664	—	635 433	269 411
Total fixed remuneration	2 875 000	—	2 976 559	—	2 874 470	—	17 003 827	8 402 495
Non-deferred cash award[1]	4 000 000	—	4 000 000	—	4 000 000	—	23 000 000	12 250 000
Deferred share award[2]	3 000 000	—	3 000 000	—	3 000 000	—	18 000 000	10 250 000
Total short-term incentive[3]	7 000 000	—	7 000 000	—	7 000 000	—	41 000 000	22 500 000
Face value of long-term incentive award (on-target award)[4]	8 500 000	—	8 500 000	—	8 500 000	—	44 500 000	20 000 000
Other payments[5]	—	—	—	—	—	—	—	816 546
Total awarded remuneration[6]	18 375 000	—	18 476 559	—	18 374 470	—	102 503 827	51 719 041

1 This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

2 This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

4 The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

5 'Other payments' reflect the encashment of leave as a consequence of changes to our leave policy. See note 9 regarding Saviour Chibiya's 'Other payments'.

6 Total awarded remuneration for 2022 includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2023 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle. See notes 7 and 8 regarding the proration of fixed remuneration for individuals who were not in their roles for the full year.

7 Punki Modise was appointed as the Interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as Interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 and the comparative 2021 disclosures are all set out in this table for ease of reference and comparison. Her 2022 fixed remuneration is pro-rated for the period served as an executive director and a prescribed officer during the year, with the short-term incentive and long-term incentive shown at full value.

8 As a result of the Board-approved changes to the Group operating model, four new prescribed officers were appointed on 1 July 2022. Their fixed remuneration has been pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2022										
	Number of shares under award at 1 January 2022	Number of shares/cash awarded during 2022	Share price on award R	Number of shares/cash released during 2022	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2022	Number of shares under award/option at 31 December 2022	Last scheduled vesting date	Fair value of unvested awards at 31 December 2022[5] R
Executive directors											
Arrie Rautenbach[1]											
Share value plan 2019 – 2021	10 878	—	—	10 878	185.93	2 022 547	353 639	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	39 821	—	—	19 910	191.00	3 802 810	371 113	—	19 911	2023/04/01	3 860 743
Share incentive plan deferral 2021 – 2024	37 664	—	—	12 555	191.00	2 398 005	51 570	—	25 109	2024/04/01	4 868 635
Long-term incentive award 2019[2]	88 780	—	—	6 131	185.93	1 139 937	199 317	70 387	12 262	2024/03/18	2 377 602
Share incentive plan performance 2020[3]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01	25 269 242
Share incentive plan performance 2021[3]	80 430	—	—	—	—	—	—	—	80 430	2026/04/01	15 595 377
Share incentive plan deferral 2022 – 2025	—	31 972	179.84	—	—	—	—	—	31 972	2025/04/01	6 199 371
Share incentive plan performance 2022[4]	—	94 528	179.84	—	—	—	—	—	94 528	2025/04/01	18 328 979
Total	387 894	126 500		49 474		9 363 299	975 639	70 387	394 533		76 499 949
Jason Quinn											
Share value plan 2019 – 2021	5 676	—	—	5 676	185.93	1 055 339	184 628	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	41 631	—	—	20 815	191.00	3 975 665	387 921	—	20 816	2023/04/01	4 036 222
Share incentive plan deferral 2021 – 2024	37 664	—	—	12 555	191.00	2 398 005	51 570	—	25 109	2024/04/01	4 868 635
Long-term incentive award 2019[2]	86 615	—	—	5 981	185.93	1 112 047	194 483	68 670	11 964	2024/03/18	2 319 820
Share incentive plan performance 2020[3]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01	25 269 242
Share incentive plan performance 2021[3]	78 468	—	—	—	—	—	—	—	78 468	2026/04/01	15 214 945
Share incentive plan deferral 2022 – 2025	—	44 483	179.84	—	—	—	—	—	44 483	2025/04/01	8 625 254
Share incentive plan performance 2022[4]	—	69 506	179.84	—	—	—	—	—	69 506	2025/04/01	13 477 213
Total	380 375	113 989		45 027		8 541 056	818 602	68 670	380 667		73 811 331

[1] Arrie Rautenbach's outstanding share-based long-term awards include awards received as a prescribed officer since 9 April 2018 and before his appointment as CEO and an executive director on 29 March 2022.

[2] The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the performance awards.

[3] For all executive directors, the awards will vest over a five-year period.

[4] For all executive directors, the 2022 Share Incentive Plan Performance award will vest over a three-year period.

[5] The fair value of the awards is calculated based on the number of shares multiplied by the closing share price on 31 December 2022 (R193.90). For the 2020, 2021 and 2022 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

Notes to the consolidated financial statements

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55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2022							2022			
	Number of shares under award at 1 January 2022	Number of shares/cash awarded during 2022	Share price on award R	Number of shares/cash released during 2022	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2022	Number of shares under award/option at 31 December 2022	Last scheduled vesting date	Fair value of unvested awards at 31 December 2022[6] R
Prescribed officers											
Charles Russon											
Share value plan 2019 – 2021	4 020	—	—	4 020	185.93	747 439	130 709	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	30 227	—	—	15 114	191.00	2 886 774	281 725	—	15 113	2023/04/01	2 930 411
Share incentive plan deferral 2021 – 2024	31 387	—	—	10 462	191.00	1 998 242	42 975	—	20 925	2024/04/01	4 057 358
Long-term incentive award 2019[1]	60 630	—	—	4 187	185.93	778 489	136 101	48 069	8 374	2024/03/18	1 623 719
Share incentive plan performance 2020[2]	99 370	—	—	—	—	—	—	—	99 370	2025/04/01	19 267 843
Share incentive plan performance 2021[2]	54 927	—	—	—	—	—	—	—	54 927	2026/04/01	10 650 345
Share incentive plan deferral 2022 – 2025	—	31 972	179.84	—	—	—	—	—	31 972	2025/04/01	6 199 371
Share incentive plan performance 2022[3]	—	55 604	179.84	—	—	—	—	—	55 604	2025/04/01	10 781 616
Total	280 561	87 576		33 783		6 410 944	591 510	48 069	286 285		55 510 663
Punki Modise[4]											
Share value plan 2019 – 2021	871	—	—	871	185.93	161 945	28 261	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	6 661	—	—	3 330	191.00	636 030	62 075	—	3 331	2023/04/01	645 881
Share incentive plan deferral 2021 – 2024	980	—	—	327	191.00	62 457	1 337	—	653	2024/04/01	126 617
Long-term incentive award 2019[1]	24 915	—	—	5 162	178.10	919 352	149 960	19 753	—	2022/09/02	—
Share incentive plan performance 2020	32 580	—	—	—	—	—	—	—	32 580	2023/04/01	6 317 262
Share incentive plan performance 2021	25 109	—	—	—	—	—	—	—	25 109	2024/04/01	4 868 635
Share incentive plan deferral 2022 – 2025	—	25 022	179.84	—	—	—	—	—	25 022	2025/04/01	4 851 766
Share incentive plan performance 2022[5]	—	55 604	179.84	—	—	—	—	—	55 604	2025/04/01	10 781 616
Total	91 116	80 626		9 690		1 779 784	241 633	19 753	142 299		27 591 777
Faisal Mkhize[5]											
Share value plan 2019 – 2021	743	—	—	743	185.93	138 146	23 985	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	10 860	—	—	5 430	191.00	1 037 130	101 230	—	5 430	2023/04/01	1 052 877
Share incentive plan deferral 2021 – 2024	3 138	—	—	1 046	191.00	199 786	4 202	—	2 092	2024/04/01	405 639
Long-term incentive award 2019[1]	25 911	—	—	5 368	178.10	956 041	155 838	20 543	-	2022/09/02	—
Share incentive plan performance 2020	35 295	—	—	—	—	—	—	—	35 295	2023/04/01	6 843 701
Share incentive plan performance 2021	26 679	—	—	—	—	—	—	—	26 679	2024/04/01	5 173 058
Share incentive plan deferral 2022 – 2025	—	8 340	179.84	—	—	—	—	—	8 340	2025/04/01	1 617 126
Share incentive plan performance 2022	—	22 241	179.84	—	—	—	—	—	22 241	2025/04/01	4 312 530
Share incentive plan performance 2022	—	24 536	183.40	—	—	—	—	—	24 536	2025/09/01	4 757 530
Total	102 626	55 117		12 587		2 331 103	285 255	20 543	124 613		24 162 461
Cowyk Fox[5]											
Share value plan 2019 – 2021	1 892	—	—	1 892	185.93	351 780	61 543	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	12 098	—	—	6 049	191.00	1 155 359	112 690	—	6 049	2023/04/01	1 172 901
Share incentive plan deferral 2021 – 2024	3 923	—	—	1 308	191.00	249 828	5 348	—	2 615	2024/04/01	507 049
Long-term incentive award 2019[1]	19 953	—	—	4 134	185.93	768 635	134 427	15 819	—	2022/03/18	—
Share incentive plan performance 2020	40 400	—	—	—	—	—	—	—	40 400	2023/04/01	7 833 560
Share incentive plan performance 2021	29 817	—	—	—	—	—	—	—	29 817	2024/04/01	5 781 516
Share incentive plan deferral 2022 – 2025	—	9 035	179.84	—	—	—	—	—	9 035	2025/04/01	1 751 887
Share incentive plan performance 2022	—	22 241	179.84	—	—	—	—	—	22 241	2025/04/01	4 312 530
Share incentive plan performance 2022	—	24 536	183.40	—	—	—	—	—	24 536	2025/09/01	4 757 530
Total	108 083	55 812		13 383		2 525 602	314 008	15 819	134 693		26 116 973
Geoffrey Lee[5]											
Share value plan 2019 – 2021	1 135	—	—	1 135	185.93	211 031	36 814	—	—	2022/03/18	—
Share incentive plan deferral 2020 – 2023	11 946	—	—	5 973	191.00	1 140 843	111 353	—	5 973	2023/04/01	1 158 165
Share incentive plan deferral 2021 – 2024	3 923	—	—	1 308	191.00	249 828	5 348	—	2 615	2024/04/01	507 049
Long-term incentive award 2019[1]	25 911	—	—	5 368	178.10	956 041	155 837	20 543	—	2022/09/02	—
Share incentive plan performance 2020	35 295	—	—	—	—	—	—	—	35 295	2023/04/01	6 843 701
Share incentive plan performance 2021	26 679	—	—	—	—	—	—	—	26 679	2024/04/01	5 173 058
Share incentive plan deferral 2022 – 2025	—	9 730	179.84	—	—	—	—	—	9 730	2025/04/01	1 886 647
Share incentive plan performance 2022	—	22 241	179.84	—	—	—	—	—	22 241	2025/04/01	4 312 530
Share incentive plan performance 2022	—	24 536	183.40	—	—	—	—	—	24 536	2025/09/01	4 757 530
Total	104 889	56 507		13 784		2 557 743	309 353	20 543	127 069		24 638 680

[1] The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the performance awards.

[2] Charles Russon's 2020 and 2021 Share Plan Incentive Performance awards will vest over a five-year period.

[3] Charles Russon's 2022 Share Incentive Plan Performance award will vest over a three-year period.

[4] Punki Modise's outstanding share-based long-term awards include awards received prior to becoming an executive director on 23 April 2021 to 29 March 2022. Punki Modise`s 2019 Long Term Incentive award vested based on the measurement of the predetermined performance conditions over a three year period. The 2020 and 2021 Share Plan Incentive Performance awards vest over a three year period as they were made prior to her becoming an executive director. The 2022 Share Plan Incentive Performance award will also vest over a three year period as it was made subsequent to her executive directorship coming to an end.

[5] Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's outstanding share-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022. The 2020 and 2021 Share Plan Incentive Performance awards will vest over a three-year period as they were made prior to them becoming prescribed officers.

[6] The fair value of the awards is calculated based on the number of shares multiplied by the closing share price on 31 December 2022 (R193.90). For the 2020, 2021 and 2022 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

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55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2021				2021					
	Number of shares under award at 1 January 2021	Number of shares/cash awarded during 2021	Share price on award R	Number of shares/cash released during 2021	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2021	Number of shares under award/option at 31 December 2021	Last scheduled vesting date
Executive directors										
Daniel Mminele[1]										
Share incentive plan deferral 2021 – 2024	—	39 234	127.44	—	—	—	—	39 234	—	2024/04/01
Share incentive plan performance 2020	162 902	—	—	—	—	—	—	162 902	—	2025/04/01
Share incentive plan performance 2021	—	117 702	127.44	—	—	—	—	117 702	—	2026/04/01
Total	162 902	156 936		—		—	—	319 838	—	
Jason Quinn										
Share value plan 2018 – 2020[3]	4 057	—	—	4 057	126.98	515 158	117 203	—	—	2021/03/18
Share value plan 2019 – 2021	11 352	—	—	5 676	126.98	720 738	108 187	—	5 676	2022/03/18
Share incentive plan deferral 2020 – 2023	62 446	—	—	20 815	124.17	2 584 599	192 339	—	41 631	2023/04/01
Share incentive plan deferral 2021 – 2024	—	37 664	127.44	—	—	—	—	—	37 664	2024/04/01
Long-term incentive award 2019[2]	86 615	—	—	—	—	—	—	—	86 615	2024/03/18
Share incentive plan performance 2020[2]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01
Share incentive plan performance 2021[2]	—	78 468	127.44	—	—	—	—	—	78 468	2026/04/01
Total	294 791	116 132		30 548		3 820 495	417 729	—	380 375	
Punki Modise[4]										
Share value plan 2018 – 2020[3]	609	—	—	609	126.98	77 331	17 523	—	—	2021/03/18
Share value plan 2019 – 2021	1 741	—	—	870	126.98	110 473	16 507	—	871	2022/03/18
Share incentive plan deferral 2020 – 2023	9 991	—	—	3 330	124.17	413 486	30 670	—	6 661	2023/04/01
Share incentive plan deferral 2021 – 2024	—	980	127.44	—	—	—	—	—	980	2024/04/01
Long-term incentive award 2019	24 915	—	—	—	—	—	—	—	24 915	2022/09/02
Share incentive plan performance 2020	32 580	—	—	—	—	—	—	—	32 580	2023/04/01
Share incentive plan performance 2021	—	25 109	127.44	—	—	—	—	—	25 109	2024/04/01
Total	69 836	26 089		4 809		601 290	64 700	—	91 116	

[1] Daniel Mminele ceased to be an executive director on 15 April 2021 and subsequently terminated his service with Absa Group on 30 April 2021. All his awards were forfeited on termination of service date.

[2] For all executive directors, the award will vest over a five-year period.

[3] Punki Modise's outstanding share-based long-term awards include awards received prior to becoming an executive director on 23 April 2021. Punki Modise's Long Term Incentive award 2019, Share Plan Incentive Performance award 2020 and Share Plan Incentive award 2021 vest over a three-year period since the awards were made prior to her becoming an executive director.

[4] The scheduled vesting date for the 1 March 2021 share value plan vesting moved to 18 March 2021, due to the original vesting dates falling within a prohibited/closed period.

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55. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2021				2021					
	Number of shares under award at 1 January 2021	Number of shares/cash awarded during 2021	Share price on award R	Number of shares/cash released during 2021	Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2021	Number of shares under award/option at 31 December 2021	Last scheduled vesting date
Prescribed officers										
Arrie Rautenbach										
Share value plan 2018 – 2020[1, 2]	9 130	—	—	9 130	126.98	1 159 327	263 864	—	—	2021/03/18
Share value plan 2019 – 2021	21 758	—	—	10 880	126.98	1 381 542	207 231	—	10 878	2022/03/18
Share incentive plan deferral 2020 – 2023	59 731	—	—	19 910	124.17	2 472 225	183 896	—	39 821	2023/04/01
Share incentive plan deferral 2021 – 2024	—	37 664	127.44	—	—	—	—	—	37 664	2024/04/01
Long-term incentive award 2019[3]	88 780	—	—	—	—	—	—	—	88 780	2024/03/18
Share incentive plan performance 2020[3]	130 321	—	—	—	—	—	—	—	130 321	2025/04/01
Share incentive plan performance 2021[3]	—	80 430	127.44	—	—	—	—	—	80 430	2026/04/01
Total	309 720	118 094		39 920		5 013 094	654 991	—	387 894	
Charles Russon										
Share value plan 2018 – 2020[2, 4]	8 114	—	—	8 114	126.98	1 030 316	234 405	—	—	2021/03/18
Share value plan 2019 – 2021	8 041	—	—	4 021	126.98	510 587	76 569	—	4 020	2022/03/18
Share incentive plan deferral 2020 – 2023	45 341	—	—	15 114	124.17	1 876 705	139 567	—	30 227	2023/04/01
Share incentive plan deferral 2021 – 2024	—	31 387	127.44	—	—	—	—	—	31 387	2024/04/01
Long-term incentive award 2019[3]	60 630	—	—	—	—	—	—	—	60 630	2024/03/18
Share incentive plan performance 2020[3]	99 370	—	—	—	—	—	—	—	99 370	2025/04/01
Share incentive plan performance 2021[3]	—	54 927	127.44	—	—	—	—	—	54 927	2026/04/01
Total	221 496	86 314		27 249		3 417 608	450 541	—	280 561	

[1] Arrie Rautenbach's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 19 April 2018.

[2] The scheduled vesting date for the 1 March 2021 share value plan vesting moved to 18 March 2021, due to the original vesting dates falling within a prohibited/closed period.

[3] For all prescribed officers, the award will vest over a five-year period.

[4] Charles Russon's outstanding share-based long-term awards include awards received prior to becoming a prescribed officer on 5 November 2018.

Notes to the consolidated financial statements

for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding cash-based long-term awards

2022	Value under award at 1 January 2022 R	Maximum potential value at 1 January 2022 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R	Converted to equity R	Service credit awarded in the year R	Service credit released in the year R	Service credit lapsed/(forfeited) in the year R	Value under award at 31 December 2022 R	Maximum potential value at 31 December 2022 R	Last scheduled vesting date
Executive directors												
Jason Quinn												
Cash value plan 2019 – 2021	983 000	1 277 900	—	983 000	—	—	—	294 900	—			2022/03/18
Total	983 000	1 277 900	—	983 000	—	—	—	294 900	—			
Prescribed officers												
Charles Russon												
Cash value plan 2019 – 2021	696 334	905 234	—	696 334	—	—	—	208 900	—			2022/03/18
Total	696 334	905 234	—	696 334	—	—	—	208 900	—			
Punki Modise[1]												
Cash value plan 2019 – 2021	150 726	195 944	—	150 726	—	—	—	45 218	—			2022/03/18
Total	150 726	195 944	—	150 726	—	—	—	45 218	—			
Faisal Mkhize[2]												
Cash value plan 2019 – 2021	128 800	167 440	—	128 800	—	—	—	38 640	—			2022/03/18
Cash value plan (MRT) 2021	1 400 000	1 400 000	—	1 400 000	—	—	—	—	—			2022/04/01
Total	1 528 800	1 567 440	—	1 528 800	—	—	—	38 640	—			
Cowyk Fox[2]												
Cash value plan 2019 – 2021	327 666	425 966	—	327 666	—	—	—	98 300	—			2022/03/18
Cash value plan (MRT) 2021	1 500 000	1 500 000	—	1 500 000	—	—	—	—	—			2022/04/01
Total	1 827 666	1 925 966	—	1 827 666	—	—	—	98 300	—			
Geoffrey Lee[2]												
Cash value plan 2019 – 2021	196 600	255 580	—	196 600	—	—	—	58 980	—			2022/03/18
Cash value plan (MRT) 2021	1 500 000	1 500 000	—	1 500 000	—	—	—	—	—			2022/04/01
Total	1 696 600	1 755 580	—	1 696 600	—	—	—	58 980	—			

[1] Punki Modise's outstanding cash-based long-term awards include awards received prior to becoming an executive director for the period 23 April 2021 to 29 March 2022.

[2] Faisal Mkhize's, Cowyk Fox' and Geoffrey Lee's outstanding cash-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022.

Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Directors' and prescribed officers' remuneration (continued)

Outstanding cash-based long-term awards (continued)

	2021											
	Value under award at 1 January 2021 R	Maximum potential value at 1 January 2021 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R	Converted to equity R	Service credit awarded in the year R	Service credit released in the year R	Service credit lapsed/(forfeited) in the year R	Value under award at 31 December 2021 R	Maximum potential value at 31 December 2021 R	Last scheduled vesting date
Executive directors												
Jason Quinn												
Cash value plan 2018 – 2020	800 000	993 333	—	800 000	—	—	—	193 333	—	—	—	2021/03/01
Cash value plan 2019 – 2021	1 966 000	2 260 900	—	983 000	—	—	—	—	—	983 000	1 277 900	2022/03/18
Total	2 766 000	3 254 233	—	1 783 000	—	—	—	193 333	—	983 000	1 277 900	
Punki Modise[1]												
Cash value plan 2018 – 2020	120 000	156 000	—	120 000	—	—	—	36 000	—	—	—	2021/03/01
Cash value plan 2019 – 2021	301 453	346 671	—	150 727	—	—	—	—	—	150 726	195 944	2022/03/18
Total	421 453	502 671	—	270 727	—	—	—	36 000	—	150 726	195 944	
Prescribed officer												
Charles Russon												
Cash value plan 2019 – 2021	1 392 667	1 601 567	—	696 333	—	—	—	—	—	696 334	905 234	2022/03/18
Total	1 392 667	1 601 567	—	696 333	—	—	—	—	—	696 334	905 234	

[1] Punki Modise's outstanding cash-based long-term awards include awards received prior to becoming an executive director on 23 April 2021.

55. Directors' and prescribed officers' remuneration (continued)

Group Chairman and non-executive directors' fees

Directors	Group Board R	Group Board committees and sub-committees R	Subsidiary boards, committees and trusts: Absa Bank R	Subsidiary boards, committees and trusts: Absa Financial Services R	Subsidiary boards, committees and trusts: Other R	2022 Total[9] R	2021 Total[9] R
Alex Darko	730 993	1 357 896	103 300	—	—	**2 192 189**	2 255 669
Francis Okomo-Okello[1]	730 993	678 142	103 300	—	89 558	**1 601 993**	1 971 912
Mark Merson[2]	74 633	107 653	8 608	—	807 217	**998 111**	3 407 614
Nonhlanhla Mjoli-Mncube[3]	870 993	662 250	94 692	—	—	**1 627 935**	—
René van Wyk[4]	730 993	1 901 584	94 692	—	—	**2 727 269**	—
Rose Keanly[5]	730 993	1 236 177	94 692	676 100	—	**2 737 962**	—
Sello Moloko[6, 7]	5 239 575	345 083	25 825	—	—	**5 610 483**	126 974
Tasneem Abdool-Samad	730 993	1 776 650	103 300	815 450	—	**3 426 393**	3 495 595
Wendy Lucas-Bull (Chairman)[8]	1 679 125	—	—	—	—	**1 679 125**	6 627 100
Total	11 519 291	8 065 435	628 409	1 491 550	896 775	**22 601 460**	17 884 864

1 Francis Okomo-Okello was a trustee of the Absa Foundation Trust and paid for attendances until 31 October 2022. Absa Africa Foundation Advisory Board was established in Q3 of 2022 as a sub-committee of the Social, Sustainability and Ethics Committee (SSEC) Board committee. Francis Okomo-Okello was appointed as a member and Chairman of the Absa Africa Foundation Advisory Board (reported under Other).

2 Mark Merson resigned from the Group and Bank boards on 31 January 2022, but remained as Chairman of the Absa Securities United Kingdom Limited, a subsidiary of Absa Group Limited (reported under Other).

3 Nhlanhla Mjoli-Mncube was appointed as the Lead Independent Director (LID) and joined the Bank Board on 8 February 2022. The LID fees are included under the Group fee.

4 René van Wyk joined the Bank Board on 1 February 2022.

5 Rose Keanly joined the Bank Board on 8 February 2022.

6 Sello Moloko was appointed as Chairman of the Group and Bank boards on 1 April 2022.

7 The fee applicable to Sello Moloko, the Group Chairman, covers chairmanship of the Absa Group and Absa Bank boards as well as membership of any board committees (from 1 April 2022); prior to that, separate fees were paid for membership of the boards and relevant board committees.

8 Wendy Lucas-Bull retired from the Group and Bank boards effective 31 March 2022.

9 The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

Company financial statements

Company statement of financial position

as at 31 December

	Note	Company 31 December 2022 Rm	Restated 31 December 2021 Rm	Restated 1 January 2021 Rm
Assets				
Cash, cash balances and balances with central banks	2	37 344	33 751	33 812
Investment securities	3	127 220	114 401	97 113
Trading portfolio assets[1]	4	155 778	141 993	168 403
Hedging portfolio assets[1]	4	4 972	3 696	7 473
Other assets	5	17 114	16 757	14 734
Current tax assets		—	—	251
Non-current assets held for sale	6	90	57	136
Loans and advances	7	1 027 244	926 642	868 438
Loans to Group companies	8	81 939	87 708	66 553
Investments in associates and joint ventures	9	206	206	206
Subsidiaries	10	98	98	109
Property and equipment	11	11 665	12 369	13 918
Goodwill and intangible assets	12	11 143	10 294	9 514
Deferred tax assets	13	4 574	3 124	1 900
Total assets[1]		1 479 387	1 351 096	1 282 560
Liabilities				
Trading portfolio liabilities[1]	14	91 396	68 102	105 821
Hedging portfolio liabilities[1]	14	2 237	2 910	5 013
Other liabilities	15	23 565	35 430	22 127
Provisions	16	4 023	3 922	2 764
Current tax liabilities		364	85	—
Deposits	17	1 017 207	975 403	892 054
Debt securities in issue[1]	18	197 243	124 387	137 886
Loans from Group companies		16 354	14 657	3 793
Borrowed funds		26 282	26 459	20 621
Total liabilities[1]		1 378 671	1 251 355	1 190 078
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital	19	304	304	304
Ordinary share premium	19	36 880	36 880	36 880
Preference share capital	19	1	1	1
Preference share premium	19	4 643	4 643	4 643
Additional Tier 1 capital	19	7 503	7 004	7 004
Retained earnings	20	52 158	48 474	38 081
Other reserves	20	(773)	2 435	5 569
Total equity		100 716	99 741	92 482
Total liabilities and equity[1]		1 479 387	1 351 096	1 282 560

[1] These numbers have been restated, refer to restatement note 1.1.

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2022 Rm	Company 2021 Rm
Net interest income		42 188	38 014
Interest and similar income	21	88 013	71 195
Effective interest income		86 360	69 755
Other interest income		1 653	1 440
Interest expense and similar charges	22	(45 825)	(33 181)
Non-interest income		21 452	20 151
Net fee and commission income		19 216	17 961
Fee and commission income	23	21 234	19 663
Fee and commission expense	23	(2 018)	(1 702)
Gains and losses from banking and trading activities	24	1 570	1 723
Gains and losses from investment activities	25	3	141
Other operating income	26	663	326
Total income		63 640	58 165
Credit impairment charges	27	(8 717)	(6 308)
Operating income before operating expenses		54 923	51 857
Operating expenses	28	(37 003)	(35 101)
Other expenses		(1 915)	(1 470)
Other impairments	29	(591)	(336)
Indirect taxation	30	(1 324)	(1 134)
Operating profit before income tax		16 005	15 286
Taxation expense	31	(4 056)	(3 945)
Profit for the reporting period		11 949	11 341
Profit attributable to:			
Ordinary equity holders		11 074	10 514
Preference equity holders		266	242
Additional Tier 1 capital		609	585
		11 949	11 341

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2022 Rm	2021 Rm
Profit for the reporting period		**11 949**	11 341
Other comprehensive income			
Items that will not be reclassified to profit or loss		**(152)**	55
Fair value gains/(losses) on equity instruments measured at FVOCI		**(1)**	10
Fair value (losses)/gains		**(1)**	13
Deferred tax		**—**	(3)
Movement of liabilities designated at FVTPL due to changes in own credit risk		**(151)**	(26)
Fair value losses		**(202)**	(36)
Deferred tax		**51**	10
Movement in retirement benefit fund assets and liabilities		**—**	71
Increase/(decrease) in retirement benefit surplus		**(36)**	98
Deferred tax	13	**36**	(27)
Items that are or may be subsequently reclassified to profit or loss		**(3 570)**	(3 412)
Movement in foreign currency translation reserve		**1**	(2)
Differences in translation of foreign operations		**1**	(2)
Movement in cash flow hedging reserve		**(4 477)**	(4 051)
Fair value (losses)/gains		**(3 439)**	(1 463)
Amount removed from other comprehensive income and recognised in profit or loss		**(2 718)**	(4 163)
Deferred tax		**1 680**	1 575
Movement in fair value of debt instruments measured at FVOCI		**906**	641
Fair value gains/(losses)		**1 288**	1 007
Release to profit or loss		**(7)**	(120)
Deferred tax	13	**(375)**	(246)
Total comprehensive income for the reporting period		**8 227**	7 984
Total comprehensive income attributable to:			
Ordinary equity holders		**7 352**	7 157
Preference equity holders		**266**	242
Additional Tier 1 capital		**609**	585
		8 227	7 984

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Company statement of changes in equity

for the reporting period ended 31 December

Company statement of changes in equity

for the reporting period ended 31 December

Company

2022

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
Balance at the beginning of the reporting period	448 301	304	36 880	1	4 643	7 004	48 474	2 435	(864)	1 265	(1)	1 422	613	99 741
Total comprehensive income	—	—	—	—	266	609	10 922	(3 570)	906	(4 477)	1	—	—	8 227
Profit for the period	—	—	—	—	266	609	11 074	—	—	—	—	—	—	11 949
Other comprehensive income	—	—	—	—	—	—	(152)	(3 570)	906	(4 477)	1	—	—	(3 722)
Dividends paid during the reporting period	—	—	—	—	(266)	—	(6 500)	—	—	—	—	—	—	(6 766)
Distributions paid during the reporting period	—	—	—	—	—	(609)	—	—	—	—	—	—	—	(609)
Movement in Additional Tier 1 capital[1]	—	—	—	—	—	499	—	—	—	—	—	—	—	499
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(738)	—	—	—	—	—	—	(738)
Movement in share-based payment reserve	—	—	—	—	—	—	—	362	—	—	—	—	362	362
Intercompany recharge	—	—	—	—	—	—	—	(318)	—	—	—	—	(318)	(318)
Value of employee services	—	—	—	—	—	—	—	554	—	—	—	—	554	554
Deferred tax	—	—	—	—	—	—	—	126	—	—	—	—	126	126
Balance at the end of the reporting period	448 301	304	36 880	1	4 643	7 503	52 158	(773)	42	(3 212)	—	1 422	975	100 716
Note	19	19	19	19	19	19			20	20	20	20	20	

2021

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm	Retained earnings Rm	Total other reserves Rm	Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
Balance at the beginning of the reporting period	448 301	304	36 880	1	4 643	7 004	38 081	5 569	(1 505)	5 316	1	1 422	335	92 482
Total comprehensive income	—	—	—	—	242	585	10 569	(3 412)	641	(4 051)	(2)	—	—	7 984
Profit for the period	—	—	—	—	242	585	10 514	—	—	—	—	—	—	11 341
Other comprehensive income	—	—	—	—	-	—	55	(3 412)	641	(4 051)	(2)	—	—	(3 357)
Dividends paid during the reporting period	—	—	—	—	(242)	—	—	—	—	—	—	—	—	(242)
Distributions paid during the reporting period	—	—	—	—	—	(585)	—	—	—	—	—	—	—	(585)
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—	(176)	—	—	—	—	—	—	(176)
Movement in share-based payment reserve	—	—	—	—	—	—	—	278	—	—	—	—	278	278
Transfer from share-based payment reserve	—	—	—	—	—	—	—	(253)	—	—	—	—	(253)	(253)
Value of employee services	—	—	—	—	—	—	—	461	—	—	—	—	461	461
Deferred tax	—	—	—	—	—	—	—	70	—	—	—	—	70	70
Balance at the end of the reporting period	448 301	304	36 880	1	4 643	7 004	48 474	2 435	(864)	1 265	(1)	1 422	613	99 741
Note	19	19	19	19	19	19			20	20	20	20	20	

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

Company statement of cash flows

for the reporting period ended 31 December

	Note	Company 2022 Rm	Restated 2021 Rm
Cash flow from operating activities			
Profit before tax		16 005	15 286
Adjustment of non-cash items			
Depreciation and amortisation	28	4 919	5 134
Other impairments	29	591	336
Other non-cash items included in profit before tax		(22)	(534)
Dividends received from investing activities		(43)	(174)
Cash flow from operating activities before changes in operating assets and liabilities		21 450	20 048
Net (increase)/decrease in trading and hedging portfolio assets[1]		(19 539)	26 137
Net increase in loans and advances[1]		(96 935)	(61 049)
Net increase in investment securities		(11 887)	(16 617)
Net decrease/(increase) in other assets[1]		3 164	(25 053)
Net increase/(decrease) in trading and hedging portfolio liabilities		22 620	(39 822)
Net increase in amounts due to customers and banks		41 804	83 348
Net increase in other liabilities[1,2]		63 124	13 574
Income taxes paid		(3 729)	(3 481)
Net cash generated from/(utilised in) operating activities[1]		**20 072**	(2 915)
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale		54	113
Purchase of property and equipment	11	(1 604)	(874)
Proceeds from disposal of properties and equipment		64	170
Purchase of intangible assets	12	(3 246)	(2 751)
Proceeds from disposal of intangible assets		—	20
Disposal of associates and joint ventures		—	11
Dividends received from investing activities		16	154
Net cash utilised in investing activities		**(4 716)**	(3 157)
Cash flow from financing activities			
Net contribution from/distribution to the Group in respect of equity-settled share-based payment		(1 070)	(176)
Issue of Additional Tier 1 capital		1 999	—
Expiry of Additional Tier 1 capital		(1 500)	—
Distributions paid to Tier 1 capital holders		(609)	(585)
Proceeds from borrowed funds		1 916	6 866
Repayment of borrowed funds		(2 204)	(2 381)
Repayment of IFRS 16 lease liability		(984)	(984)
Dividends paid		(6 766)	(242)
Net cash (utilised in)/generated from financing activities		**(9 218)**	2 498
Net increase/(decrease) in cash and cash equivalents[1]		6 138	(3 574)
Cash and cash equivalents at the beginning of the reporting period[1]		30 326	33 900
Cash and cash equivalents at the end of the reporting period[1]	39	**36 464**	30 326

As part of operating activities, interest income amounting to **R89 750m** (2021: R70 367m); and interest expense amounting to **R45 825m** (2021: R31 877m) were received and paid in cash respectively.

[1] These amounts have been restated, refer to note 1.1.

[2] Net increase in other liabilities includes debt securities in issue, provisions and loans from Group companies.

Notes to the Company financial statements

for the reporting period ended 31 December

1. Accounting policies

The financial statements of Absa Bank Limited (the Company) are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Bank.

1.1 Reporting changes overview

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

1.1.1 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 Company has been reviewed and it was concluded that the mandatory reserves with the SARB 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 Company. This is calculated by applying the percentage that is accessible to the Company 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 Company.

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

	31 December 2021			
Statement of cash flows	As previously reported Rm	Accounting policy change Mandatory reserves with the SARB Rm	Correction of prior period error (refer to note 1.1.2 below) Nostros Rm	Restated balance Rm
Cash and cash equivalents	6 170	19 379	4 777	30 326
Net increase in other assets	(26 609)	1 556	—	25 053
Net increase in loans and advances	(58 530)	—	(2 519)	(61 049)
Net cash utilised in operating activities	(1 952)	1 556	(2 519)	(2 915)

	1 January 2021			
	As previously reported Rm	Accounting policy change Mandatory reserves with the SARB Rm	Correction of prior period error (refer to note 1.1.2 below) Nostros Rm	Restated balance Rm
Cash and cash equivalents	8 781	17 822	7 297	33 900

1. Accounting policies

1.1 Reporting changes overview

1.1.2. Correction of prior period errors

Nostros 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 have been incorrectly excluded from Cash and cash equivalents and the Statement of cash flows has subsequently been corrected.

Refer to note 1.1.1 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 Company.

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

In terms of the Company'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 Company's hedging strategy were historically reported as part of Hedging portfolio assets and Hedging portfolio liabilities, as opposed to Trading portfolio assets and Trading 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 Company'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 the Company.

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

Statement of financial position	31 December 2021 As previously reported Rm	OTC derivatives Rm	Fair value on CLNs Rm	Restated balance Rm
Assets				
Trading portfolio assets	141 832	1 462	(1 301)	141 993
Hedging portfolio assets	5 157	(1 462)	—	3 696
Liabilities				
Trading portfolio liabilities	(67 353)	(749)	—	(68 102)
Hedging portfolio liabilities	(3 659)	749	—	(2 910)
Debt securities in issue	(125 687)	—	1 301	(124 387)

Statement of financial position	1 January 2021 As previously reported Rm	OTC derivatives Rm	Fair value on CLNs Rm	Restated balance Rm
Assets				
Trading portfolio assets	166 172	3 525	(1 293)	168 403
Hedging portfolio assets	10 998	(3 525)	—	7 473
Liabilities				
Trading portfolio liabilities	(105 966)	145	—	(105 821)
Hedging portfolio liabilities	(4 868)	(145)	—	(5 013)
Debt securities in issue	(139 179)	—	1 293	(137 886)

Statement of cash flows	31 December 2021 As previously reported Rm	Correction of error Rm	Restated balance Rm
Net decrease in trading and hedging portfolio liabilities	26 130	7	26 137
Net increase in other liabilities	13 581	(7)	13 574

	Company 2022 Rm	 2021 Rm
2. Cash, cash balances and balances with central banks		
Balances with the SARB	31 103	27 684
Coins and bank notes	6 241	6 067
	37 344	33 751

The minimum reserve balance held in cash with the SARB and other various central banks across the different jurisdictions is determined in accordance with the regulatory terms applicable to the respective countries. The portion of the balance that can be utilised by the Bank is included in cash and cash equivalents and is calculated by applying the percentage that is accessible to the Bank in accordance with the respective regulatory terms for each jurisdiction.

	Company 2022 Rm	 2021 Rm
3. Investment securities		
Government bonds	87 924	75 007
Listed equity instruments	205	201
Other debt securities	7 306	8 196
Treasury bills	30 680	29 936
Unlisted equity and hybrid instruments	1 106	1 062
Gross investment securities	127 221	114 402
Impairment losses	(1)	(1)
	127 220	114 401

Government bonds of **R0m** (2021: R8 281m) which relate to repurchase agreements have been pledged with the SARB and other central banks. The terms of the pledges are usual and customary to such agreements.

Impairment losses relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R184m** (2021: R222m) has been recognised on investment securities at FVOCI.

	Company 2022 Rm	 2021 Rm
4. Trading and hedging portfolio assets		
Commodities	614	642
Debt instruments[1]	83 846	67 424
Derivative assets (refer to note 44)	57 032	55 707
Commodity derivatives	188	920
Credit derivatives	224	142
Equity derivatives	8 758	8 581
Foreign exchange derivatives	16 394	10 090
Interest rate derivatives[1]	31 468	35 974
Equity instruments	951	3 888
Money market assets	13 335	14 332
Total trading portfolio assets	155 778	141 993
Hedging portfolio assets (refer to note 44)[1]	4 972	3 696
	160 750	145 689

Trading portfolio assets with carrying values of **R42 945m** (2021: R37 907m) and **R1 800m** (2021: R2 810m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers' acceptance notes.

[1] These amounts have been restated, refer to reporting changes overview note 1.1.

	Company 2022 Rm	Company 2021 Rm
5. Other assets		
Accounts receivable[1]	10 725	8 656
Prepayments[1]	1 781	1 672
Deferred costs	166	154
Inventories	4	11
Cost	4	11
Write-down	—	—
Retirement benefit fund surplus (refer to note 45)	466	465
Settlement accounts	3 972	5 799
Gross other assets	17 114	16 757
Impairment losses	0	0
	17 114	16 757

The ECL impact is immaterial due to the short-term nature of these items.

	Company 2022 Rm	Company 2021 Rm
6. Non-current assets held for sale		
Non-current assets held for sale		
Balance at the beginning of the reporting period	57	136
Disposals	(34)	(93)
Impairment of an NCAHFS (refer to note 29)	—	(1)
Transfer from property and equipment (refer to note 11)	67	15
Balance at the end of the reporting period	90	57

The following movements in non-current assets occurred during the current financial reporting period:

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R34m**.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R67m** to non-current assets held for sale.

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R93m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R15m to non-current assets held for sale and a R1m impairment was recognised on remaining assets previously classified as held for sale.

[1] Accounts receivable and prepayments, which were previously disclosed as a single line item, have been disclosed separately due to their distinct nature.

Notes to the Company financial statements

for the reporting period ended 31 December

	Company 2022 Rm	Company 2021 Rm
7. Loans and advances		
Corporate overdrafts and specialised finance loans	23 428	20 479
Credit cards	38 169	34 694
Foreign currency loans	54 477	37 953
Instalment credit agreements	116 292	106 110
Finance lease receivables	3 311	3 529
Loans to associates and joint ventures	25 563	25 909
Microloans	4 897	3 448
Mortgages	379 720	352 209
Other advances	15 795	12 730
Overdrafts	49 520	43 542
Overnight finance	25 193	26 579
Personal and term loans	64 424	58 950
Preference shares	29 829	27 061
Reverse repurchase agreements (Carries)	44 490	60 208
Wholesale overdrafts	108 774	94 083
Gross loans and advances to customers	983 882	907 484
Gross loans and advances to banks	76 569	50 311
Gross loans and advances	1 060 451	957 795
Impairment losses	(33 207)	(31 153)
Impairment losses for loans and advances to customers	(33 179)	(31 103)
Impairment losses for loans and advances to banks	(28)	(50)
Net loans and advances	1 027 244	926 642

Included above are collateralised loans of **R3 418m** (2021: R1 673m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly. The financial assets pledged under terms that are usual and customary to such arrangements.

Other advances include working capital solutions and collateralised loans.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R3 796m** (2021: R3 277m).

Included above in gross loans and advances to banks are reverse repurchase agreements of **R34 774m** (2021: R19 453m) and other collateralised loans of **R4 180m** (2021: R24m) relating to securities borrowed.

	Company 2022 Rm	Company 2021 Rm
8. Loans to Group companies		
Gross loans to Group companies	82 190	87 958
Impairment losses	(251)	(250)
	81 939	87 708

Refer to Related parties, note 38 in the Bank's financial statements for further details on the gross loans to Group companies.

[1] Included in this amount are credit linked notes of which R3 041m is relating to loans and customers and R409m to loans and advances to banks.

	Company 2022 Rm	Company 2021 Rm
9. Investments in associates and joint ventures		
Unlisted investments	**206**	206
9.1 Movement in carrying value of associates and joint ventures		
Balance at the beginning of the reporting period	**206**	206
Disposal of investment	**—**	(11)
Reversal of impairments (refer to note 29)	**—**	11
Balance at the end of the reporting period	**206**	206

Refer to note 38.5 of the Bank's financial statements for additional disclosure of the Company's investments in associates and joint ventures.

	Company 2022 Rm	Company 2021 Rm
10. Subsidiaries		
Shares at cost	**98**	109
	98	109

Refer to note 38.3 of the Bank's financial statements for the list of significant subsidiaries.

	Company 2022 Cost Rm	Company 2022 Accumulated depreciation and/or impairments Rm	Company 2022 Carrying value Rm	Company 2021 Cost Rm	Company 2021 Accumulated depreciation and/or impairments Rm	Company 2021 Carrying value Rm
11. Property and equipment						
Computer equipment	**6 296**	**(4 775)**	**1 521**	6 709	(5 083)	1 626
Freehold property	**4 836**	**(297)**	**4 539**	4 713	(308)	4 405
Furniture and other equipment	**8 917**	**(5 506)**	**3 411**	8 622	(4 710)	3 912
Motor vehicles	**13**	**(5)**	**8**	6	(3)	3
Right-of-use assets	**5 808**	**(3 622)**	**2 186**	5 064	(2 641)	2 423
	25 870	**(14 205)**	**11 665**	25 114	(12 745)	12 369

11. Property and equipment (continued)

Company

2022

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers to non-current assets held for sale Rm	Depreciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	**1 626**	**681**	**(31)**	**—**	**—**	**(706)**	**(49)**	**1 521**
Freehold property[1]	**4 405**	**395**	**(24)**	**(136)**	**(65)**	**(9)**	**(27)**	**4 539**
Furniture and other equipment	**3 912**	**521**	**(7)**	**136**	**(2)**	**(989)**	**(160)**	**3 411**
Motor vehicles	**3**	**7**	**—**	**—**	**—**	**(2)**	**—**	**8**
Right-of-use assets	**2 423**	**744**	**—**	**—**	**—**	**(863)**	**(118)**	**2 186**
	12 369	**2 348**	**(62)**	**—**	**(67)**	**(2 569)**	**(354)**	**11 665**
Note					6	28	29	

2021

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers to non-current assets held for sale Rm	Depreciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	2 289	418	(32)	(14)	—	(980)	(55)	1 626
Freehold property	4 538	293	(14)	(388)	(15)	(9)	—	4 405
Furniture and other equipment	4 561	159	(30)	402	—	(1 044)	(136)	3 912
Motor vehicles	1	3	—	—	—	(1)	—	3
Right-of-use assets	2 529	767	—	—	—	(873)	—	2 423
	13 918	1 640	(76)	—	(15)	(2 907)	(191)	12 369
Note					6	28	29	

Included in the above additions is **R394m** (2021: R283m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

Assets under construction relating to computer equipment and furniture and other equipment was brought in to use during the reporting period **R136m** (2021: R383m). There were no assets under construction relating to freehold property was brought in to use during the reporting period (2021: R0m).

Certain property and equipment was transferred to non-current assets held for sale due to a change in the use of the assets **R67m** (2021: R15m).

[1] Assets under construction of projects are mapped to freehold which is then moved to different asset classes.

	Company 2022 Cost Rm	Company 2022 Accumulated Cost and/or impairments Rm	Company 2022 Carrying amount Rm	Company 2021 Cost Rm	Company 2021 Accumulated amortisation and/or impairments Rm	Company 2021 Carrying amount Rm
12. Goodwill and intangible assets						
Computer software development costs	16 345	(5 208)	11 137	14 358	(4 072)	10 286
Other	30	(24)	6	30	(22)	8
	16 375	(5 232)	11 143	14 388	(4 094)	10 294

Company

2022

Reconciliation of intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	10 286	3 351	—	—	(2 348)	(237)	85	11 137
Other	8	—	—	—	(2)	—	—	6
	10 286	3 351	—	—	(2 350)	(237)	85	11 143
Note					28	29		

2021

Reconciliation of intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	9 489	3 172	—	(10)	(2 221)	(144)	—	10 286
Other	25	—	—	(11)	(6)	—	—	8
	9 514	3 172	—	(21)	(2 227)	(144)	—	10 294
Note					28	29		

The majority of computer software development costs were internally generated. Included in computer software development costs is **R4 157m** (2021: R4 135m) relating to assets under construction which is not yet amortised, this includes opening balance and any movements to date.

In assets under construction, **R2 629m** (2021: R1 531m) relates to computer software was brought into use during the reporting period.

Included in 'Other' intangible assets is brands and licences.

Notes to the Company financial statements

for the reporting period ended 31 December

	Company 2022 Rm	Company 2021 Rm
13. Deferred tax		
13.1 Reconciliation of net deferred tax (asset)/liability		
Balance at the beginning of the reporting period	(3 124)	(1 900)
Deferred tax on amounts charged directly to other comprehensive income and equity	(1 518)	(1 379)
Charge to profit or loss (refer to note 31)	49	127
Tax effect of translation and other differences	19	28
Balance at the end of the reporting period	(4 574)	(3 124)
13.2 Deferred tax (asset)/liability		
Tax effects of temporary differences between tax and book value for:		
Deferred tax asset	(4 574)	(3 124)
Prepayments, accruals and other provisions	(963)	(1 093)
Capital allowances	1 235	1 122
Property allowances	257	257
Cash flow hedge and financial assets at fair value through other comprehensive income	(1 183)	123
Own credit risk	(174)	(122)
Share-based payments	(432)	(252)
Fair value adjustments on financial instruments	(149)	(178)
Impairment of loans and advances	(3 018)	(2 915)
Lease and rental debtor allowances	(175)	(130)
Retirement benefit asset and liabilities	28	64
Net deferred tax (asset)/liability	(4 574)	(3 124)

	Company 2022 Rm	Company 2021 Rm
14. Trading and hedging portfolio liabilities		
Derivative liabilities (refer to note 44)	54 549	46 956
Commodity derivatives	117	824
Credit derivatives	260	93
Equity derivatives	4 678	2 682
Foreign exchange derivatives	16 947	11 490
Interest rate derivatives[1]	32 547	31 867
Short positions	36 847	21 146
Total trading portfolio liabilities	91 396	68 102
Hedging portfolio liabilities (refer to note 44)[1]	2 237	2 910
	93 633	71 012

[1] These amounts have been restated, refer to reporting changes overview note 1.1.

	Company 2022 Rm	Company 2021 Rm
15. Other liabilities		
Accruals	1 876	1 963
Audit fee accrual	150	126
Cash-settled share-based payment liability (refer to note 48)	50	94
Creditors	10 075	8 172
Deferred income	390	260
Lease liabilities	2 854	3 006
Settlement balances	8 170	21 809
	23 565	35 430

	Company 2022 Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
16. Provisions				
Balance at the beginning of the reporting period	2 122	1 065	735	3 922
Additions	2 352	534	—	2 886
Amounts used	(2 010)	(619)	—	(2 629)
Reversals	(143)	(91)	—	(234)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 51)	—	—	78	78
Balance at the end of the reporting period	2 321	889	813	4 023

Provisions expected to be recovered or settled within 12 months after the reporting date were **R2 742m** (2021: R2 418m).

Sundry provisions include amounts with respect to fraud, litigation and claims.

Notes to the Company financial statements
for the reporting period ended 31 December

	Company 2022 Rm	Company 2021 Rm
17. Deposits		
Customers		
Call deposits	88 501	90 398
Cheque account deposits	237 504	230 444
Credit card deposits	2 142	2 137
Fixed deposits	222 001	210 135
Foreign currency deposits	41 388	33 429
Notice deposits	67 562	70 148
Other	1 270	1 304
Repurchase agreements	19 071	21 863
Savings and transmission deposits	236 768	225 300
	916 207	885 158
Banks		
Call deposits	2 560	9 322
Fixed deposits	28 915	12 957
Foreign currency deposits	19 357	12 928
Other	2 447	2 871
Repurchase agreements	47 218	51 667
Savings and transmission deposits	503	500
	101 000	90 245
Total deposits	1 017 207	975 403

'Other deposits' due to customers include deposits on structured deals and unclaimed deposits. 'Other deposits' from banks consist mainly of 'Vostro' balances.

	Company 2022 Rm	Company 2021 Rm
18. Debt securities in issue		
Credit linked notes[1]	19 734	13 864
Floating rate notes	51 722	34 694
Negotiable certificates of deposit	85 660	36 117
Other	1 416	1 508
Promissory notes	2	3
Senior notes	38 608	38 100
Structured notes and bonds	101	101
	197 243	124 387

[1] These numbers have been restated, refer to note 1.1.

19. Share capital and premium
19.1 Ordinary share capital

	Company 2022 Rm	Company 2021 Rm
Authorised		
320 000 000 (2021: 320 000 000) ordinary shares of R1.00 each	320	320
250 000 000 (2021: 250 000 000) 'A' ordinary shares of R0.01 each	3	3
	323	323
Issued		
302 609 369 (2021: 302 609 369) ordinary shares of R1.00 each	303	303
145 691 959 (2021: 145 691 959) 'A' ordinary shares of R0.01 each	1	1
	304	304
Total issued capital		
Share capital	304	304
Share premium	36 880	36 880
	37 184	37 184

Authorised shares
There were no changes to the authorised share capital during the current reporting period.

Unissued shares
The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming AGM of the Company.

Shares issued
There were no shares issued during the current and prior reporting periods. All shares issued by the Company were paid in full.

19.2 Preference share capital and premium

	Company 2022 Rm	Company 2021 Rm
Authorised		
30 000 000 (2021: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Issued		
4 944 839 (2021: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Total issued capital		
Share capital	1	1
Share premium	4 643	4 643
	4 644	4 644

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of the preference shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or if a resolution is proposed by the Company which directly affects the rights attached to the preference shares or the interest of the holders thereof.

19. Share capital and premium (continued)
19.3 Additional Tier 1 capital

Subordinated callable notes issued by Absa Bank Limited

Interest rate	Date of issue	Company 2022 Rm	Company 2021 Rm
Three-month JIBAR + 5.65%	11 September 2017	—	1 500
Three-month JIBAR + 4.75%	9 October 2018	1 241	1 241
Three-month JIBAR + 4.50%	28 May 2019	1 678	1 678
Three-month JIBAR + 4.25%	5 December 2019	1 376	1 376
Three-month JIBAR + 4.55%	26 October 2020	1 209	1 209
Three-month JIBAR + 3.58%	15 November 2022	1 999	—
		7 503	7 004

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Group Limited (the Issuer) on 10 October 2023, 28 November 2024, 5 June 2025 and 16 November 2027 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments.

20. Other reserves
20.1 Fair value through other comprehensive income reserve
The fair value reserve comprises only the cumulative net change in the fair value of debt instruments measured at FVOCI, until such time as they are derecognised. Upon derecognition of debt instruments at FVOCI, the cumulative amount recognised in other comprehensive income is released to profit or loss. Since the cumulative net change in the fair value of equity instruments designated as at FVOCI is not recycled to profit or loss upon derecognition, the Bank recognises the cumulative net change in fair value in retained earnings.

20.2 Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20.3 Foreign currency translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.4 Capital reserve
The capital reserve arose on the amalgamation of the founding banks of Absa Bank Limited.

20.5 Share-based payment reserve
The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

20.6 Retained earnings
Retained earnings comprises the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries and includes changes in OCI with respect to the following:

- movement in the fair value of equity instruments measured at FVOCI;
- movement in own credit risk on liabilities designated at FVTP;
- movement in the actuarial valuation of retirement benefit fund assets and liabilities; and
- direct shareholder contributions.

	Company 2022 Rm	Company 2021 Rm
21. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	—	2
Interest on hedging instruments	1 297	2 270
Investment securities	9 993	7 932
Loans and advances	75 686	59 412
Loans and advances to customers	73 231	57 543
Corporate overdrafts and specialised finance loans	1 542	961
Credit cards	4 945	4 021
Foreign currency loans	1 701	1 059
Instalment credit agreements and finance lease receivables	10 663	8 465
Loans to associates and joint ventures	1 720	1 376
Microloans	668	432
Mortgages	26 937	21 375
Other advances	1 123	868
Overdrafts	4 167	3 614
Overnight finance	1 372	964
Personal and term loans	9 044	7 544
Preference shares	2 050	1 592
Reverse repurchase agreements	13	8
Wholesale overdrafts	7 286	5 264
Loans and advances to banks	2 455	1 869
Other interest	1 037	1 579
	88 013	71 195
Classification of interest and similar income		
Interest on hedging instruments	1 297	2 270
Cash flow hedges	2 487	3 985
Economic hedges	2	—
Fair value hedges	(1 192)	(1 715)
Interest on financial assets held at amortised cost	80 834	65 472
Interest on financial assets measured at FVOCI	4 232	2 012
Interest on financial assets measured at FVTPL	1 650	1 441
Investment securities	113	155
Loans and advances	1 537	1 286
	88 013	71 195

Interest income on 'other advances' includes items such as interest on factored debtors' books.

Other interest includes items such as overnight interest on contracts for difference.

	Company 2022 Rm	Company 2021 Rm
22. Interest expense and similar charges		
Interest expense and similar charges are paid on:		
Borrowed funds	2 928	2 540
Debt securities in issue	8 377	5 665
Deposits	34 824	26 403
Deposits due to customers	33 377	25 663
Call deposits	7 335	4 961
Cheque account deposits	3 978	3 447
Credit card deposits	6	6
Fixed deposits	7 813	6 876
Foreign currency deposits	293	164
Notice deposits	3 870	3 118
Other deposits due to customers	974	604
Savings and transmission deposits	9 108	6 487
Deposits from banks	1 447	740
Call deposits	144	186
Fixed deposits	1 185	444
Foreign currency deposits	118	110
Interest on hedging instruments	(615)	(1 739)
Interest incurred on finance leases	231	243
Other	80	69
	45 825	33 181
Classification of interest expense and similar charges		
Interest on hedging instruments	(615)	(1 739)
Cash flow hedges	(150)	(321)
Fair value hedges	(465)	(1 418)
Interest on financial liabilities held at amortised cost	46 440	34 920
	45 825	33 181

	Company 2022 Rm	Company 2021 Rm
23. Net fee and commission income		
Consulting and administration fees	255	267
Insurance commission received	663	631
Investment, markets execution and investment banking fees	404	390
Merchant income	2 280	2 101
Other	145	162
Transactional fees and commissions	17 393	16 033
Cheque accounts	4 805	4 681
Credit cards	2 105	1 820
Electronic banking	6 335	5 594
Other	2 777	2 436
Savings accounts	1 371	1 502
Trust and other fiduciary services	94	79
Portfolio and other management fees	93	77
Trust and estate income	1	2
Fee and commission income	21 234	19 663
Fee and commission expense	(2 018)	(1 702)
Brokerage fees	(1)	—
Cheque processing fees	(5)	(13)
Clearing and settlement charges	(1 102)	(889)
Notification fees	(251)	(235)
Other	(554)	(445)
Valuation fees	(105)	(120)
	19 216	17 961

The Company provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Company making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Company accepting targets for benchmark levels of returns for the assets under the Company's care.

	Company 2022 Rm	Company 2021 Rm
23.1 Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	4 805	4 681
Credit cards	2 105	1 820
Electronic banking	6 335	5 594
Other	2 777	2 436
Savings accounts	1 371	1 502
Fee and commission income	17 393	16 033
Fee and commission expense	(1 804)	(1 469)
	15 589	14 564

Credit cards include acquiring and issuing fees.

The majority of these items are accounted for as revenue recognised at a point in time in accordance with the requirements of IFRS 15.

Other transactional fees and commissions income include service and credit-related fees of **R833m** (2021: R597m) and exchange commission of **R795m** (2021: R680m).

Notes to the Company financial statements
for the reporting period ended 31 December

	Company 2022 Rm	Company 2021 Rm
24. Gains and losses from banking and trading activities		
Net gains on investments	132	147
Equity instruments mandatorily measured at FVTPL	125	27
Unwind from reserves for debt instruments at FVOCI	7	120
Net trading result	1 467	1 585
Net trading income excluding the impact of hedge accounting	1 660	2 090
Ineffective portion of hedges	(193)	(505)
Cash flow hedges	(208)	(539)
Fair value hedges	15	34
Other losses	(29)	(9)
	1 570	1 723
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	1 660	2 090
Gains/(losses) on financial instruments designated at FVTPL	312	(2 423)
Net gains/(losses) on financial assets designated at FVTPL	1 484	(853)
Net losses on financial liabilities designated at FVTPL	(1 172)	(1 570)
Gains on financial instruments mandatorily measured at FVTPL	1 348	4 513
Other losses	(29)	(9)
Losses on financial instruments designated at FVTPL	(566)	(768)
Gains on financial instruments mandatorily measured at FVTPL	537	759

	Company 2022 Rm	Company 2021 Rm
25. Gains and losses from investment activities		
Dividend received	3	141

	Company 2022 Rm	Company 2021 Rm
26. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	(14)	(2)
Income arising from contracts with customers[2]	—	4
Profit on sale of repossessed properties	—	4
Gross sales	8	18
Cost of sales	(8)	(14)
Insurance proceeds received related to property and equipment[1]	126	96
(Loss)/profit on disposal of property and equipment[2]	2	(2)
Rental income	9	10
Sundry income[3]	540	220
	663	326

[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] Line items not included within the scope of IFRS 15 have been removed from 'Revenue arising from contracts with customers' and have been separately disclosed within this note. Revenue arising from contracts with customers was previously reported with the value of R137m and this has now been amended to R48m as result of the above.
[3] Sundry income includes profit on disposal of non-core assets and non-interest income.

	Company 2022 Rm	Company 2021 Rm
27. Credit impairment charges		
Impairment losses raised during the reporting period	8 989	6 515
Stage 1 expected losses	(1 273)	(1 668)
Stage 2 expected losses	1 938	(169)
Stage 3 expected losses	8 324	8 352
Losses on modifications	488	364
Recoveries of loans and advances previously written off	(760)	(571)
	8 717	6 308

	Company 2022 Rm	Company 2021 Rm
28. Operating expenses		
Administration fees	101	133
Amortisation of intangible assets (refer to note 12)	2 350	2 227
Auditors' remuneration	366	333
Audit fees – current reporting period	320	273
Audit fees – underprovision	6	3
Audit-related fees	30	23
Other services	10	34
Cash transportation	988	1 024
Depreciation (refer to note 11)	2 569	2 907
Equipment costs	295	196
Maintenance	211	115
Rentals	84	81
Information technology	4 394	4 029
Marketing costs	1 298	1 005
Other	842	839
Printing and stationery	185	158
Professional fees	2 734	2 133
Property costs	1 401	1 472
Staff costs	18 633	17 798
Bonuses	2 337	2 060
Deferred cash and share-based payments (refer to note 49)	603	514
Other	260	210
Salaries and current service costs on post-retirement benefit funds	14 935	14 689
Training costs	498	325
Straight-line lease expenses on short-term leases and low value assets	113	113
Telephone and postage	734	734
	37 003	35 101

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Professional fees include research and development costs totalling **R167m** (2021: R193m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

'Other' includes fraud losses, travel, entertainment costs and recoveries from fellow subsidiaries.

Notes to the Company financial statements
for the reporting period ended 31 December

	Company 2022 Rm	Company 2021 Rm
29. Other impairments		
Intangible assets (refer to note 12)[1]	237	144
Investments in associates and joint ventures (refer to note 9)[2]	—	(11)
Non-current assets held for sale (refer to note 6)	—	1
Property and equipment (refer to note 11)[3]	354	192
Equity investments in subsidiaries	—	10
	591	336

	Company 2022 Rm	Company 2021 Rm
30. Indirect taxation		
Training levy	165	146
VAT net of input credits	1 159	988
	1 324	1 134

[1] The Company has impaired certain software assets totalling **R237m** (2021: R144m) for which the value in use is determined to be zero.

[2] Integrated Processing Solutions board of directors approved the dissolution of IPS in the prior year. An impairment loss of **Rnil** (2021: R11m) recognised in the previous financial year was reversed in the current year due to the increase in the recoverable amount of the investment.

[3] Property and equipment amounting to **R354m** (2021: R192m) was impaired without a related transfer to non-current assets held for sale. Included in the **R354m**, is the impairment of a right-of-use asset of **R117m**, impairment on furniture and other equipment of **R84m** and an impairment of buildings of **R27m** due to the underutilisation of the properties.

	Company 2022 Rm	Company 2021 Rm
31. Taxation expense		
Current		
Foreign and other taxation	161	171
South African current tax	4 182	3 760
South African current tax – previous reporting period	(335)	(113)
	4 008	3 818
Deferred		
Deferred tax (refer to note 13)	48	127
Capital allowances	22	180
Allowances for loan losses	(148)	256
Provisions	(7)	(270)
Movements in prepayments, accruals and other provisions	56	79
Fair value and similar adjustments through profit and loss	(153)	(88)
Fair value and similar adjustments in relation to prior year	191	(30)
Retirement benefit fund and liabilities	87	—
	4 056	3 945
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	16 005	15 286
	16 005	15 286
Tax calculated at a tax rate of 28%	4 481	4 280
Effect of different tax rates in other countries[1]	123	140
Recognition of previously unrecognised deferred tax assets	(12)	—
Expenses not deductible for tax purposes[1]	162	229
Dividend income	(607)	(532)
Non-taxable interest[2]	(170)	(164)
Other income not subject to tax	(145)	(113)
Non-taxable portion of capital gain	(2)	82
Other	110	22
Effect of tax rate changes[2]	116	—
	4 056	3 945

[1] This includes additional tax levies and general non-deductible expenses due to the application of in-country tax legislation.
[2] 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 Company's deferred tax balances at 31 December 2022.

Notes to the Company financial statements
for the reporting period ended 31 December

32. Headline earnings and earnings per share

The Company is no longer presenting the headline earnings and earnings per share as this is not required by the IFRS.

	Company 2022 Rm	Company 2021 Rm
33. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend **(15 August 2022: 1 003.78911 cents per share (cps))** (2021: 0 cps)	4 500	—
Final dividend **(13 March 2023: 669.19277 cps)** (14 March 2022: 446.12851 cps)	3 000	2 000
	7 500	2 000
Dividends declared to preference equity holders (net of treasury shares)		
Interim dividend **(15 August 2022: 2 883.42466 cps)** (16 August 2021: 2 470.13699 cps)	143	122
Final dividend **(13 March 2023: 3 509.58904 cps)** (14 March 2022: 2 494.10959 cps)	174	123
	317	245
Distributions declared and paid to Additional Tier 1 capital note holders		
Distributions		
10 January 2022: 21 024.73 Rand per note (rpn); 11 January 2021: 20 214.47 rpn	26	25
27 January 2022: 20 751.67 rpn; 27 January 2021: 20 085.45 rpn	26	24
28 February 2022: 20 860.19 rpn; 26 February 2021: 19 268.38 rpn	35	32
07 March 2022: 20 236.90 rpn; 05 March 2021: 18 786.19 rpn	28	26
14 March 2022: 23 747.26 rpn; 12 March 2021: 22 301.37 rpn	36	33
11 April 2022: 21 545.81 rpn; 12 April 2021: 20 922.52 rpn	27	26
28 April 2022: 21 087.07 rpn; 28 April 2021: 20 423.89 rpn	26	25
30 May 2022: 21 732.79 rpn; 28 May 2021: 20 299.23 rpn	36	34
06 June 2022: 21 109.51 rpn; 07 June 2021: 20 326.60 rpn	29	28
13 June 2022: 24 744.52 rpn; 14 June 2021: 23 971.29 rpn	37	36
11 July 2022: 22 769.95 rpn; 12 July 2021: 20 984.85 rpn	28	26
27 July 2022: 22 068.49 rpn; 27 July 2021: 20 280.82 rpn[1]	27	25
29 August 2022: 23 415.67 rpn; 30 August 2021: 21 074.03 rpn	39	36
05 September 2022: 22 792.38 rpn; 06 September 2021: 19 778.16 rpn	31	27
12 September 2022: 26 345.12 rpn; 13 September 2021: 23 268.58 rpn	40	35
10 October 2022: 24 515.15 rpn; 11 October 2021: 21 047.18 rpn	30	26
27 October 2022: 25 878.67 rpn; 27 October 2021: 20 751.67 rpn	31	25
28 November 2022: 25 574.74; 29 November 2021: 20 361.56 rpn	43	34
05 December 2022: 24 993.84 rpn; 06 December 2021: 19 738.27 rpn	34	27
13 December 2021: 23 248.63 rpn	—	35
	609	585
Dividends paid to ordinary equity holders		
Final dividend **(22 April 2022: 446.12851 cps)** (2021: 0 cps)	2 000	—
Interim dividend **(19 September 2022: 1 003.78911 cps)** (2021: 0 cps)	4 500	—
	6 500	—
Dividends paid to preference equity holders		
Final dividend **(22 April 2022: 2 494.10959)** (19 April 2021: 2 429.86301 cps)	123	120
Interim dividend **(19 September 2022: 2 883.42466 cps)** (20 September 2021: 2 470.13699 cps)	143	122
	266	242

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

34. Transfer of financial assets that result in partial derecognition

34.1 Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Company transfers financial assets to SEs, either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

34.2 Transfer of financial assets that did not result in derecognition

	Company				
	2022				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	3 083	(2 315)	3 083	(2 315)	768
Loans and advances to customers	56 660	(15 040)	56 660	(15 040)	41 620
	2021				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 716	(1 195)	1 716	(1 195)	521
Loans and advances to customers	59 669	(15 460)	59 669	(15 460)	44 209

Balances included within loans and advances to customers represent instances where substantially all the risks and rewards (credit risk and prepayment risk) of the financial asset have been retained by the Company.

The relationship between the transferred assets and the associated liabilities is that holders of the associated liabilities may only look to cash flows from the transferred assets for payments due to them, although the contractual terms may differ from those of the transferred assets.

35. Related parties

Refer to note 38 of the Bank's financial statements for the full disclosure of related party transactions. The following related party transactions and balances exist for Absa Bank Limited.

	Company 2022 Rm	Company 2021 Rm
35.1 Balances and transactions with the parent company		
Transactions		
Interest expense and similar charges	1 679	—
Dividends paid	—	—
35.2 Balances and transactions with subsidiaries		
The following are balances with and transactions entered into with, subsidiaries:		
Balances		
Loans to Group companies	8 737	10 979
Subsidiary shares	98	98
Trading portfolio assets	(43)	6
Transactions		
Interest and similar income	99	(57)
Interest expense and similar charges	(65)	(55)
Gains and losses from banking and trading activities	24	(1)
Operating expenditure/(recovered expenses)	226	178
Equity distribution[1]	—	—

Various terms and conditions are agreed upon, taking into account transfer pricing and relevant tax requirements.

[1] This relates to an equity distribution to a subsidiary of Absa Group Limited.

35. Related parties (continued)

	Company 2022 Rm	Company 2021 Rm
35.3 Balances and transactions with fellow subsidiaries		
Balances		
Loans and advances to banks	94	200
Trading portfolio assets	(128)	349
Other assets	1 138	1 217
Loans to Group companies	73 452	76 978
Deposits from banks	(688)	(807)
Borrowed funds	(24 491)	(23 845)
Loans from Group companies	(9 152)	(9 214)
Other liabilities	(677)	(351)
Transactions		
Interest and similar income	(1 012)	(1 555)
Interest expense and similar charges	(36)	1 684
Net fee and commission income	(565)	(585)
Gains and losses from banking and trading activities	(1 619)	(7 867)
Gains and losses from investment activities	2	3
Other operating income[1]	(25)	(13)
Operating expenditure/(recovered expenses)	(729)	(934)

	Company 2022 (Unaudited) Rm	Company 2021 (Unaudited) Rm
36. Assets under management and administration (unaudited)		
Other assets under administration	350 790	285 401
Portfolio management	4 397	5 046
Unit trusts	1 518	1 590
	356 705	292 037

'Other assets under administration' includes those for which custody and trustee services are provided. It includes assets managed on behalf of Absa Bank Limited.

	Company 2022 Rm	Company 2021 Rm
37. Contingencies, commitments and similar items		
Guarantees	48 903	38 206
Irrevocable debt facilities/other lending facilities[2]	98 257	100 334
Letters of credit	12 873	9 475
Other	10	—
	160 043	148 015
Authorised capital expenditure		
Contracted but not provided for	622	509

[1] This relates to recharges for share-based payment arrangements.

[2] During the year, the Bank 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 R144 477m to R100 334m to reflect this change.

37. Contingencies, commitments and similar items (continued)

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Company 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 Company 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 Company 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.

Refer to note 43 in the Bank's financial statements for legal proceedings, regulatory matters and income taxes.

	Company	
	2022 Rm	2021 Rm
38. Cash and cash equivalents		
Mandatory reserve balances with the SARB and other central banks[1]	21 813	19 379
Coins and notes	6 241	6 067
Loans and advances to banks[1]	8 410	4 880
	36 464	30 326

[1] These numbers have been restated, refer to note 1.1.

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Notes to the Company financial statements
for the reporting period ended 31 December

39. Consolidated statement of financial position summary – IFRS 9 classification

Company 2022	Fair value through profit or loss: Mandatorily held at fair value Rm	Fair value through profit or loss: Designated at fair value Rm	Fair value through profit or loss: Hedging instruments Rm	Fair value through profit or loss: Total Rm	Fair value through other comprehensive income: Debt instruments Rm	Fair value through other comprehensive income: Equity instruments Rm	Fair value through other comprehensive income: Hedged items[4] Rm	Fair value through other comprehensive income: Total Rm	Amortised cost: Debt instruments Rm	Amortised cost: Hedged items[4] Rm	Amortised cost: Total Rm	Assets/liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	37 344	—	37 344	—	37 344
Investment securities	2 956	9 396	—	12 352	43 745	434	29 926	74 105	16 025	24 738	40 763	—	127 220
Trading portfolio assets	155 164	—	—	155 164	—	—	—	—	—	—	—	614	155 778
Hedging portfolio assets[2]	—	—	4 972	4 972	—	—	—	—	—	—	—	—	4 972
Other assets	—	—	—	—	—	—	—	—	14 698	—	14 698	2 416	17 114
Loans and advances	76 554	31 674	—	108 228	—	—	—	—	916 063	2 953	919 016	—	1 027 244
Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—	—	90	90
Loans to Group companies	—	—	—	—	—	—	—	—	81 939	—	81 939	—	81 939
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	27 686	27 686
	234 674	41 070	4 972	280 716	43 745	434	29 926	74 105	1 066 069	27 691	1 093 760	30 806	1 479 387
Liabilities													
Trading portfolio liabilities	91 396	—	—	91 396	—	—	—	—	—	—	—	—	91 396
Hedging portfolio liabilities[3]	—	—	2 237	2 237	—	—	—	—	—	—	—	—	2 237
Other liabilities	—	—	—	—	—	—	—	—	21 100	—	21 100	2 465	23 565
Deposits	—	117 655	—	117 655	—	—	—	—	899 552	—	899 552	—	1 017 207
Debt securities in issue	—	60 989	—	60 989	—	—	—	—	131 847	4 407	136 254	—	197 243
Borrowed funds	—	—	—	—	—	—	—	—	26 282	—	26 282	—	26 282
Loans from Group companies	—	—	—	—	—	—	—	—	16 354	—	16 354	—	16 354
Liabilities outside the scope of IFRS 9[5]	—	—	—	—	—	—	—	—	—	—	—	4 387	4 387
	91 396	178 644	2 237	272 277	—	—	—	—	1 095 135	4 407	1 099 542	6 852	1 378 671

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39 and IFRS 9.
[2] Includes derivative assets to the amount of **R474m** (2021: R3 502m) and **R4 498m** (2021: R1 300m) that have been designated as cash flow and fair value hedging instruments respectively.
[3] Includes derivative liabilities to the amount of **R963m** (2021: R913m) and **R1 274m** (2021: R2 746m) that have been designated as cash flow and fair value hedging instruments respectively.
[4] Includes items designated as hedged items in fair value hedging relationships.
[5] Liabilities outside the scope of IFRS 9 includes **R813m** (2021: R735) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.
[6] These numbers have been restated, refer to note 1.1.
[7] The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but have the ability to be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

39. Consolidated statement of financial position summary – IFRS 9 classification

	2021												
	Fair value through profit or loss				Fair value through other comprehensive income				Amortised cost				
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm	Debt instruments Rm	Equity instruments Rm	Hedged items[4] Rm	Total Rm	Debt instruments Rm	Hedged items[4] Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9[1] Rm	Total assets and liabilities Rm
Assets													
Cash, cash balances and balances with central banks	—	—	—	—	—	—	—	—	33 751	—	33 751	—	33 751
Investment securities	4 791	281	—	5 072	46 165	405	29 859	76 429	13 281	19 619	32 900	—	114 401
Trading portfolio assets[6]	141 351	—	—	141 351	—	—	—	—	—	—	—	642	141 993
Hedging portfolio assets[2,6]	—	—	3 696	3 696	—	—	—	—	—	—	—	—	3 696
Other assets	—	—	—	—	—	—	—	—	14 453	—	14 453	2 304	16 757
Loans and advances[6]	82 362	28 303	—	110 665	—	—	—	—	812 002	3 975	815 977	—	926 642
Non-current assets held for sale	—	—	—	—	—	—	—	—	—	—	—	57	57
Loans to Group companies	—	—	—	—	—	—	—	—	87 708	—	87 708	—	87 708
Assets outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	26 091	26 091
	228 503	28 584	3 696	260 784	46 165	405	29 859	76 429	961 195	23 594	984 789	29 094	1 351 096
Liabilities													
Trading portfolio liabilities[6]	68 102	—	—	68 102	—	—	—	—	—	—	—	—	68 102
Hedging portfolio liabilities[2,6]	—	—	2 910	2 910	—	—	—	—	—	—	—	—	2 910
Other liabilities	—	—	—	—	—	—	—	—	32 985	—	32 985	2 445	35 430
Deposits[6]	—	121 375	—	121 375	—	—	—	—	854 028	—	854 028	—	975 403
Debt securities in issue[6]	—	22 905	—	22 905	—	—	—	—	94 979	6 503	101 482	—	124 387
Borrowed funds	—	—	—	—	—	—	—	—	11 289	15 170	26 459	—	26 459
Loans from Group companies	—	—	—	—	—	—	—	—	14 657	—	14 657	—	14 657
Liabilities outside the scope of IFRS 9	—	—	—	—	—	—	—	—	—	—	—	4 007	4 007
	68 102	144 280	2 910	215 292	—	—	—	—	1 007 938	21 673	1 029 611	6 452	1 251 355

[1] Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39 and IFRS 9.
[2] Includes derivative assets to the amount of **R474m** (2021: R3 502m) and **R4 498m** (2021: R1 300m) that have been designated as cash flow and fair value hedging instruments respectively.
[3] Includes derivative liabilities to the amount of **R963m** (2021: R913m) and **R1 274m** (2021: R2 746m) that have been designated as cash flow and fair value hedging instruments respectively.
[4] Includes items designated as hedged items in fair value hedging relationships.
[5] Liabilities outside the scope of IFRS 9 includes **R813m** (2021: R735) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.
[6] These numbers have been restated, refer to note 1.1.
[7] The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but have the ability to be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

40. Fair value disclosures

40.1 Assets and liabilities held at fair value

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

	Company							
	2022				2021			
	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm	Level 1 Rm	Level 2[2] Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	43 306	38 574	4 577	86 457	36 439	39 540	5 522	81 501
Trading and hedging portfolio assets	84 457	65 601	10 078	160 136	71 525	71 195	2 327	145 047
Debt instruments[2]	81 012	2 348	486	83 846	66 544	758	122	67 424
Derivative assets	—	58 054	3 950	62 004	—	58 017	1 386	59 403
Commodity derivatives	—	188	—	188	—	907	13	920
Credit derivatives	—	32	192	224	—	2	140	142
Equity derivatives	—	5 006	3 752	8 758	—	7 349	1 232	8 581
Foreign exchange derivatives	—	16 388	6	16 394	—	10 089	1	10 090
Interest rate derivatives	—	36 440	—	36 440	—	39 670	—	39 670
Equity instruments	951	—	—	951	3 888	—	—	3 888
Money market assets	2 494	5 199	5 642	13 335	1 093	12 420	819	14 332
Loans and advances[1]	—	98 700	9 527	108 227	—	94 538	16 126	110 664
Total financial assets	**127 763**	**202 875**	**24 182**	**354 820**	107 964	205 273	23 975	337 212
Financial liabilities								
Trading and hedging portfolio liabilities	36 847	56 423	363	93 633	21 146	49 593	273	71 012
Derivative liabilities	—	56 423	363	56 786	—	49 593	273	49 866
Commodity derivatives	—	117	—	117	—	823	1	824
Credit derivatives	—	—	260	260	—	—	93	93
Equity derivatives	—	4 588	90	4 678	—	2 513	169	2 682
Foreign exchange derivatives	—	16 934	13	16 947	—	11 490	—	11 490
Interest rate derivatives	—	34 784	—	34 784	—	34 767	10	34 777
Short positions	36 847	—	—	36 847	21 146	—	—	21 146
Deposits[1]	1	115 373	2 281	117 655	156	119 245	1 974	121 375
Debt securities in issue[2]	—	60 989	—	60 989	—	22 905	—	22 905
Total financial liabilities	**36 848**	**232 785**	**2 644**	**272 277**	21 302	191 743	2 247	215 292
Non-financial assets								
Commodity	614	—	—	614	642	—	—	642
Non-recurring fair value measurements								
Non-current assets held for sale	—	—	90	90	—	—	57	57

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

[2] These numbers have been restated, refer to note 1.1.

40. Fair value disclosures (continued)

40.2 Reconciliation of Level 3 assets and liabilities

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

	Company			
	2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 327	16 126	5 522	23 975
Net interest income	—	199	144	343
Gains and losses from banking and trading activities	(544)	(445)	(52)	(1 041)
Purchases	5 689	817	596	7 102
Sales	(304)	(2 463)	(2 458)	(5 225)
Movement in other comprehensive income	—	—	14	14
Issues	—	—	—	—
Settlements	—	—	—	—
Transfer to Level 3	3 450	—	813	4 263
Transfer out of Level 3	(540)	(4 707)	(2)	(5 249)
Closing balance at the end of the reporting period	**10 078**	**9 527**	**4 577**	**24 182**

	2021			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	7 707	23 806
Net interest income	—	177	43	220
Gains and losses from banking and trading activities	906	(96)	(5)	805
Purchases	626	5 408	916	6 950
Sales	(42)	(4 137)	(1 913)	(6 092)
Movement in other comprehensive income	—	—	27	27
Settlements	—	—	(60)	(60)
Transfer to Level 3	175	1 177	—	1 352
Transfer out of Level 3	(1 840)	—	(1 193)	(3 033)
Closing balance at the end of the reporting period	**2 327**	**16 126**	**5 522**	**23 975**

40.2.1 Significant transfers between levels

During the 2022 and 2021 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers between Level 1 and Level 2 are not considered significant for disclosure.

Transfers have been reflected as if they had taken place at the beginning of the year.

40. Fair value disclosures (continued)

40.2 Reconciliation of Level 3 assets and liabilities (continued)

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

	Company		
	2022		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	273	1 974	2 247
Net interest income	—	—	—
Gains and losses from banking and trading activities	(31)	(84)	(115)
Purchases	—	—	—
Sales	—	—	—
Movement in other comprehensive income	—	—	—
Issues	240	1 145	1 385
Settlements	(8)	(736)	(744)
Transfer to Level 3	2	—	2
Transfer out of Level 3	(113)	(18)	(131)
Closing balance at the end of the reporting period	363	2 281	2 644

	2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	172	3 562	3 734
Gains and losses from banking and trading activities	48	(118)	(70)
Issues	55	373	428
Settlements	(1)	(1 692)	(1 693)
Transfer out of Level 3	(1)	(151)	(152)
Closing balance at the end of the reporting period	273	1 974	2 247

40. Fair value disclosures (continued)

40.3 Unrealised gains and losses on Level 3 assets and liabilities

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

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

	2021			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	147	1 833	45	2 025

	Company		
	2022		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(30)	354	324

	2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	189	303	492

40. Fair value disclosures (continued)

40.4 Sensitivity analysis of valuations using unobservable inputs

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

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

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

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

		2022	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	119/(128)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(77)/80
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

Notes to the Company financial statements
for the reporting period ended 31 December

40. Fair value disclosures (continued)

40.4 Sensitivity analysis of valuations using unobservable inputs (continued)

		2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding spread	126/(138)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(104)/108
Loans and advances to customers	Credit spreads	(952)/1 030	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(41)/41	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

40.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

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

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

40.6 Third-party credit enhancements

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

40. Fair value disclosures (continued)

40.7 Assets and liabilities not held at fair value

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

	Company 2022 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB[1]	31 103	31 103	31 103	—	—
Coins and bank notes[1]	6 241	6 241	6 241	—	—
Cash, cash balances and balances with central banks[1]	37 344	37 344	37 344	—	—
Investment securities	40 763	40 337	40 337	—	—
Other assets	14 698	14 462	3 728	5 732	5 002
Product Solutions Cluster	399 492	383 707	—	—	383 707
Home Loans	292 540	284 252	—	—	284 252
Vehicle and Asset Finance	106 952	99 455	—	—	99 455
Everyday Banking	54 945	53 285	—	—	53 285
Card	31 446	31 446	—	—	31 446
Personal Loans	20 381	18 721	—	—	18 721
Transactions and Deposits	3 118	3 118	—	—	3 118
Relationship Banking	131 924	130 697	—	—	130 697
CIB	287 345	290 269	—	—	290 269
Head Office, Treasury and other operations	3 195	3 195	—	2 865	330
Loans and advances to customers	876 901	861 153	—	2 865	858 288
Loans and advances to banks[1]	42 115	42 116	15 447	26 669	—
Loans and advances	919 016	903 269	15 447	29 534	858 288
Loans to Group companies	81 939	81 990	—	81 990	—
Total assets (not held at fair value)	1 093 760	1 077 402	96 856	117 256	863 290
Financial liabilities					
Other liabilities	21 100	20 914	9 842	5 567	5 505
Call deposits[1]	88 501	88 501	88 501	—	—
Cheque account deposits[1]	237 503	237 503	237 503	—	—
Credit card deposits[1]	2 142	2 142	2 142	—	—
Fixed deposits	171 107	171 119	—	68 552	102 567
Foreign currency deposits	41 388	41 388	—	39 715	1 673
Notice deposits	67 562	67 562	—	67 562	—
Other deposits	1 270	1 270	358	912	—
Saving and transmission deposits[1]	236 768	236 768	219 536	291	16 941
Deposits due to customers	846 241	846 253	548 040	177 032	121 181
Deposits from banks	53 311	53 307	2 560	50 747	—
Deposits	899 552	899 560	550 600	227 779	121 181
Debt securities in issue	136 254	136 145	—	136 145	—
Borrowed funds	26 282	26 269	—	26 269	—
Loans from Group companies	16 354	16 354	—	16 354	—
Total liabilities (not held at fair value)	1 099 542	1 099 242	560 442	412 114	126 686

[1] These financial instruments have been in included in Level 1 as the carrying value approximates fair value and no valuation techniques are applied.

40. Fair value disclosures (continued)

40.7 Assets and liabilities not held at fair value (continued)

	Company 2021 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB[1]	27 684	27 684	27 684	—	—
Coins and bank notes[1]	6 067	6 067	6 067	—	—
Cash, cash balances and balances with central banks[1]	33 751	33 751	33 751	—	—
Investment securities	32 900	33 919	33 919	—	—
Other assets	14 453	14 453	5 832	5 450	3 171
Product Solutions Cluster	367 316	366 097	—	—	366 097
Home Loans	269 239	265 290	—	—	265 290
Vehicle and Asset Finance	98 077	100 807	—	—	100 807
Everyday Banking	49 671	49 845	—	—	49 845
Card	28 227	28 227	—	—	28 227
Personal Loans	18 610	18 784	—	—	18 784
Transactions and Deposits	2 834	2 834	—	—	2 834
Relationship Banking	122 503	127 472	—	—	127 472
CIB	247 418	248 332	—	—	248 332
Head Office, Treasury and other operations	695	695	—	—	695
Loans and advances to customers	787 603	792 441	—	—	792 441
Loans and advances to banks[1]	28 374	28 374	10 263	18 111	—
Loans and advances	815 977	820 815	10 263	18 111	792 441
Loans to Group companies	87 708	87 708	—	87 708	—
Total assets (not held at fair value)	984 789	990 646	83 765	111 269	795 612
Financial liabilities					
Other liabilities	32 985	32 985	21 809	11 176	—
Call deposits[1]	90 399	90 399	90 399	—	—
Cheque account deposits[1]	230 288	230 288	230 288	—	—
Credit card deposits[1]	2 137	2 137	2 137	—	—
Fixed deposits	154 785	154 186	—	151 711	2 475
Foreign currency deposits	33 429	33 429	—	33 429	—
Notice deposits[1]	70 148	70 148	33 623	36 525	—
Other deposits	1 304	1 304	—	1 304	—
Saving and transmission deposits[1]	225 300	225 300	29 590	17 571	178 139
Deposits due to customers	807 790	807 191	386 037	240 540	180 614
Deposits from banks	46 239	46 229	9 164	37 065	—
Deposits	854 028	853 420	395 201	277 605	180 614
Debt securities in issue	101 482	100 805	—	100 805	—
Borrowed funds	26 459	26 282	—	26 282	—
Loans from Group companies	14 657	14 657	—	14 657	—
Total liabilities (not held at fair value)	1 029 611	1 028 149	417 010	430 525	180 614

[1] These financial instruments have been in included in Level 1 as the carrying value approximates fair value and no valuation techniques are applied.

Notes to the Company financial statements

for the reporting period ended 31 December

41. Borrowed funds

Refer to note 18 in the Bank's financial statements.

42. Leases

Refer to note 33 in the Bank's financial statements.

43. Derivatives

Refer to note 48 of the Bank's financial statements.

44. Acquisitions and disposals of businesses and other similar transactions

44.1 Acquisitions and disposals of businesses during the current reporting period

Refer to note 47 of the Bank's financial statements.

44.2 Acquisitions and disposals of businesses during the previous reporting period

Refer to note 47 of the Bank's financial statements.

45. Retirement benefit fund obligations

Refer to note 34 in the Bank's financial statements.

46. Securities borrowed/lent and repurchase/reverse repurchase agreements

Refer to note 36 in the Bank's financial statements. It should be noted that equity instruments with a net fair value of R1 257m were erroneously included as part of securities lent. However, as they related to inter-company transactions, which should have been eliminated.

47. Offsetting financial assets and financial liabilities

Refer to note 40 in the Bank's financial statements.

48. Share-based payments

Refer to note 46 in the Bank's financial statements.

49. Segment report

Refer to note 39 in the Bank's financial statements.

50. Credit risk of financial instruments designated at fair value

Refer to note 51 in the Bank's financial statements.

51. Risk management

The financial risks inherent within the Bank are considered to be substantially the same for the Company and consolidated level. Refer to note 52 of the Bank's financial statements for detailed risk management disclosures.

52. Going concern

The directors assess the Company's future performance and financial position on an ongoing basis and have no reason to believe the Company will not be a going concern in the year ahead. For this reason, these stand-alone financial statements are prepared on a going concern basis.

53. Events after the reporting period

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 Bank 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 Company 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 Company in the short term.

The directors are not aware of any other events, other than the aforementioned (as defined per IAS10 *Events after the Reporting Period*) after the reporting date of 31 December 2022 and the date of authorisation of these annual separate financial statements.

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