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Absa Group Limited

Unaudited consolidated financial results for the interim reporting period ended 30 June 2023

Contents

Financial director statement

These interim financial results for the reporting period ended 30 June 2023 were prepared by Absa Group Financial Control under the direction and supervision of the Absa Group Financial Director, J P Quinn CA(SA).

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

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

Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

Board approval

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

Together with the GACC, the Board has reviewed and approved the unaudited consolidated financial results for interim reporting period ended 30 June 2023 (hereafter referred to as the 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 14 August 2023. The GACC and the Board are satisfied that the details disclosed in the SENS are a fair presentation of the financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Limited Listings Requirements, IFRS and interpretations of IFRS, IAS 34 *Interim Financial Reporting* (IAS 34) and SAICA's Reporting Guides.

Absa Group Limited

Unaudited consolidated financial results for the interim reporting period ended 30 June 2023

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: ABG
ISIN: ZAE000255915
(Absa, Absa Group, the Group, or the Company)

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

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the Group's IFRS financial results for the current reporting period to the six months ended 30 June 2023 (1HY23).

Salient features

- Diluted headline earnings per share (DHEPS) grew 2% to 1 289.1 cents from 1 261.9 cents.
- Declared an interim ordinary dividend of 685 cents per share, up 5% from 650 cents.
- Product Solutions Cluster (PSC's) headline earnings decreased 13% to R1 124m, Everyday Banking (EB's) headline earnings declined 21% to R1 547m, Relationship Banking (RB's) headline earnings decreased 9% to R1 833m, while ARO RBB increased 84% to R905m and Corporate and Investment Bank's (CIB's) headline earnings grew 32% to R5 926m.
- Return on equity (RoE) declined to 15.7% from 16.4%.
- Revenue grew 13% to R52.3bn and operating expenses rose 10% to R26.7bn, producing a 51.0% cost-to-income ratio from 52.3%.
- Pre-provision profit grew 16% to R25.7bn.
- Credit impairments rose 60% to R8.3bn, resulting in a 1.27% credit loss ratio from 0.91%.
- Group IFRS common equity tier 1 (CET1) capital ratio was flat at 13.0%, well above regulatory requirements and higher than the Board's target range of 11.0% to 12.5%.
- Net asset value (NAV) per share grew 8% to 17 009 cents.

Normalised reporting

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

Normalised results were adjusted for the following items: R47m in revenue (1H22: R14m); operating expenses of R627m (1H22: R493m) mainly relating to amortisation and depreciation; and a R125m (1H22: R127m) tax impact of the aforementioned items. In total, these adjustments added R444m (1H22: R356m) to the Group's normalised headline earnings during the period. Normalisation occurs at a Group level and does not affect divisional disclosures.

Overview of results

The Group's headline earnings increased by 2% to R10 715m from R10 532m and DHEPS grew 2% to 1 289.1 cents from 1 261.9 cents. Dividends per share (DPS) increased 5% to 685 cents, a payout ratio of 53%. The Group's RoE declined to 15.7% from 16.4% and its return on average assets was 1.15% from 1.29%.

Revenue grew 13% to R52 354m, with net interest income rising 16% to R33 069m and non-interest income increasing 8% to R19 285m. The Group's net interest margin on average interest-bearing assets improved to 4.61% from 4.54%, reflecting higher policy rates. Gross loans and advances grew 8% to R1 300bn, while deposits rose 9% to R1 324bn. With operating expenses increasing 10% to R26 690m, the cost-to-income ratio improved to 51.0% from 52.3%. Pre-provision profit grew 16% to R25 664m. Credit impairments increased 60% to R8 280m, resulting in a 1.27% credit loss ratio from 0.91%.

PSC headline earnings decreased 13% to R1 124m, EB headline earnings declined 21% to R1 547m, and RB headline earnings decreased 9% to R1 833m. ARO RBB's headline earnings increased 84% to R905m and CIB's headline earnings grew 32% to R5 926m. Head Office, Treasury and other operations lost R176m, from a profit of R617m.

On a geographic basis, headline earnings in South Africa (SA) decreased 18% to R7 135m, while Absa regional operations grew 99% to R3 580m.

The Group's insurance businesses have applied the IFRS 17 Insurance Contracts standard from 1 January 2023. The comparative 2022 financial results were restated, resulting in small reductions in non-interest income and operating expenses with the net impact a slight decrease in the Group's 1H22 earnings base and RoE. The Group's net asset value as on 1 January 2022 increased by R795m on transition to IFRS 17.

Operating environment

The global, regional and domestic environments entered 2023 on an uncertain footing. At the outset of the year, very high inflation prompted global central banks to continue policy rate increases though fears of a sharp economic slowdown were moderated by continued stronger than expected labour indicators and financial markets. The failure of several regional banks in the US and one very large bank in Europe raised new market concerns over potential financial sector fragility. The conflict in Ukraine continued and Western relations with China remained strained. The collapse of the Russia/Ukraine grain deal at mid-year, along with the emergence of a strong El Nino weather system created further uncertainty for the food price, particularly in developing countries.

The South African economy faced this difficult external environment and the debilitating impact of sharply heightened power load shedding. South Africa's declared non-aligned stance in the Ukrainian conflict helped trigger a diplomatic spat with the US that raised fears that it could lose the preferential trade access to the US market it currently holds. At the height of those concerns the Rand approached 20 to the US dollar, although it subsequently recovered.

Against very modest expectations for economic growth in the first half, South Africa looks to have avoided a recession. Mining and manufacturing sector output has generally exceeded forecasts, suggesting that parts of the economy are becoming more resilient to the extreme electricity shortages. However, further interest rate increases of 125 basis points (bps) during the half placed more pressure on interest-sensitive parts of the economy, particularly consumer-focused businesses. Headline inflation fell back to within the central bank's upper-target band by mid-year.

Across our ARO presence countries, the tight global financial conditions, still high costs of living, significant fiscal constraints and weaker commodity prices continued to weigh on economic activity and growth prospects. Debt sustainability challenges in key markets saw large outflows from the region, driving currencies weaker and further eroding business and consumer confidence levels. Although downside risks remain, many economies are embarking on reforms to ensure higher and more sustainable growth over the longer term. Economic performance varied across the markets, with East African economies generally faring best. Although we reduced gross domestic product (GDP) forecasts in several countries, ARO remained well above South Africa's low growth.

Group performance

Statement of financial position

Total assets increased 7% to R1 898bn, driven by 10% growth in net loans and advances to customers.

Loans and advances

Total net loans and advances grew 8%, or 7% in constant currency (CCY), to R1 251bn, given 10% growth in loans and advances to customers to R1 155bn, while loans and advances to banks fell 12% to R96bn. Net PSC loans and advances to customers rose 7% to R409bn, as Home Loans grew 6% to R298bn and Vehicle and Asset Finance increased 9% to R111bn. Net EB loans and advances to customers grew 9% to R69bn, with Cards up 10% to R46bn and Personal Loans rising 6% to R21bn. Net RB loans and advances to customers grew 7% to R142bn, driven by growth in Commercial Asset Finance and the Agri portfolio. ARO RBB net loans and advances to customers grew 20% to R80bn or 16% in CCY, driven by growth in retail and commercial lending. CIB net loans and advances to customers increased 11% to R448bn. Total average CIB loans were 15% higher. CIB SA net loans and advances to customers grew 8% to R369bn, with foreign currency loans up 38%, 4% higher term loans and 4% lower reverse repurchase agreements. CIB ARO net loans and advances to customers grew 27% to R80bn or 21% in CCY.

Profit and dividend announcement

for the interim reporting period ended 30 June 2023

Group performance (continued)

Statement of financial position (continued)

Funding

Total deposits rose 9% to R1 324bn, with deposits due to customers up 11%, or 10% in CCY, to R1 203bn. Total deposits due to banks declined 6% to R121bn. Excluding 29% lower reverse repurchase agreements, total deposits increased 13% to R1 249bn. Total deposits constituted 86% of Group funding.

EB customer deposits grew 6% to R297bn, with fixed deposits up 11% to R79bn and savings and transmission deposits 9% higher, while cheque account deposits were flat at R37bn. RB customer deposits rose 11% to R211bn, as savings and transmission deposits grew 17% and fixed deposits increased 32% to outweigh 1% lower cheque account deposits. ARO RBB customer deposits grew 21%, or 16% in CCY, to R124bn driven by transactional deposits and investment products increasing 14% and 28% respectively. Total CIB customer deposits rose 12%, or 10% in CCY, to R465bn. CIB SA deposits due to customers grew 7% to R359bn, reflecting 45% higher fixed deposits partially offset by 26% lower call deposits. CIB ARO deposits rose 33% to R106bn, or up 23% in CCY.

Net asset value

The Group's NAV increased 8% to R141bn and NAV per share grew 8% to 17 014 cents. During 2023, the Group generated retained earnings of R10.8bn and paid dividends of R5.4bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 7% to R1 019bn, or 6% in CCY, due largely to 8% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group IFRS CET1 ratio of 13.0% remained flat, albeit above the Board target range of 11.0% to 12.5%. The Group Tier 1 ratio decreased slightly to 14.7%, while the total capital adequacy ratio was 16.2% from 17.0%.

Statement of comprehensive income

Net interest income

Net interest income increased 16% and 15% in CCY, to R33 069m from R28 583m, while average interest-bearing assets grew 14%. The Group's net interest margin improved to 4.61% from 4.54%, mainly due to higher policy rates.

Loan margins improved by 9bps, reflecting improved pricing in EB and the favourable composition impact of slower Home Loans growth. Deposit margins widened by 21bps, largely due to the impact of higher policy rates, which offset faster growth in wholesale funding in South Africa that was negative for composition. Higher average policy rates and growth in South African endowment balances added 12bps to the overall margin before hedging. Higher policy rates and equity balances across Absa regional operations also widened the margin by 2bps. The structural hedge released a debit of R568m to the income statement, 29bps less than the R1 339m benefit in 1H22. The after-tax cash flow hedging reserve relating to the programme reflected a debit balance of R3.5bn as at 30 June 2023, from a debit of R3.2bn at 30 June 2022. The impact of total endowment after hedging in South Africa was minus 2bps, given slower growth in endowment balances than interest-bearing assets. Other factors had an 8bps negative impact, including lower yields on the SA liquid asset portfolio, faster growth in investment securities, a reduced basis differential between prime and JIBAR in South Africa.

Non-interest income

Non-interest income increased 8%, or 7% in CCY, to R19 285m from R17 811m to account for 36.8% of Group revenue from 38.4%. Net fee and commission income grew 3% to R12 508m, representing 65% of total non-interest income. Within this, transactional fees and commissions increased 3%, with cheque accounts and credit card fees up 7% and 15% respectively, while electronic banking fees declined 1%. Merchant income rose 8%, reflecting increased volumes. Net trading income, excluding the impact of hedge accounting, rose 9% to R4 513m. Global Markets income grew 16%, or 15% in CCY, to R4 663m, with Markets SA down 7% while Markets ARO increased 54%, or 50% in CCY. Total insurance revenue grew 35%, with the largest component SA Insurance up 31%.

Credit impairment charges

Credit impairment charges grew 60%, or 61% in CCY, to R8 280m from R5 176m, largely due to higher credit charges in the South African retail lending portfolios and RB, given increased interest rates and inflationary pressures. South Africa's prime rate of 11.75% at 30 June 2023 was 450bps higher than it was at the start of 2022. The credit loss ratio increased from 91bps to 127bps, above the Group's through-the-cycle target range of 75 to 100bps. Non-performing loans (NPLs) increased to 5.82% of total gross loans and advances from 5.29%, due to elevated inflows in the South African retail portfolios. NPL coverage rose to 45.9% from 45.4%, increasing total Group coverage to 4.1% from 4.0%.

PSC credit impairments grew 60% to R2 309m from R1 447m, increasing its credit loss ratio to 1.11% from 0.75%. Within this, Home Loans rose 258% to R975m, resulting in a credit loss ratio of 0.65% from 0.19%, given increased delinquencies, sustained pressure on the legal book and inflows into debt review. Vehicle and Asset Finance's credit impairments grew 14% to R1 334m, resulting in a 2.34% credit loss ratio from 2.24%. Its credit charge reflects higher arrears, inflows into legal and debt review, and reduced consumption of the macroeconomic overlay.

EB credit impairments grew 62% to R4 259m from R2 628m, resulting in a 9.22% credit loss ratio from 5.97%. The increase was due to elevated roll rates into late delinquency cycles, although early arrears are improving given proactive risk management and collection measures. Card credit impairments rose 70% to R2 367m, resulting in an 8.79% credit loss ratio from 5.73%, as seasonal inflows in the fourth quarter of 2022 and first quarter of 2023 migrated through arrears buckets. Personal Loans credit impairments rose 51% to R1 526m, resulting in an 11.72% credit loss ratio from 8.80%. Its charge reflects high inflows into arrears in the second half of 2022 that rolled into late arrear cycles and legal.

RB's charge grew 111% to R488m, increasing its credit loss ratio to 0.68% from 0.35%. Although its NPLs improved to 5.7% from 6.1%, its NPL coverage increased due to lower security values.

ARO RBB credit impairments increased 20%, or 19% in CCY, to R684m, resulting in a flat credit loss ratio of 1.7%. Its charge reflects cautious retail lending and improved collections, partly offset by higher single name charges in Business Banking.

CIB credit impairments grew 28%, or 40% in CCY, to R379m from R297m, resulting in a credit loss ratio of 0.16% from 0.13%. CIB South Africa credit impairments increased 186% to R464m, resulting in a 0.23% credit loss ratio from 0.09%. The increase was largely due to a net release on the performing book in the base. CIB ARO credit impairments reduced to a net R85m reversal, primarily resulting from performing book releases.

Operating expenses

Operating expenses grew 10%, or 8% in CCY, to R26 690m from R24 254m, improving the Group's cost-to-income ratio to 51.0% from 52.3%. Staff costs rose 12% to R14 710m, accounting for 55% of total operating expenses, reflecting salary increases and people investments. Staff numbers grew 5%, predominantly in frontline business areas. Total incentives increased with bonuses down 3% linked to the Group's performance, while deferred cash and share-based payments increased 10%.

Non-staff costs grew 8%, or 6% in CCY, to R11 980m. IT costs increased 10% to R2 915m, due to further investment in digital platforms and increased cybersecurity spend. Amortisation of intangible assets rose 13%, given continued investment in digital, automation and data capabilities. Total IT spend, including staff, amortisation and depreciation, increased 10% to R6 549m, or 25% of Group expenses.

Group performance (continued)

Statement of comprehensive income (continued)

Operating expenses (continued)

Marketing costs rose 22%, given higher campaigns, sponsorship and corporate social investment spend. Equipment costs grew 70%, due largely to increased power costs stemming from loadshedding in South Africa.

Depreciation declined 4%, from reduced utilisation of physical IT infrastructure and further optimisation of the corporate and retail property footprint. Professional fees fell 9%, due to using external resources less on strategic projects. Cash transportation costs increased 1% as merchant cash volumes reduced given the migration to digital banking and increased cash recycling.

Taxation

The Group's taxation expense fell 5% to R4 174m from R4 412m, given lower corporate tax rate in South Africa and a higher proportion of exempt income, resulting in an effective tax rate of 25.6% from 27.9%.

Segment performance

Product Solutions Cluster (PSC)

Headline earnings fell 13% to R1 124m, as credit impairments increased 60% to R2 309m, resulting in a 1.11% credit loss ratio from 0.75%. Pre-provision profit increased 18% to R4 025m. Revenue rose 12% to R6 957m, driven by 22% higher non-interest income with Insurance SA up 31%. Net interest income increased 7%, in line with 7% growth in customer loans. Operating expenses grew 3% to R2 932m, resulting in a 42.1% cost-to-income ratio from 45.4%. PSC generated a return on regulatory capital (RoRC) of 9.7% from 12.2%, and contributed 10% of Group headline earnings excluding Head Office, Treasury and other operations.

Within PSC, Home Loans headline earnings fell 38% to R705m, due to credit impairments increasing 258%. Home Loans pre-provision profits grew 7%, on 4% revenue growth and 1% lower operating expenses. Vehicle and Asset Finance earnings decreased 31% to R36m, as 14% higher credit impairments outweighed 13% growth in pre-provision profits. Insurance SA earnings grew 40% to R653m, with Life Insurance up 35% to R579m in part due to significantly higher investment income given higher interest rates. Non-Life Insurance earnings increased 90% to R74m, as net premium income grew 10% and its underwriting margin improved.

Everyday Banking (EB)

Headline earnings fell 21% to R1 547m, as significantly higher credit impairments offset 17% growth in pre-provision profit to R6 774m. Revenue increased 9% to R13 727m, driven by 14% net interest income growth due to 9% growth in customer loans and 6% higher customer deposits, plus wider loans margins. Non-interest income increased 3%, given growth in customers and transactional activity, partially offset by migration to digital channels and targeted pricing reductions. Operating expenses grew 2% to R6 953m, resulting in a 50.7% cost-to-income ratio from 54.0%. Credit impairments rose 62% to R4 259m, producing a 9.22% credit loss ratio from 5.97%, reflecting elevated roll rates in late stage delinquencies. EB generated a RoRC of 23.0% from 31.9% and contributed 14% of Group headline earnings excluding Head Office, Treasury and other operations.

Within EB, Transactions and Deposits headline earnings increased 1% to R1 525m, due to 5% higher pre-provision profit driven by 7% higher net interest income. Card earnings declined 85% to R52m, as credit impairments rose 70% to outweigh 26% higher pre-provision profit on the back of 16% revenue growth. Personal Loans lost R206m, following 51% higher credit impairments, dampening revenue-driven 30% higher pre-provision profit.

Relationship Banking (RB)

Headline earnings fell 9% to R1 833m, as credit impairments grew 111% to R488m, reflecting increased defaults and reduced NPL collateral values. Pre-provision profit was flat at R3 145m. Revenue rose 5% to R7 433m, driven by 8% net interest income growth, in line with customer loan and deposit growth. Non-interest income grew 1%, reflecting 6% digital volume growth, offset by 9% lower cash volumes and increased competition. Operating expenses grew 10% to R4 288m, producing a 57.7% cost-to-income ratio from 55.2%. The increase was driven by frontline staff hires in SME and Private Banking, and higher investment spend on digital. RB generated a RoRC of 23.8% from 27.5%, contributing 17% of Group headline earnings excluding Head Office, Treasury and other operations.

Absa Regional Operations Retail and Business Banking (ARO RBB)

Headline earnings increased 84%, or 83% in CCY, to R905m, largely due to 44% higher pre-provision profit of R2 861m. Revenue grew 26%, or 21% in CCY, to R8 176m. Net interest income rose 29%, or 24% in CCY, given 20% customer loan growth (16% in CCY) and wider margins with higher policy rates. Non-interest income increased 20%, or 15% in CCY, reflecting growth in active customers and strong growth foreign currency revenue in commercial. Costs grew 18%, or 12% in CCY, to R5 315m, resulting in a cost-to-income ratio of 65.0% from 69.4%. Credit impairments increased 20%, or 19% in CCY, in line with loan growth, producing a flat credit loss ratio of 1.69%. ARO RBB generated a RoRC of 13.9% from 10.0%, and contributed 8% of Group headline earnings excluding Head Office, Treasury and other operations.

Within ARO RBB, ARO Banking headline earnings grew 151% to R766m, driven by revenue led 53% higher pre-provision profits. ARO Insurance earnings declined 28% to R131m, given 9% lower revenue, with Life Insurance down 14%.

Corporate and Investment Bank (CIB)

Headline earnings rose 32%, or 30% in CCY, to R5 926m, driven by 25% higher pre-provision profit to R8 748m. Revenue increased 19%, or 17% in CCY, to R15 241m. Net interest income rose 21%, or 19% in CCY, driven by average customer loans and deposits up 15% and 13% respectively (excluding reverse repurchase agreements), together with an improved net interest margin. Non-interest income grew 15%, or 13% in CCY, to constitute 39% of total revenue. Global Markets increased 16%, with Markets ARO up 54%, and 18% higher Corporate transactions income, while Markets SA declined 7%. Operating expenses rose 11%, or 9% in CCY, to R6 493m, resulting in a cost-to-income ratio of 42.6% from 45.5%. The growth reflected increased investment spend and inflationary pressure across key markets. Credit impairments rose 28%, increasing the credit loss ratio to 0.16%, due to significantly higher charges in South Africa, partially offset by net releases in ARO, particularly in the performing book. CIB contributed 54% of Group headline earnings, excluding Head Office, Treasury and other operations. It produced a 26.5% RoRC from 22.4%.

Within CIB, Corporate Bank headline earnings grew 38% to R2 029m, as revenue-driven pre-provision profit increased by 42%, outweighing higher credit impairments. Investment Bank earnings rose 29% to R3 898m, given a combination of 90% lower credit impairments and 16% higher pre-provision profit.

CIB SA earnings grew 5% to R3 347m, driven by 6% income growth and lower taxes, which offset significantly higher credit impairments. CIB ARO earnings rose 98%, or 90% in CCY, to R2 579m, reflecting 64% growth in pre-provision profit and a net release in credit impairments.

Head Office, Treasury and other operations

Headline earnings swung from a R617m profit to a R176m loss, due to increased funding costs and lower investment returns in SA Treasury reducing net interest income partially offset by higher yields in ARO Treasuries; adverse fair value movements on the structural interest rate hedge in South Africa, increased impairment charges on sovereign exposures in the ARO portfolios; and the investment management results from the new joint venture with Sanlam moving to the PSC.

Geographic split

South Africa

Headline earnings fell 18% to R7 135m, as credit impairments grew 68% to R7 509m, largely due to the impact of higher policy rates and inflationary pressures on retail customers. Revenue grew 5% to R36 970m, constituting 71% of Group revenue. Net interest income rose 9%, given 12% growth in interest-bearing assets, partially offset by a decline in net interest margin. Non-interest revenue was flat, as lower Markets trading revenue offset strong SA Insurance growth. Operating expenses rose 8% to R18 899m, resulting in a 51.1% cost-to-income ratio from 50.0%. Pre-provision profits grew 3% to R18 071m. South Africa contributed 67% of Group earnings and its RoRC reduced to 16.6% from 21.4%.

Absa regional operations

Headline earnings increased 99%, or 92% in CCY, to R3 580m. Pre-provision profit increased 65% to R7 593m, as revenue increased 36%, or 31% in CCY, to R15 384m. Net interest income grew 34%, and 30% in CCY, with 23% customer loan growth and improved margins. Non-interest revenue rose 39%, or 35% in CCY, driven by 51% growth from CIB ARO with ARO RBB up 20%. Operating expenses rose 16%, or 11% in CCY, to R7 791m, producing a 50.6% cost-to-income ratio from 59.2%. Credit impairments increased 9%, or 14% in CCY, to R772m, improving its credit loss ratio to 0.66% from 0.93%. Africa regions contributed 33% of Group earnings and its RoRC improved to 23.2% from 14.8%.

Prospects

The economic environment remains very uncertain. Geopolitical uncertainty, particularly surrounding the Russia/Ukraine conflict and rising tension between the West and China look likely to impact the outlook for some time. Headline inflation has softened considerably, helped by significant base effects, and global central banks have signalled that policy rates are likely at or near the peak of the cycle and that any reductions are likely to be delivered slowly. Markets will be watching for any evidence that these tight financial conditions are causing undue strain or risk a sharp slowdown in activity.

For South Africa, Absa expects the economy to grow by 0.7% in 2023. Electricity supply remains a significant risk for the economy for the foreseeable future, while there is clear evidence that the higher interest rate environment is placing significant pressure on interest-sensitive parts of the economy such as many consumer-facing sectors. In addition, degrading rail and port infrastructure present material downside risks to these expectations. Helpfully, headline inflation is expected to continue to fall, and to oscillate in the 4.5-5.0% range for much of the next year. Absa believes that the current policy rate is the peak for this cycle and that the South African Reserve Bank is likely to be in a position to deliver a measured pace of cuts beginning in the first half of 2024.

We forecast that GDP-weighted economic growth for the ARO presence countries will slow to 4.3% in 2023. The impact of relatively tight monetary policy in most ARO countries is likely to provide a headwind to growth and foreign exchange scarcity may also continue to generate downside risks for economic activity in several markets.

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

Revenue growth is expected to slow in the second half, in part due to material base effects. We continue to expect high single digit revenue growth in 2023, driven by net interest income, with low double-digit growth in customer loans and deposits, and higher policy rates.

Given significantly higher rates, our credit loss ratio is expected to exceed our through-the-cycle target range of 75 to 100 basis points. Our second half credit loss ratio is likely to improve substantially to slightly above this range.

We expect high single digit growth in operating expenses, resulting in a cost-to-income ratio similar to last year's 51.4%, and high single digit growth in pre-provision profit.

Given its effective date in September 2023, our broad-based black economic empower transaction will be included in 2023 financial results for four months. We currently expect the transaction to reduce earnings by approximately 1% in 2023.

Combining the above, we expect to generate an RoE similar to 2022's 16.4%.

Lastly, our Group CET1 capital ratio is expected to remain above the top end of the Board target range of 11.0% to 12.5%. We expect to maintain a dividend payout ratio of at least 52%.

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

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2023

Declaration of interim ordinary dividend number 72

Shareholders are advised that an ordinary dividend of 685 cents per ordinary share was declared on 14 August 2023, for the interim reporting period ended 30 June 2023. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 15 September 2023. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution and for the next 12 months.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 685 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 548 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 18 184 809[1] treasury shares). In September 2023, the Group will issue an additional 46 626 228 ordinary shares in terms of the broad-based black economic empowerment (B-BBEE) transaction, which was approved by shareholders on 2 June 2023. This will result in an increased number of issued ordinary shares of 894 376 907 (includes 64 811 037 treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 12 September 2023
Shares commence trading ex-dividend	Wednesday, 13 September 2023
Record date	Friday, 15 September 2023
Payment date	Monday, 18 September 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2023 and Friday, 15 September 2023 , both dates inclusive. On Monday, 18 September 2023 , the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 18 September 2023.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
14 August 2023

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

[1] Includes shares to be utilised in the B-BBEE transaction. Refer to note 9 for further details.

IFRS interim consolidated financial results

for the interim reporting period ended 30 June 2023

Basis of presentation

The Group's consolidated financial results for the interim reporting periods ended 30 June 2023 and 30 June 2022 are unaudited and have not been independently reviewed by the Group's external auditors. These financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS interpretations committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act.

The accounting policies, presentation and disclosure of the unaudited interim consolidated financial results comply with IAS 34.

The directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the foreseeable future. For this reason, the information in this report has been prepared on a going concern basis.

Accounting policies

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

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

- **Adoption of IFRS 17 Insurance contracts (further detail is presented in note 15.4)**
- **Amendments to IAS 1 –** *Classification of liabilities as current or non-current*

  The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IAS 8 –** *Accounting Policies, Changes in Accounting Estimates and Errors*

  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 and IFRS Practice Statement 2 –** *Disclosure of Accounting Policies*

  The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, guidelines and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

  The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Amendments to IAS 12 International Tax Reform– Pillar Two Model Rules**

  The Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum, 15% tax rate. The amendments will introduce:
  - **A temporary exception** – to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help ensure consistency in the financial statements while easing the implementation of the rules; and
  - **Targeted disclosure requirements** – to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

With the exception of the adoption of IFRS 17, the above amendments have no impact on the unaudited interim consolidated financial results of the Group.

Standards issued not yet effective

A number of new standards and amendments to existing standards have been issued but are not yet effective for the reporting period. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the Group once effective.

Events after the reporting period

The directors are not aware of any events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 30 June 2023 until the date of authorisation of these interim consolidated financial results.

On behalf of the Board

M S Moloko
Group Chairman

A Rautenbach
Group Chief Executive Officer

J P Quinn
Group Financial Director

Johannesburg
14 August 2023

Interim consolidated IFRS salient features

for the reporting period ended

	Note	30 June 2023	Restated 30 June 2022	Restated 31 December 2022
Statement of financial position				
Net asset value (NAV) (Rm)		**141 144**	130 445	134 416
Gross loans and advances (Rm)	2	**1 299 583**	1 203 294	1 258 288
Total assets (Rm)		**1 898 340**	1 774 529	1 806 961
Deposits (Rm)		**1 323 746**	1 213 509	1 241 918
Loans to deposits and debt securities ratio (%)		**81.4**	83.6	83.8
Average loans to deposits and debt securities ratio (%)		**83.6**	84.1	84.2
Statement of comprehensive income (Rm)				
Income		**52 354**	46 394	97 596
Operating expenses		**26 690**	24 254	51 233
Pre-provision profit		**25 664**	22 140	46 363
Credit impairment charges		**8 280**	5 176	13 703
Profit attributable to ordinary equity holders		**10 792**	10 385	20 265
Headline earnings	6	**10 715**	10 532	19 975
Financial performance (%)				
Return on equity (RoE)		**15.7**	16.4	15.4
Return on average assets (RoA)		**1.15**	1.29	1.15
Return on risk-weighted assets (RoRWA)		**2.12**	2.29	2.08
Stage 3 loans ratio on gross loans and advances		**5.82**	5.29	5.29
Operating performance (%)				
Net interest margin on average interest-bearing assets		**4.61**	4.54	4.56
Credit loss ratio on loans and advances		**1.27**	0.91	0.96
Non-interest as a percentage of total income		**36.8**	38.4	38.0
Cost-to-income ratio		**51.0**	52.3	52.5
JAWS		**3**	8	8
Effective tax rate		**25.6**	27.9	26.2
Share statistics (million)				
Number of ordinary shares in issue		**847.8**	847.8	847.8
Number of shares in issue (excluding treasury shares)		**829.8**	830.6	827.4
Weighted average number of ordinary shares in issue		**828.6**	830.2	829.4
Diluted weighted average number of ordinary shares in issue		**831.2**	834.6	833.9
Share statistics (cents)				
Basic earnings per ordinary share (EPS)		**1 302.6**	1 250.9	2 443.3
Diluted basic earnings per ordinary share (DEPS)		**1 298.5**	1 244.3	2 430.1
Headline earnings per ordinary share (HEPS)	6	**1 293.1**	1 268.6	2 408.4
Diluted headline earnings per ordinary share (DHEPS)	6	**1 289.1**	1 261.9	2 395.4
NAV per ordinary share		**17 009**	15 705	16 246
Tangible NAV per ordinary share		**15 403**	14 234	14 684
Dividend per ordinary share relating to income for the reporting period		**685**	650	1 300
Dividend payout ratio (%)		**53**	52	54
Capital adequacy (%)				
Absa Group Limited		**16.2**	17.0	16.6
Absa Bank Limited		**17.3**	18.1	17.6
Common Equity Tier 1 (%)				
Absa Group Limited		**13.0**	13.1	12.8
Absa Bank Limited		**13.0**	13.1	12.5

Headline earnings is presented after allowing for **R174m** (30 June 2022: R123m; 31 December 2022: R266m) profit attributable to preference equity holders and **R426m** (30 June 2022: R305m; 31 December 2022: R609m) profit attributable to additional Tier 1 capital holders.

Salient features have been restated due to IFRS 17. Refer to the reporting changes overview in note 15.

Interim consolidated statement of financial position

as at

	Note	30 June 2023 Rm	Restated 30 June 2022 Rm	Restated 31 December 2022 Rm
Assets				
Cash, cash balances and balances with central banks		**86 795**	61 353	67 179
Investment securities		**230 223**	206 609	215 637
Trading portfolio assets		**214 153**	212 199	206 436
Hedging portfolio assets		**6 856**	5 695	4 973
Other assets		**33 913**	52 841	24 921
Current tax assets		**639**	633	658
Non-current assets held for sale	1	**182**	5 150	212
Loans and advances	2	**1 250 562**	1 160 281	1 213 399
Insurance contract assets		**10 794**	10 768	11 212
Reinsurance assets		**4 048**	3 374	3 544
Investments linked to investment contracts		**20 307**	18 930	19 288
Investments in associates and joint ventures		**2 527**	1 635	2 409
Investment properties		**399**	419	397
Property and equipment		**15 527**	15 206	15 325
Goodwill and intangible assets		**13 334**	12 217	12 924
Deferred tax assets		**8 081**	7 219	8 447
Total assets		**1 898 340**	1 774 529	1 806 961
Liabilities				
Trading portfolio liabilities		**79 952**	101 813	94 895
Hedging portfolio liabilities		**2 499**	2 900	2 237
Other liabilities		**52 912**	60 959	36 138
Provisions		**3 877**	3 913	5 860
Current tax liabilities		**1 027**	1 151	971
Non-current liabilities held for sale	1	**18**	3 333	26
Deposits		**1 323 746**	1 213 509	1 241 918
Debt securities in issue		**213 133**	174 871	205 519
Liabilities under investment contracts		**20 484**	19 825	20 023
Insurance contract liabilities		**17 035**	16 117	16 953
Reinsurance contract liabilities		**2 850**	2 438	2 821
Borrowed funds	3	**20 585**	25 240	26 420
Deferred tax liabilities		**217**	401	185
Total liabilities		**1 738 335**	1 626 470	1 653 966
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 676**	1 661	1 654
Share premium		**10 611**	10 722	10 191
Retained earnings		**126 108**	117 592	121 943
Other reserves		**2 749**	470	628
		141 144	130 445	134 416
Non-controlling interest – ordinary shares		**6 714**	5 966	6 432
Non-controlling interest – preference shares		**4 644**	4 644	4 644
Other equity: Additional Tier 1 capital		**7 503**	7 004	7 503
Total equity		**160 005**	148 059	152 995
Total liabilities and equity		**1 898 340**	1 774 529	1 806 961

Statement of financial position has been restated. Refer to reporting changes overview in note 15.

Interim consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2023 Rm	Restated 30 June 2022 Rm	Restated 31 December 2022 Rm
Net interest income		**33 069**	28 583	60 498
		75 330	50 889	112 232
Interest and similar income				
Effective interest income		**73 928**	49 853	110 314
Other interest income		**1 402**	1 036	1 918
Interest expense and similar charges		**(42 261)**	(22 306)	(51 734)
Non-interest income	4	**19 285**	17 811	37 098
Net fee and commission income		**12 508**	12 092	24 853
Fee and commission income		**13 746**	13 511	27 547
Fee and commission expense		**(1 238)**	(1 419)	(2 694)
Insurance service result		**1 375**	1 204	2 278
Insurance revenue		**5 831**	5 177	10 334
Insurance service expenses		**(3 935)**	(3 725)	(7 315)
Net expense from reinsurance contracts		**(521)**	(248)	(741)
Net finance income from insurance contracts		**18**	102	77
Net finance (expense)/income from reinsurance contracts		**1**	(10)	(6)
Changes in investment contract liabilities		**(1 057)**	1 729	1 148
Gains and losses from banking and trading activities		**4 386**	4 043	7 728
Gains and losses from investment activities		**1 618**	(1 586)	(532)
Other operating income		**436**	237	1 552
Total income		**52 354**	46 394	97 596
Credit impairment charges		**(8 280)**	(5 176)	(13 703)
Operating income before operating expenditure		**44 074**	41 218	83 893
Operating expenditure		**(26 690)**	(24 254)	(51 233)
Other expenses		**(1 166)**	(1 165)	(2 440)
Other impairments	5	**(96)**	(233)	(591)
Indirect taxation		**(1 070)**	(932)	(1 849)
Share of post-tax results of associates and joint ventures		**82**	42	137
Operating profit before income tax		**16 300**	15 841	30 357
Taxation expense		**(4 174)**	(4 412)	(7 953)
Profit for the reporting period		**12 126**	11 430	22 404
Profit attributable to:				
Ordinary equity holders		**10 792**	10 385	20 265
Non-controlling interest – ordinary shares		**734**	617	1 264
Non-controlling interest – preference shares		**174**	123	266
Other equity: Additional Tier 1 capital		**426**	305	609
		12 126	11 430	22 404
Earnings per share:				
Basic earnings per share (cents)		**1 302.6**	1 250.9	2 443.3
Diluted earnings per share (cents)		**1 298.5**	1 244.3	2 430.1

Statement of comprehensive income has been restated. Refer to reporting changes overview in note 15.

Interim consolidated statement of comprehensive income

for the reporting period ended

	30 June 2023 Rm	Restated 30 June 2022 Rm	Restated 31 December 2022 Rm
Profit for the reporting period	**12 126**	11 430	22 404
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(212)**	(9)	(20)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**1**	(5)	(1)
Fair value movements	**1**	(6)	(1)
Deferred tax	**—**	1	—
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(142)**	5	(151)
Fair value movements	**(196)**	13	(202)
Deferred tax	**54**	(8)	51
Movement in retirement benefit fund assets and liabilities	**(71)**	(9)	132
Decrease in retirement benefit surplus	**(19)**	(15)	(37)
Decrease in retirement benefit deficit	**(64)**	—	148
Deferred tax	**12**	6	21
Items that are or may be subsequently reclassified to profit or loss	**2 181**	(6 861)	(7 140)
Movement in foreign currency translation reserve	**2 309**	(1 134)	(1 785)
Differences in translation of foreign operations	**2 309**	(1 134)	(1 785)
Movement in cash flow hedging reserve	**(197)**	(4 535)	(4 477)
Fair value movements	**(551)**	(4 241)	(3 460)
Amounts transferred within other comprehensive income	**22**	2	21
Amount removed from other comprehensive income and recognised in profit or loss	**260**	(1 997)	(2 718)
Deferred tax	**72**	1 701	1 680
Movement in fair value of debt instruments measured at FVOCI	**74**	(757)	(237)
Fair value movements	**386**	(818)	(364)
Release to profit or loss	**(66)**	(13)	(7)
Deferred tax	**(246)**	74	134
Movement in Insurance finance reserve	**(5)**	(435)	(641)
Finance income from insurance contracts	**(71)**	(836)	(1 194)
Finance (expenses)/income from insurance contracts	**56**	247	335
Deferred tax	**10**	154	218
Total comprehensive income for the reporting period	**14 095**	4,560	15 244
Total comprehensive income attributable to:			
Ordinary equity holders	**12 686**	3 618	13 298
Non-controlling interest – ordinary shares	**809**	514	1 071
Non-controlling interest – preference shares	**174**	123	266
Other equity: Additional Tier 1 capital	**426**	305	609
	14 095	4 560	15 244

Interim consolidated statement of changes in equity

for the reporting period ended

30 June 2023

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	121 943	628	809	(992)	(3 215)	1 394	57	(263)	1 102	1 736	134 416	6 431	4 644	7 503	152 994
Total comprehensive income	—	—	—	10 570	2 116	—	88	(197)	2 219	—	6	—	—	12 686	809	174	426	14 095
Profit for the period	—	—	—	10 792	—	—	—	—	—	—	—	—	—	10 792	734	174	426	12 126
Other comprehensive income	—	—	—	(222)	2 116	—	88	(197)	2 219	—	6	—	—	1 894	75	—	—	1 969
Dividends paid during the reporting period	—	—	—	(5 402)	—	—	—	—	—	—	—	—	—	(5 402)	(526)	(174)	—	(6 102)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(426)	(426)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(538)	(699)	—	—	—	—	—	—	—	—	—	(1 237)	—	—	—	(1 237)
Elimination of the movement in treasury shares held by Group entities	2 140	22	420	—	—	—	—	—	—	—	—	—	—	442	—	—	—	442
Movement in share-based payment reserve	—	—	538	—	(299)	—	—	—	—	—	—	(299)	—	239	—	—	—	239
Transfer from share-based payment reserve	—	—	538	—	(538)	—	—	—	—	—	—	(538)	—	—	—	—	—	—
Value of employee services	—	—	—	—	421	—	—	—	—	—	—	421	—	421	—	—	—	421
Deferred tax	—	—	—	—	(182)	—	—	—	—	—	—	(182)	—	(182)	—	—	—	(182)
Movement in general credit risk reserve	—	—	—	(169)	169	169	—	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(53)	53	—	—	—	—	53	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(82)	82	—	—	—	—	—	—	—	82	—	—	—	—	—
Balance at the end of the reporting period	829 566	1 676	10 611	126 108	2 749	978	(904)	(3 412)	3 613	110	(257)	803	1 818	141 144	6 714	4 644	7 503	160 005

Interim consolidated statement of changes in equity

for the reporting period ended

	Restated 30 June 2022																	
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Balance as reported at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)	1 262	3 123	57	—	679	1 599	129 863	5 798	4 644	7 004	147 309
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—	—	(3)	—	327	—	—	795	94	—	—	889
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 330	7 024	825	(845)	1 262	3 120	57	327	679	1 599	130 658	5 892	4 644	7 004	148 198
Total comprehensive income	—	—	—	10 374	(6 756)	—	(718)	(4 535)	(1 109)	—	(394)	—	—	3 618	514	123	305	4 560
Profit for the period	—	—	—	10 385	—	—	—	—	—	—	—	—	—	10 385	617	123	305	11 430
Other comprehensive income	—	—	—	(11)	(6 756)	—	(718)	(4 535)	(1 109)	—	(394)	—	—	(6 767)	(103)	—	—	(6 870)
Dividends paid during the reporting period	—	—	—	(3 951)	—	—	—	—	—	—	—	—	—	(3 951)	(440)	(123)	—	(4 514)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(305)	(305)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(196)	(135)	—	—	—	—	—	—	—	—	—	(331)	—	—	—	(331)
Elimination of the movement in treasury shares held by Group entities	282	1	78	—	—	—	—	—	—	—	—	—	—	79	—	—	—	79
Movement in share-based payment reserve	—	—	196	—	176	—	—	—	—	—	—	176	—	372	—	—	—	372
Transfer from share-based payment reserve	—	—	196	—	(196)	—	—	—	—	—	—	(196)	—	—	—	—	—	—
Value of employee services	—	—	—	—	348	—	—	—	—	—	—	348	—	348	—	—	—	348
Deferred tax	—	—	—	—	24	—	—	—	—	—	—	24	—	24	—	—	—	24
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—	—	—	—	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(42)	42	—	—	—	—	—	—	—	42	—	—	—	—	—
Balance at the end of the reporting period	830 567	1 661	10 722	117 592	470	809	(1 563)	(3 273)	2 011	57	(67)	855	1 641	130 445	5 966	4 644	7 004	148 059

Interim consolidated statement of changes in equity

for the reporting period ended

Restated 31 December 2022

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Balance as reported at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)	1 262	3 123	57	—	679	1 599	129 863	5 798	4 644	7 004	147 309
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—	—	(3)	—	327	—	—	795	94	—	—	889
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 330	7 024	825	(845)	1 262	3 120	57	327	679	1 599	130 658	5 892	4 644	7 004	148 198
Total comprehensive income	—	—	—	20 238	(6 940)	—	(147)	(4 477)	(1 726)	—	(590)	—	—	13 298	1 071	266	609	15 244
Profit for the period	—	—	—	20 265	—	—	—	—	—	—	—	—	—	20 265	1 264	266	609	22 404
Other comprehensive income	—	—	—	(27)	(6 940)	—	(147)	(4 477)	(1 726)	—	(590)	—	—	(6 967)	(193)	—	—	(7 160)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—	—	—	—	—	—	—	(9 343)	(531)	(266)	—	(10 140)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(609)	(609)
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	499	499
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(161)	—	—	—	—	—	—	—	—	—	(518)	—	—	—	(518)
Elimination of the movement in treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—	—	—	—	—	—	—	(459)	—	—	—	(459)
Movement in share-based payment reserve	—	—	357	—	423	—	—	—	—	—	—	423	—	780	—	—	—	780
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—	—	—	—	—	(357)	—	—	—	—	—	—
Value of employee services	—	—	—	—	652	—	—	—	—	—	—	652	—	652	—	—	—	652
Deferred tax	—	—	—	—	128	—	—	—	—	—	—	128	—	128	—	—	—	128
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—	—	—	—	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—	—	—	—	—	—	137	—	—	—	—	—
Stated balance at the end of the reporting period	827 426	1 654	10 191	121 943	628	809	(992)	(3 215)	1 394	57	(263)	1 102	1 736	134 416	6 432	4 644	7 503	152 995

Summary consolidated statement of cash flows

for the reporting period ended 30 June

	Note	30 June 2023 Rm	30 June 2022 Rm	Restated 31 December 2022 Rm
Cash generated from operating activities		35 809	14 497	24 323
Income taxes paid		(4 124)	(5 806)	(10 220)
Net cash generated from/(utilised in) other operating activities		39 933	20 303	34 543
Net cash utilised in investing activities		(2 211)	(1 948)	(5 283)
Purchase of property and equipment		(1 222)	(824)	(2 214)
Purchase of intangible assets		(1 464)	(1 461)	(3 674)
Proceeds from sale of non-current assets held for sale		125	55	54
Net cash generated from other investing activities		350	282	551
Net cash utilised in financing activities		(8 098)	(6 959)	(12 612)
Issue of Additional Tier 1 capital		—	—	(1 499)
Expiry of Additional Tier 1 capital		—	—	1 999
Proceeds from borrowed funds		9	—	1 916
Repayment of borrowed funds		—	(1 142)	(2 204)
Dividends paid		(6 102)	(4 516)	(10 140)
Net cash utilised in other financing activities		(2 005)	(1 301)	(2 684)
Net increase in cash and cash equivalents		25 500	5 590	6 428
Cash and cash equivalents at the beginning of the reporting period	1	70 475	62 874	62 874
Effect of foreign exchange rate movements on cash and cash equivalents		(4 935)	1 239	1 173
Cash and cash equivalents at the end of the reporting period	2	91 040	69 703	70 475

Notes to the summary interim consolidated statement of cash flows

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

	30 June 2023 Rm	30 June 2022 Rm	Restated 31 December 2022 Rm
Mandatory reserve balances with the SARB and other central banks	31 842	28 705	28 705
Coins and notes	14 303	14 577	14 577
Loans and advances to banks	22 319	17 897	17 897
Money market assets	2 011	1 695	1 695
	70 475	62 874	62 874

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

	30 June 2023 Rm	30 June 2022 Rm	Restated 31 December 2022 Rm
Mandatory reserve balances with the SARB and other central banks	48 781	29 832	31 842
Coins and notes	12 874	13 006	14 303
Loans and advances to banks	27 677	25 040	22 319
Money market assets	1 708	1 824	2 011
	91 040	69 703	70 475

Statement of cash flows has been restated. Refer to reporting changes overview in note 15.

Loans and advances to banks includes call advances, which are used as working capital by the Group.

Notes to the interim consolidated financial results

for the reporting period ended

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

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

- Head Office, Treasury and other operations disposed of property with a carrying amount of **R11m**.
- Everyday Banking has disposed of property with a carrying amount of **R2m**.
- ARO RBB has transferred property with a carrying amount of **R2m** from non-current assets held for sale to property and equipment.
- ARO CIB has transferred property with a carrying amount of **R1m** from non-current assets held for sale to property and equipment.
- The decrease in the total value of assets and liabilities is **R14m** and **R8m** respectively and is in relation to the Group's market Linked Investment Service Provider (LISP) business (a division of Absa Investment Management (Pty) Ltd). Disposal of this business is expected to take place in the second half of the 2023 financial year.

The following movements in non-current assets and non-current liabilities held for sale were effected during the interim reporting period ended on 30 June 2022:

- Everyday banking disposed of property and equipment with a carrying amount of R3m.
- Head Office, Treasury and other operations disposed of property with a carrying amount of R32m.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R82m and intangible assets with a carrying amount of R1m to non-current assets held for sale.
- The Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers Ltd, Absa Multi-Managers and the majority of its market Linked Investment Service Provider (LISP) business (divisions of Absa Investment Management (Pty) Ltd), and Absa's NewFunds (RF) Proprietary Limited (excluding the commodity ETF business) continues to be classified as held for sale. While the transaction does not directly include the disposal of investment funds held by the Group in several related unit trust investment funds, it will result in the deconsolidation of these funds linked to the transaction. The assets and liabilities classified as non-current assets and liabilities for sale comprised mainly investments linked to investment contracts, cash and bank balances, investment securities, trade receivables, goodwill and intangible assets and liabilities linked to investment contracts. The increase in total value of assets is R843m and the total decrease in value of liabilities is R132m for non-current assets and non-current liabilities previously transferred.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period that ended on 31 December 2022:

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

Notes to the interim consolidated financial results
for the reporting period ended

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

30 June 2023

		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	354 116	1 530	0.43	35 823	2 333	6.51	34 513	11 697	33.89	408 892
Home Loans	—	257 499	511	0.20	24 092	965	4.01	24 848	6 971	28.05	297 992
Vehicle and Asset Finance	—	96 617	1 019	1.05	11 731	1 368	11.66	9 665	4 726	48.90	110 900
Everyday Banking	—	61 436	2 509	4.08	10 161	2 913	28.67	14 073	10 828	76.94	69 420
Card	—	40 846	1 354	3.31	5 696	1 789	31.41	8 291	6 167	74.38	45 523
Personal Loans	—	17 907	902	5.04	3 505	882	25.16	5 138	4 156	80.89	20 610
Transactions and Deposits	—	2 683	253	9.43	960	242	25.21	592	453	76.52	3 287
Other	—	—	—	—	—	—	—	52	52	100	—
Relationship Banking	—	120 256	283	0.24	18 609	979	5.26	8 464	3 805	44.96	142 262
ARO RBB	—	72 662	1 040	1.43	6 681	1 020	15.27	6 604	4 289	64.95	79 598
CIB	82 204	329 660	1 317	0.40	30 647	595	1.94	12 012	4 133	34.41	448 478
CIB SA	82 204	262 541	803	0.31	21 549	303	1.41	5 437	1 975	36.33	368 650
CIB ARO	—	67 119	514	0.77	9 098	292	3.21	6 575	2 158	32.82	79 828
Head Office, Treasury and other operations	—	5 859	(171)	—	—	(106)	—	—	(34)	—	6 170
Loans and advances to customers	—	5 859	3	0.05	—	—	—	—	—	—	5 856
Reclassification to provisions	—	—	(174)	—	—	(106)	—	—	(34)	—	314
Loans and advances to customers	82 204	943 989	6 508	0.69	101 921	7 734	7.59	75 666	34 718	45.88	1 154 820
Loans and advances to banks	22 815	64 771	50	0.08	8 217	11	0.13	—	—	—	95 742
Total loans and advances	105 019	1 008 760	6 558	0.65	110 138	7 745	7.03	75 666	34 718	45.88	1 250 562

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

Notes to the interim consolidated financial results
for the reporting period ended

2. Loans and advances (continued)

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

	30 June 2022										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	335 664	1 556	0.46	33 187	2 141	6.45	28 468	10 163	35.70	383 459
Home Loans	—	244 659	499	0.20	23 822	795	3.34	20 436	6 017	29.44	281 606
Vehicle and Asset Finance	—	91 005	1 057	1.16	9 365	1 346	14.37	8 032	4 146	51.62	101 853
Everyday Banking	—	57 185	2 415	4.22	8 966	2 547	28.41	10 935	8 232	75.28	63 892
Card	—	37 315	1 278	3.42	5 474	1 639	29.94	6 944	5 255	75.68	41 561
Personal Loans	—	17 346	905	5.22	2 819	712	25.26	3 458	2 577	74.52	19 429
Transactions and Deposits	—	2 524	232	9.19	673	196	29.12	481	348	72.35	2 902
Other	—	—	—	—	—	—	—	52	52	100	—
Relationship Banking	—	116 441	721	0.62	13 258	1 017	7.67	8 382	3 424	40.85	132 919
ARO RBB	—	60 184	1 077	1.79	5 789	995	17.19	5 725	3 355	58.60	66 271
CIB	81 399	287 079	1 162	0.40	30 692	656	2.14	10 117	3 738	36.95	403 731
CIB SA	81 399	234 829	796	0.34	22 219	256	1.15	5 475	2 011	36.73	340 859
CIB ARO	—	52 250	366	0.70	8 473	400	4.72	4 642	1 727	37.20	62 872
Head Office, Treasury and other operations	—	754	(150)	—	—	(105)	—	—	(27)	—	1 036
Loans and advances to customers	—	754	4	0.53	—	—	—	—	—	—	750
Reclassification to provisions	—	—	(154)	—	—	(105)	—	—	(27)	—	286
Loans and advances to customers	81 399	857 307	6 781	0.79	91 892	7 251	7.89	63 627	28 885	45.40	1 051 308
Loans and advances to banks	40 198	64 699	88	0.14	4 172	8	0.19	—	—	—	108 973
Total loans and advances	121 597	922 006	6 869	0.75	96 064	7 259	7.56	63 627	28 885	45.40	1 160 281

Comparatives for loans and advances to customers and loans and advances to banks for CIB SA have been restated due to data refinements and process enhancements. This restatement decreased stage 2 gross loans and advances to customers by R3.2bn and decreased stage 2 gross loans and advances to banks by R766m with offsetting movements observed on stage 1 balances.

The segment split numbers have been restated, refer to the reporting changes overview in note 15.

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

Notes to the interim consolidated financial results
for the reporting period ended

2. Loans and advances (continued)

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

	31 December 2022										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	351 517	1 534	0.44	33 308	2 209	6.63	29 587	10 315	34.86	400 354
Home Loans	—	257 438	496	0.19	22 363	926	4.14	21 178	6 156	29.07	293 401
Vehicle and Asset Finance	—	94 079	1 038	1.10	10 945	1 283	11.72	8 409	4 159	49.46	106 953
Everyday Banking	—	59 289	2 503	4.22	10 688	2 897	27.11	11 655	8 749	75.07	67 483
Card	—	39 401	1 359	3.45	5 692	1 664	29.23	7 202	5 288	73.42	43 984
Personal Loans	—	17 279	908	5.25	4 147	1 009	24.33	3 919	3 046	77.72	20 382
Transactions and Deposits	—	2 609	236	9.05	849	224	26.38	482	363	75.31	3 117
Other	—	—	—	—	—	—	—	52	52	100	—
Relationship Banking	—	119 087	544	0.46	12 844	747	5.82	7 674	3 536	46.08	134 778
ARO RBB	—	65 793	1 139	1.73	6 091	898	14.74	6 054	3 784	62.50	72 117
CIB	73 802	320 457	1 166	0.36	32 006	746	2.33	11 622	4 361	37.52	431 614
CIB SA	73 802	266 553	761	0.29	19 824	303	1.53	5 876	2 177	37.05	362 814
CIB ARO	—	53 904	405	0.75	12 182	443	3.64	5 746	2 184	38.01	68 800
Head Office, Treasury and other operations	—	3 163	(157)	—	2	(135)	—	—	(26)	—	3 483
Loans and advances to customers	—	3 163	3	0.09	2	—	—	—	—	—	3 162
Reclassification to provisions	—	—	(160)	—	—	(135)	—	—	(26)	—	321
Loans and advances to customers	73 802	919 306	6 729	0.73	94 939	7 362	7.75	66 592	30 719	46.13	1 109 829
Loans and advances to banks	41 274	56 831	67	0.12	5 544	12	0.22	—	—	—	103 570
Total loans and advances	115 076	976 137	6 796	0.70	100 483	7 374	7.34	66 592	30 719	46.13	1 213 399

Comparatives for loans and advances to customers and loans and advances to banks for CIB SA have been restated due to data refinements and process enhancements. This restatement increased stage 2 gross loans and advances to customers by R8.9bn and decreased stage 2 gross loans and advances to banks by R1.6bn with offsetting movements observed on stage 1 balances.

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

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

The following tables set out the breakdown of the ECL for loans and advances and undrawn facilities:

30 June 2023

	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	15 560	16 250	5 067	6 349	3 117	2 981	(303)	49 021
Stage 1	1 530	2 509	283	1 040	832	531	(167)	6 558
Stage 2	2 333	2 913	979	1 020	310	292	(102)	7 745
Stage 3	11 697	10 828	3 805	4 289	1 975	2 158	(34)	34 718
Undrawn facilities	—	—	—	35	—	123	315	473
Stage 1	—	—	—	21	—	87	174	282
Stage 2	—	—	—	14	—	20	107	141
Stage 3	—	—	—	—	—	16	34	50
Total loans and advances and undrawn facilities	15 560	16 250	5 067	6 384	3 117	3 104	12	49 494

30 June 2022

	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	13 860	13 194	5 162	5 427	3 126	2 525	(281)	43 013
Stage 1	1 556	2 415	721	1 077	852	397	(149)	6 869
Stage 2	2 141	2 547	1 017	995	263	401	(105)	7 259
Stage 3	10 163	8 232	3 424	3 355	2 011	1 727	(27)	28 885
Undrawn facilities	—	—	—	36	—	97	286	419
Stage 1	—	—	—	23	—	68	154	245
Stage 2	—	—	—	13	—	15	105	133
Stage 3	—	—	—	—	—	14	27	41
Total loans and advances and undrawn facilities	13 860	13 194	5 162	5 463	3 126	2 622	5	43 432

The segment split numbers have been restated, refer to the reporting changes overview.

31 December 2022

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

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

30 June 2023

Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352
Stage 1	1 534	2 503	544	1 163	779	528	6	7 057
Stage 2	2 209	2 897	747	908	311	458	5	7 535
Stage 3	10 315	8 749	3 536	3 784	2 177	2 199	—	30 760
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	241	179	278	185	(64)	7	—	826
Transfers (from)/to stage 1	518	1 000	332	253	(69)	51	—	2 085
Transfers from/(to) stage 2	(195)	(616)	(42)	(56)	5	(40)	—	(944)
Transfers (to) stage 3	(82)	(205)	(12)	(12)	—	(4)	—	(315)
Stage 2 net transfers	(363)	(1 829)	(299)	(355)	64	(37)	—	(2 819)
Transfers from/(to) stage 1	(412)	(958)	(307)	(208)	69	(51)	—	(1 867)
Transfers (from)/to stage 2	710	792	67	76	(5)	41	—	1 681
Transfers (to) stage 3	(661)	(1 663)	(59)	(223)	—	(27)	—	(2 633)
Stage 3 net transfers	122	1 650	21	170	—	30	—	1 993
Transfers (to) stage 1	(106)	(42)	(25)	(45)	—	—	—	(218)
Transfers (to) stage 2	(515)	(176)	(25)	(20)	—	(1)	—	(737)
Transfers to stage 3	743	1 868	71	235	—	31	—	2 948
Credit impairment charges raised	2 273	4 106	562	850	445	37	(3)	8 270
Amounts written off	(1 395)	(2 623)	(589)	(611)	(665)	(436)	4	(6 315)
Net change in interest	624	618	267	120	70	26	—	1 725
Foreign exchange movements	—	—	—	170	—	292	—	462
Balance at the end of the reporting period	15 560	16 250	5 067	6 384	3 117	3 104	12	49 494
Stage 1	1 530	2 509	283	1 061	832	618	7	6 840
Stage 2	2 333	2 913	979	1 034	310	312	5	7 886
Stage 3	11 697	10 828	3 805	4 289	1 975	2 174	—	34 768

Notes to the interim consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

30 June 2022

Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 156	12 601	5 236	5 556	2 922	2 447	2	41 920
Stage 1	1 535	2 285	682	1 135	1 137	403	2	7 179
Stage 2	2 001	2 396	913	1 129	256	501	—	7 196
Stage 3	9 620	7 920	3 641	3 292	1 529	1 543	—	27 545
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	378	100	178	248	(17)	37	—	924
Transfers (from)/to stage 1	571	439	268	274	(26)	40	—	1 566
Transfers from/(to) stage 2	(138)	(217)	(80)	(36)	9	(5)	—	(467)
Transfers from/(to) stage 3	(55)	(122)	(10)	10	—	2	—	(175)
Stage 2 net transfers	(391)	(1 130)	(233)	(366)	17	(36)	—	(2 139)
Transfers from/(to) stage 1	(446)	(431)	(237)	(229)	24	(40)	—	(1 359)
Transfers (from)/to stage 2	537	38	128	47	(7)	5	—	748
Transfers (to) stage 3	(482)	(737)	(124)	(184)	—	(1)	—	(1 528)
Stage 3 net transfers	13	1 030	55	118	—	(1)	—	1 215
Transfers (to) stage 1	(125)	(9)	(31)	(44)	—	—	—	(209)
Transfers from/(to) stage 2	(399)	180	(48)	(11)	—	—	—	(278)
Transfers (from)/to stage 3	537	859	134	173	—	(1)	—	1 702
Credit impairment charges raised	1 341	2 663	309	677	158	123	3	5 274
Amounts written off	(1 035)	(2 480)	(609)	(604)	(25)	(41)	—	(4 794)
Net change in interest	398	410	226	(91)	71	146	—	1 160
Foreign exchange movements	—	—	—	(75)	—	(53)	—	(128)
Balance at the end of the reporting period	13 860	13 194	5 162	5 463	3 126	2 622	5	43 432
Stage 1	1 556	2 415	721	1 100	852	465	5	7 114
Stage 2	2 141	2 547	1 017	1 008	263	416	—	7 392
Stage 3	10 163	8 232	3 424	3 355	2 011	1 741	—	28 926

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

Furthermore, the segment split numbers have been restated, refer to the reporting changes overview in note 15.

Notes to the interim consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

31 December 2022

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

2. Loans and advances (continued)

2.3 Macro-overlays and forward-looking assumptions

Macro-overlays

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

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

Macroeconomic scenarios

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes.

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

Despite the current market conditions being marked by global shocks and high uncertainty, the Group has maintained its probability-weightings of 40%, 30%, and 30% for the baseline, upside, and downside scenarios respectively. However, to address the unprecedented environment, the ranges between the baseline, mild upside, and downside macroeconomic scenarios have been adjusted to cater for the prevailing uncertainty.

The following table shows the key forecast assumptions used for South Africa to calculate the Group's credit impairment charge for the reporting period ended 30 June 2023:

	Baseline				Mild upside				Mild downside			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP (%)	0.7	1.6	1.7	1.8	1.0	2.0	2.2	2.3	(0.3)	0.2	1.0	1.3
CPI (%)	5.8	4.8	4.6	4.4	5.7	4.2	4.0	3.9	6.1	6.6	5.9	5.4
Average repo rate (%)	11.4	11.3	11.0	11.0	11.4	10.6	10.0	10.0	11.7	13.1	12.5	12.5

The following table shows the key forecast assumptions used for South Africa to calculate the Group's impairment charge for the interim reporting period ended 30 June 2022:

	Baseline				Mild upside				Mild downside			
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2022	2024	2025
Real GDP (%)	2.0	1.8	1.8	1.9	2.5	2.2	2.2	2.4	1.2	0.9	1.0	1.1
CPI (%)	5.9	5.4	4.7	4.6	5.4	4.8	4.8	4.6	7.0	6.8	5.2	4.9
Average repo rate (%)	4.6	5.7	6.3	6.5	4.6	6.1	6.8	6.8	5.0	7.5	8.0	7.5

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

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

2. Loans and advances (continued)

2.3 Macro-overlays and forward-looking assumptions (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 30 June 2023:

	Baseline				Mild upside				Mild downside			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Botswana												
Real GDP (%)	4.1	3.8	3.9	3.8	5.4	5.3	5.4	5.3	3.0	2.9	3.0	2.8
CPI (%)	5.8	5.2	4.5	4.0	5.0	4.3	3.5	3.2	6.5	6.2	5.9	5.7
Average policy rate (%)	2.7	3.0	2.8	2.8	2.7	2.8	2.5	2.5	2.9	4.8	5.0	5.0
Ghana												
Real GDP (%)	2.6	3.5	4.5	5.0	4.2	4.9	5.7	6.0	0.8	1.9	2.2	3.0
CPI (%)	40.8	22.0	14.6	12.1	28.0	8.5	9.0	8.6	44.3	26.0	18.0	15.0
Average policy rate (%)	29.3	26.8	18.9	17.0	29.0	20.8	15.3	14.0	29.8	29.3	25.8	23.1
Kenya												
Real GDP (%)	5.0	5.2	5.4	5.5	6.5	6.7	6.9	7.2	3.7	3.9	4.0	4.0
CPI (%)	7.9	6.9	5.8	5.4	6.9	6.0	5.0	4.6	9.1	8.6	7.6	7.2
Average policy rate (%)	10.2	11.4	9.3	8.8	9.8	8.3	8.0	8.0	10.3	12.5	11.7	10.6
Mauritius												
Real GDP (%)	4.8	4.0	3.9	3.9	6.0	5.2	5.0	5.0	3.0	1.5	1.2	1.1
CPI (%)	7.5	4.4	3.9	3.7	6.9	3.0	2.3	2.1	10.0	8.4	5.7	5.5
Average policy rate (%)	4.5	4.5	4.5	4.5	4.5	4.3	4.0	4.0	5.0	6.5	6.5	6.5

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 30 June 2022:

	Baseline				Mild upside				Mild downside			
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Botswana												
Real GDP (%)	4.9	4.6	3.9	3.8	6.8	6.6	5.4	5.3	3.0	3.1	2.4	2.1
CPI (%)	9.0	5.0	3.8	4.0	7.5	3.8	2.9	3.0	10.2	6.3	5.2	5.5
Average policy rate (%)	5.6	6.0	6.3	6.3	5.6	5.8	6.0	6.0	5.9	6.8	7.3	7.5
Ghana												
Real GDP (%)	4.8	5.2	5.5	5.6	5.7	6.3	6.7	6.8	3.8	4.1	4.3	4.4
CPI (%)	19.3	10.7	11.0	10.5	16.5	8.7	9.0	9.5	21.5	13.4	14.0	15.0
Average policy rate (%)	17.5	18.5	18.5	18.9	16.6	17.0	17.0	17.0	18.6	21.0	21.0	21.0
Kenya												
Real GDP (%)	5.4	5.1	5.2	5.2	7.3	6.8	6.5	6.8	4.0	3.5	4.0	4.0
CPI (%)	6.8	4.8	4.6	4.6	5.7	4.1	4.0	4.0	7.8	6.0	5.9	5.9
Average policy rate (%)	7.2	7.9	8.1	9.0	7.0	7.4	7.6	8.0	7.7	8.9	9.6	10.0
Mauritius												
Real GDP (%)	8.2	5.6	4.4	4.0	11.6	6.6	6.0	5.1	4.5	3.3	2.7	2.4
CPI (%)	9.7	4.2	3.4	3.5	6.8	3.0	2.5	2.5	12.0	6.0	5.1	5.2
Average policy rate (%)	2.3	3.3	3.8	3.9	2.0	2.4	2.7	2.8	2.5	4.2	4.8	4.9

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

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

2. Loans and advances (continued)

2.3 Macro-overlays and forward-looking assumptions (continued)

Sensitivity of expected credit losses

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

	30 June 2023		30 June 2022		31 December 2022	
	Rm	% change	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	14 303	—	14 127	—	14 170	—
Baseline	13 624	(5)	13 681	(3)	13 841	(2)
Upside	13 860	(3)	13 418	(5)	12 256	(14)
Downside	15 663	10	15 415	9	16 549	17

In addition, as at 30 June 2023, the Group assessed what the impact on expected credit losses would be, if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	30 June 2023		30 June 2022		31 December 2022	
	Stage 2		Stage 2		Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 706	1 077	16 783	1 005	17 576	1 088
Everyday Banking	3 072	755	2 860	692	2 964	679
Relationship Banking	6 013	302	5 822	410	5 954	319
ARO RBB	3 633	503	3 009	463	3 290	428
CIB SA	13 127	144	11 741	95	13 328	166
CIB ARO	3 356	82	2 613	105	2 695	78

The 30 June 2022 segment split numbers have been restated, refer to the reporting changes overview.

Comparatives for CIB SA have been restated due to data refinements and process enhancements. These adjustments led to the reallocation of exposures between stage 1 and stage 2. Please refer to 2.1 ECL analysis by market segment and class of credit exposure for further information.

2.4 Purchased or originated credit-impaired assets recognised within Investment Securities

During February 2023, the Group participated in a bond exchange programme in Ghana. This resulted in the Group derecognising bonds previously classified as FVOCI instruments of **R4 423m** and recognising new bonds at their amortised cost of **R4 423m**. Such bonds were determined to be purchased originated credit impaired on initial recognition. As at 30 June 2023, no ECL allowance has been recognised on the new investment bonds.

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R0** (30 June 2022: R0m; 31 December 2022: R1 916m) of subordinated notes were issued and **R4 952m** (30 June 2022: R1 142m; 31 December 2022: R2 204m) were redeemed.

4. Disaggregation of non-interest income

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

	30 June 2023							
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	1 326	6 014	2 809	1 692	2 233	(328)	—	13 746
Consulting and administration fees	106	—	59	—	72	4	—	241
Transactional fees and commissions	391	5 413	1 795	1 319	1 705	33	—	10 656
Cheque accounts	—	1 601	834	15	71	(1)	—	2 520
Credit cards	—	1 231	101	193	(3)	20	—	1 542
Electronic banking	—	1 910	520	141	672	—	—	3 243
Other	391	168	282	954	969	14	—	2 778
Savings accounts	—	503	58	16	(4)	—	—	573
Merchant income	—	384	859	142	(8)	1	—	1 378
Trust and other fiduciary services fees	203	—	33	2	9	126	—	373
Other fees and commissions	71	9	40	56	231	(39)	—	368
Insurance commissions received	555	208	2	173	1	(453)	—	486
Investment banking fees	—	—	21	—	223	—	—	244
Other income from contracts with customers	—	—	12	—	—	—	—	12
Other non-interest income, net of expenses	957	(78)	(274)	722	3 763	448	(11)	5 527
Total non-interest income	2 283	5 936	2 547	2 414	5 996	120	(11)	19 285

Credit cards include acquiring and issuing fees.

Other transactional fees and commissions income include service and credit-related fees of **R1 962m,** exchange commission **R421m** and guarantees **R179m**.

Other non-interest income, net of expenses 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.

4. Disaggregation of non-interest income (continued)

Restated 30 June 2022	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	1 202	6 109	2 837	1 349	1 961	54	—	13 511
Consulting and administration fees	98	—	64	—	61	5	—	228
Transactional fees and commissions	351	5 570	1 868	1 112	1 447	(1)	—	10 347
Cheque accounts	—	1 414	857	12	81	—	—	2 364
Credit cards	—	1 111	91	144	—	—	—	1 346
Electronic banking	—	2 035	595	100	555	—	—	3 284
Other	351	384	262	845	811	(1)	—	2 653
Savings accounts	—	626	63	11	—	—	—	700
Merchant income	—	369	819	87	2	—	—	1 277
Trust and other fiduciary services fees	107	—	37	2	10	456	—	612
Other fees and commissions	85	6	29	43	228	(70)	—	321
Insurance commissions received	561	164	2	105	—	(336)	—	496
Investment banking fees	—	—	18	—	213	—	—	231
Other income from contracts with customers	—	—	19	—	—	—	—	19
Other non-interest income, net of expenses	663	(323)	(331)	668	3 232	380	(9)	4 281
Total non-interest income	1 865	5 786	2 525	2 017	5 193	374	(9)	17 811

The segment split numbers have been restated. Refer to the report overview on note 15.

Insurance commission received and Other fee and commission expense have been restated due to the implementation of IFRS 17, refer to note 15.

Credit cards include acquiring and issuing fees. Other transactional fees and commissions income include service and credit-related fees of R1 077m, exchange commission R359m and guarantees R150m.

Other non-interest income, net of expenses 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.

Restated 31 December 2022	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	2 526	12 429	5 774	2 951	3 919	(53)	—	27 547
Consulting and administration fees	198	—	128	26	116	11	—	479
Transactional fees and commissions	727	11 272	3 744	2 331	2 975	72	—	21 121
Cheque accounts	—	2 921	1 729	26	158	—	—	4 834
Credit cards	—	2 342	194	318	(1)	43	—	2 896
Electronic banking	—	4 045	1 136	222	1 193	—	—	6 595
Other	727	715	561	1 740	1 627	29	—	5 399
Savings accounts	—	1 249	124	25	(2)	—	—	1 396
Merchant income	—	774	1 717	186	(6)	—	—	2 671
Trust and other fiduciary services fees	258	—	76	4	18	858	—	1 214
Other fees and commissions	155	9	66	104	441	(77)	—	699
Insurance commissions received	1 188	374	4	300	1	(916)	—	951
Investment banking fees	—	—	39	—	374	(1)	—	412
Other income from contracts with customers	—	—	27	—	—	—	—	27
Other non-interest income, net of expenses	1 507	(368)	(696)	1 086	6 406	1 603	(14)	9 524
Total non-interest income	4 033	12 061	5 105	4 037	10 325	1 551	(14)	37 098

Insurance commission received and Other fee and commission expense have been restated due to the implementation of IFRS 17, refer to note 15.

Other transactional fees and commissions income include service and credit-related fees of R2 079m, exchange commission R795m and guarantees R222m.

Other non-interest income, net of expenses 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.

5. Other impairments

	30 June 2023 Rm	30 June 2022 Rm	31 December 2022 Rm
Intangible assets	7	—	237
Property and equipment	89	233	354
	96	233	591

Property and equipment's impairment of **R89m** (30 June 2022: R233m; 31 December 2022: R354m) includes an impairment of a right-of-use assets of **R18m**, an impairment of furniture and other equipment of **R56m** and an impairment of buildings of **R15m**.

6. Headline earnings

	30 June 2023 Gross Rm	30 June 2023 Net Rm	30 June 2022 Gross Rm	30 June 2022 Net Rm	31 December 2022 Gross Rm	31 December 2022 Net Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Group		10 792		10 385		20 265
Total headline earnings adjustments:		(77)		147		(290)
IFRS 5 – Profit on disposal of non-current assets held for sale	(112)	(141)	(20)	(15)	(778)	(652)
IAS 16 – Profit on disposal of property and equipment	(7)	(6)	(7)	(6)	(10)	(6)
IAS 16 and IAS 36 – Insurance recovery of property and equipment	—	—	—	—	(126)	(92)
IAS 36 – Impairment of property and equipment	89	65	233	168	354	254
IAS 36 – Impairment of intangible assets	7	5	—	—	237	185
IAS 38 – Loss on disposal of intangible assets	—	—	—	—	1	1
IAS 40 – Change in fair value of investment properties	—	—	—	—	21	15
IAS 40 – Profit on disposal of investment property	—	—	—	—	(0)	(0)
Change in tax rate	—	—	—	—	—	4
Headline earnings/diluted headline earnings		10 715		10 532		19 975
Headline earnings per ordinary share (cents)		1 293.1		1 268.6		2 408.4
Diluted headline earnings per ordinary share (cents)		1 289.1		1 261.9		2 395.4

The net headline earnings amounts reflected above are after the effects of taxation and non-controlling interest.

The calculation of the deferred tax impact on 'IFRS 5 – Profit on disposal of non-current assets held for sale' has been refined for the prior year. This has resulted in an immaterial tax benefit in the current year.

Profit attributable to ordinary equity holders has been restated due to the implementation of IFRS 17, refer to note 15.

7. Dividends per share

	30 June 2023 Rm	30 June 2022 Rm	31 December 2022 Rm
Dividends declared to ordinary equity holders			
Interim dividend **(14 August 2023: 685 cents per share (cps))** (15 August 2022: 650 cps)	5 807	5 510	5 510
Final dividend (13 March 2023: 650 cps)	—	—	5 510
	5 807	5 510	11 020
Dividends declared to ordinary equity holders (net of treasury shares)			
Interim dividend **(14 August 2023: 685 cps)** (15 August 2022: 650 cps)	5 683	5 399	5 399
Final dividend (13 March 2023: 650 cps)	—	—	5 378
	5 683	5 399	10 777
Dividends declared to non-controlling preference equity holders			
Interim dividend **(14 August 2023: 4 035.06848 cps)** (16 August 2022: 2 883.42524 cps)	200	143	143
Final dividend (13 March 2023: 3 509.58904 cps)	—	—	174
	200	143	317
Distributions declared and paid to Additional Tier 1 capital note holders			
Distribution			
10 January 2023: 28 250.30 Rands per note (rpn); 10 January 2022: 21 024.73 rpn	35	26	26
27 January 2023: 27 831.89 rpn; 27 January 2022: 20 751.67 rpn	34	26	26
16 February 2023: 25 894.77 rpn; 28 February 2022: 20 860.19 rpn	52	35	35
28 February 2023: 29 490.41 rpn; 07 March 2022: 20 236.90 rpn	50	28	28
6 March 2023: 28 588.96 rpn; 14 March 2022: 23 747.26 rpn	39	36	36
11 April 2023: 30 000.08 rpn; 11 April 2022: 21 525.81 rpn	37	27	27
28 April 2023: 29 960.19 rpn; 28 April 2022: 21 087.07 rpn	36	26	26
16 May 2023: 26 895.07 rpn; 30 May 2022: 21 732.79 rpn	54	36	36
29 May 2023: 29 465.75 rpn; 06 June 2022: 21 109.51 rpn	49	29	29
5 June 2023: 29 212.25 rpn; 13 June 2022: 24 744.52 rpn	40	37	37
11 July 2022: 22 769.95 rpn	—	—	28
27 July 2022: 22 068.49 rpn	—	—	27
29 August 2022: 23 415.67 rpn	—	—	39
5 September 2022: 22 792.38 rpn	—	—	31
12 September 2022: 26 345.12 rpn	—	—	40
10 October 2022: 24 515.15 rpn	—	—	30
27 October 2022: 25 878.67 rpn	—	—	31
28 November 2022: 25 574.74 rpn	—	—	43
5 December 2022: 24 993.84 rpn	—	—	34
	426	305	609
Dividends paid to ordinary equity holders (net of treasury shares)			
Final dividend **(24 April 2023: 650 cps)** (22 April 2022: 475 cps)	5 402	3 951	3 944
Interim dividend (19 September 2022: 650 cps)	—	—	5 399
	5 402	3 951	9 343
Dividends paid to non-controlling preference equity holders			
Final dividend **(24 April 2023: 3 509.68904 cps)** (22 April 2022: 2 494.10959 cps)	174	123	123
Interim dividend (19 September 2022: 2 883.42524 cps)	—	—	143
	174	123	266

It is anticipated that the Group's authorised share capital will be increased in September 2023 due to the B-BBEEE transactions. The total rand value of the interim dividend declared to ordinary equity holders of **R5 807m** disclosed above will change due to the increase in ordinary shares. The dividend per share amount of **685 cps** disclosed above will however remain unaffected. Refer to note 9 for further details.

8. Acquisitions and disposals of businesses and other similar transactions

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

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

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

As part of the agreement between Absa Group Limited and Sanlam Investment Holdings (refer to note 8.4 below), NewFunds (RF) Proprietary Limited resigned as manager of the NewFunds Collective Investment Scheme in Securities (NewFunds CIS). This has resulted in the deconsolidation of NewFunds CIS.

8.3 Acquisitions of businesses during the previous reporting periods

The Group acquired an equity interest in Sanlam Investment Holdings (Pty) Limited in exchange for its investment management business (refer note 8.4 below). This resulted in the recognition of an investment in associate to the value of R679m.

8.4 Disposals of businesses during the previous reporting periods

On 1 December 2022, the Group sold its investment management business, which comprised Absa Asset Management (Pty) Limited, Absa Alternative Asset Management (Pty) Limited, Absa Fund Managers (Pty) Limited and the multi-manager business, a division of Absa Investment Management Services (Pty) Limited, to Sanlam Investment Holdings (Pty) Limited (refer note 8.3 above). The Group received consideration comprising ordinary shares (R679m, 12.6%), cumulative, convertible, redeemable preference shares (R266m, 4.9%) and a deferred consideration (R143m) to be settled in cash.

9. Related parties

On 2 June 2023, the shareholders approved the Group's B-BBEE transaction, including an increase in Absa Group Limited's authorised share capital.

The B-BBEE transaction represents 7% of Absa Group Limited's shareholding, with 3% allocated to SA employees and 4% allocated to black participants in selected corporate social investment (CSI) programmes. Absa Group companies operating outside of South Africa's borders will be allowed to participate through a cash-settled staff system in their respective jurisdictions, with terms and provisions that are nominally comparable to those proposed for the SA staff scheme, subject to any required approvals.

Absa anticipates that the SA staff scheme will be implemented, awarding rights to shares to thousands of Absa employees, who will become shareholders when the shares vest five years from the implementation date. On implementation of the transaction, Absa will also allocate shares to an evergreen CSI Trust which will distribute its significant dividend income to its beneficiaries, who will be mainly black participants in CSI programmes that focus on education and youth employability.

Ipheus Mangale was appointed as an independent non-executive director of Absa Group with effect from 1 July 2023.

9.1 Prior period related party events and transactions

Arrie Rautenbach was appointed as Chief Executive Officer of Absa Group effective 29 March 2022 whilst Jason Quinn resumed his position as Financial Director. Punki Modise 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.

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

10. Contingencies, commitments and similar items

	30 June 2023 Rm	30 June 2022 Rm	31 December 2022 Rm
Guarantees	52 524	53 443	55 851
Irrevocable debt facilities	124 423	120 911	120 225
Letters of credit	24 131	26 634	24 269
Other	0	1	10
	201 078	200 989	200 355
Authorised capital expenditure			
Contracted but not provided for	871	795	690

Guarantees in June 2022 have been restated from R55 349m to R53 443m due to intergroup guarantees incorrectly included in this account. The Group reviewed its classification of certain undrawn facilities granted to customers. As a result of this review, the classification of certain facilities was amended from irrevocable to revocable. This reclassification more accurately reflects the underlying terms of these facilities. The June 2022 numbers have been restated from R175 376m to R120 911m to reflect this change.

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

10. Contingencies, commitments and similar items (continued)

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

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

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

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

Legal matters

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

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

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

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

Regulatory developments

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

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

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

Income taxes

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

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

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

Notes to the interim consolidated financial results
for the reporting period ended

11. Segment reporting

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

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

30 June 2023

	Product Solutions Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Headline earnings	1 124	1 547	1 833	905	5 926	(176)	(444)	10 715
Total income	6 957	13 727	7 433	8 176	15 241	773	47	52 354
Profit	1 270	1 682	1 949	1 266	6 470	(45)	(466)	12 126
Internal income	16 686	(9 677)	(2 761)	(1 427)	(931)	(1 832)	(58)	(0)
Total assets	508 354	396 260	271 635	145 414	1 120 318	(545 417)	1 776	1 898 340
Total liabilities	499 746	393 011	269 237	141 444	1 111 402	(675 659)	(846)	1 738 335

30 June 2022

	Product Solutions Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Headline earnings	1 289	1 968	2 023	491	4 500	617	(356)	10 532
Total income	6 239	12 608	7 050	6 501	12 835	1 149	14	46 396
Profit	1 395	2 113	2 116	807	4 900	462	(363)	11 430
Internal income	(9 705)	6 989	1 962	1 047	(4 842)	4 526	23	—
Total assets	480 238	371 906	248 983	120 634	1 062 698	(512 910)	2 980	1 774 529
Total liabilities	473 613	366 834	246 008	120 771	1 057 435	(637 729)	(462)	1 626 469

Segment reporting has been restated due to the IFRS 17 implementation refer to note 15.

31 December 2022

	Product Solutions Rm	Everyday Banking Rm	Relationship Banking Rm	RBB ARO Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Headline earnings	3 230	4 087	4 024	1 093	8 977	(684)	(752)	19 975
Total income	13 187	26 434	14 442	13 750	26 783	2 955	45	97 596
Profit	3 419	4 333	4 200	1 684	9 801	(264)	(769)	22 404
Internal income	(23 104)	15 532	4 585	2 300	(2 209)	2 838	58	—
Total assets	500 770	391 286	266 797	130 986	1 074 603	(559 779)	2 298	1 806 961
Total liabilities	491 182	385 563	262 401	130 407	1 066 509	(681 357)	(739)	1 653 966

Segment reporting has been restated due to the IFRS 17 implementation refer to note 15.

Notes to the interim consolidated financial results

for the reporting period ended

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

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

	30 June			
	2023		2022	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	27 018	27 018	12 923	12 923
Balances with the SARB	39 822	39 822	28 366	28 366
Coins and bank notes	12 874	12 874	13 006	13 006
Cash, cash balances and balances with central banks	79 714	79 714	54 295	54 295
Investment securities	44 416	43 446	39 596	39 218
Other assets	29 905	29 905	49 697	49 697
Product Solutions Cluster	408 892	390 880	383 459	376 929
Home Loans	297 993	289 485	281 606	275 311
Vehicle and Asset Finance	110 899	101 395	101 853	101 618
Everyday Banking	69 420	69 420	63 892	63 569
Card	45 523	45 523	41 561	41 561
Personal Loans	20 611	20 611	19 429	19 106
Transactions and Deposits	3 286	3 286	2 902	2 902
Relationship Banking	142 262	128 581	132 919	135 038
ARO RBB	79 598	79 837	66 271	66 351
CIB	366 274	366 956	322 332	323 778
CIB SA	286 446	287 510	259 460	262 481
CIB ARO	79 828	79 446	62 872	61 297
Head Office, Treasury and other operations	6 170	6 170	1 036	1 036
Loans and advances to customers	1 072 616	1 041 844	969 909	966 701
Loans and advances to banks	72 927	72 980	68 775	68 774
Loans and advances	1 145 543	1 114 824	1 038 684	1 035 475
Non-current assets held for sale	77	77	4 854	4 854
Total assets (not held at fair value)	1 299 655	1 267 966	1 187 126	1 183 539
Financial liabilities				
Other liabilities	47 788	47 788	56 100	56 100
Call deposits	117 220	117 217	130 130	130 130
Cheque account deposits	325 701	325 693	312 428	312 428
Credit card deposits	2 047	2 047	2 056	2 056
Fixed deposits	232 253	232 454	188 708	185 108
Foreign currency deposits	83 221	83 221	64 750	64 750
Notice deposits	71 415	71 415	70 758	70 758
Other deposits	1 060	1 060	1 288	1 288
Saving and transmission deposits	274 113	274 113	244 494	244 494
Deposits due to customers	1 107 030	1 107 220	1 014 612	1 011 012
Deposits from banks	87 228	87 565	60 679	60 675
Deposits	1 194 258	1 194 785	1 075 291	1 071 687
Debt securities in issue	131 846	131 169	132 276	132 039
Borrowed funds	20 585	20 618	25 240	25 167
Total liabilities (not held at fair value)	1 394 477	1 394 360	1 288 907	1 284 993

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost.

Other assets and other liabilities have been restated, due to the implementation of IFRS 17.

Notes to the interim consolidated financial results

for the reporting period ended

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

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

	31 December 2022	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with other central banks	17 935	17 935
Balances with the SARB	31 103	31 103
Coins and bank notes	14 302	14 302
Cash, cash balances and balances with central banks	63 340	63 340
Investment securities	44 721	44 295
Other assets	21 586	21 350
Product Solutions Cluster	400 354	384 545
Home Loans	293 402	285 089
Vehicle and Asset Finance	106 952	99 456
Everyday Banking	67 484	65 823
Card	43 984	43 984
Personal Loans	20 382	18 721
Transactions and Deposits	3 118	3 118
Relationship Banking	134 778	133 552
RBB ARO	72 117	72 316
CIB	357 812	360 840
CIB SA	289 014	291 937
CIB ARO	68 798	68 903
Head Office, Treasury and other operations	3 482	3 482
Loans and advances to customers	1 036 027	1 020 558
Loans and advances to banks	62 296	62 299
Loans and advances	1 098 323	1 082 857
Non-current assets held for sale	86	86
Total assets (not held at fair value)	1 228 056	1 211 928
Financial liabilities		
Other liabilities	31 668	32 053
Call deposits	121 433	121 099
Cheque account deposits	313 982	313 982
Credit card deposits	2 142	2 142
Fixed deposits	211 070	211 082
Foreign currency deposits	64 408	64 408
Notice deposits	67 562	67 562
Other deposits	1 144	1 144
Saving and transmission deposits	260 086	260 086
Deposits due to customers	1 041 827	1 041 505
Deposits from banks	75 761	75 808
Deposits	1 117 588	1 117 313
Debt securities in issue	143 913	143 804
Borrowed funds	26 420	26 407
Total liabilities (not held at fair value)	1 319 589	1 319 577

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost.

Other assets and other liabilities have been restated, due to the implementation of IFRS 17.

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

Commodities

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

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, depending on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons. 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 option pricing models.

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

13.2 Fair value measurements (continued)

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.

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

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

13.4 Fair value hierarchy

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

	30 June							
	2023				2022			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	7 081	—	7 081	—	7 057	—	7 057
Investment securities	63 975	108 920	12 912	185 807	35 666	121 834	9 512	167 012
Trading and hedging portfolio assets	125 250	85 317	9 962	220 529	114 530	92 581	10 163	217 274
Debt instruments	81 233	9 667	539	91 439	67 467	10 887	236	78 590
Derivative assets	—	64 337	2 750	67 087	—	67 477	6 059	73 536
Commodity derivatives	—	193	—	193	—	1 742	3	1 745
Credit derivatives	—	—	393	393	—	20	241	261
Equity derivatives	—	3 534	2 310	5 844	—	4 519	5 814	10 333
Foreign exchange derivatives	—	20 333	47	20 380	—	19 014	1	19 015
Interest rate derivatives	—	40 277	—	40 277	—	42 182	-	42 182
Equity instruments	40 645	—	1	40 646	45 606	—	—	45 606
Money market assets	3 372	11 313	6 672	21 357	1 457	14 217	3 868	19 542
Other assets	—	34	—	34	—	1	—	1
Loans and advances	—	97 578	7 442	105 020	—	107 744	13 853	121 597
Investments linked to investment contracts	18 581	1 726	—	20 307	17 142	1 787	—	18 929
Total financial assets	207 806	300 656	30 316	538 778	167 338	331 004	33 528	531 870
Financial liabilities								
Trading and hedging portfolio liabilities	19 300	62 512	637	82 449	36 335	67 958	421	104 714
Derivative liabilities	—	62 512	637	63 149	—	67 958	421	68 379
Commodity derivatives	—	99	—	99	—	1 603	—	1 603
Credit derivatives	—	—	391	391	—	798	261	1 059
Equity derivatives	—	2 678	153	2 831	—	5 504	157	5 661
Foreign exchange derivatives	—	20 480	93	20 573	—	19 920	—	19 920
Interest rate derivatives	—	39 255	—	39 255	—	40 133	3	40 136
Short positions	19 300	—	—	19 300	36 335	—	—	36 335
Other liabilities	—	181	—	181	—	0	—	—
Deposits	3	125 268	4 216	129 487	2	134 343	3 873	138 218
Debt securities in issue	—	81 214	73	81 287	513	42 082	—	42 595
Liabilities under investment contracts	—	20 484	—	20 484	—	19 825	—	19 835
Total financial liabilities	19 303	289 659	4 926	313 888	36 850	264 208	4 294	305 362
Non-financial assets								
Commodities	480	—	—	480	619	—	—	619
Investment properties	—	—	399	399	—	—	419	419
Non-recurring fair value measurements								
Non-current assets held for sale	—	—	105	105	—	—	296	296
Non-current liabilities held for sale	—	—	18	18	—	—	3 333	3 333

As a result of the uncertainties inherent in measuring the fair value of financial instruments at Level 3, 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.

Non-current assets and liabilities held for sale include certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost.

Other liabilities have been restated due to the implementation of IFRS 17.

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

13.4 Fair value hierarchy (continued)

	31 December 2022			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Cash, cash balances and balances with central banks	—	3 840	—	3 840
Investment securities	78 599	81 212	11 105	170 916
Trading and hedging portfolio assets	123 288	74 701	12 806	210 795
Debt instruments	81 118	8 796	1 803	91 717
Derivative assets	—	59 191	4 370	63 561
Commodity derivatives	—	188	—	188
Credit derivatives	—	32	192	224
Equity derivatives	—	5 009	3 752	8 761
Foreign exchange derivatives	—	17 498	426	17 924
Interest rate derivatives	—	36 464	—	36 464
Equity instruments	39 676	—	—	39 676
Money market assets	2 494	6 714	6 633	15 841
Other assets	—	2	—	2
Loans and advances	—	104 417	10 659	115 076
Investments linked to investment contracts	17 011	2 277	—	19 288
Total financial assets	218 898	266 449	34 570	519 917
Financial liabilities				
Trading and hedging portfolio liabilities	38 304	58 300	528	97 132
Derivative liabilities	—	58 300	528	58 828
Commodity derivatives	—	117	—	117
Credit derivatives	—	678	260	938
Equity derivatives	—	4 589	90	4 679
Foreign exchange derivatives	—	18 132	178	18 310
Interest rate derivatives	—	34 784	—	34 784
Short positions	38 304	—	—	38 304
Other liabilities	—	21	—	21
Deposits	1	120 560	3 769	124 330
Debt securities in issue	609	60 997	—	61 606
Liabilities under investment contracts	—	20 023	—	20 023
Total financial liabilities	38 914	259 901	4 297	303 112
Non-financial assets				
Commodities	614	—	—	614
Investment properties	—	—	397	397
Non-recurring fair value measurements				
Non-current assets held for sale	—	—	126	126
Non-current liabilities held for sale	—	—	26	26

As a result of the uncertainties inherent in measuring the fair value of financial instruments at Level 3, 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.

Non-current assets and liabilities held for sale include certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost.

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for the reporting period ended

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

13.5 Measurement of assets and liabilities categorised at Level 2

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

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

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

13.6 Reconciliation of Level 3 assets and liabilities

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

30 June 2023	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	12 807	10 659	11 105	397	34 968
Net interest income	—	57	52	—	109
Gains and losses from banking and trading activities	(384)	(147)	23	—	(508)
Gains and losses from investment activities	—	—	15	—	15
Purchases	9 852	32	27 101	2	36 987
Sales	(12 311)	(2 367)	(26 901)	(1)	(41 580)
Movement in other comprehensive income	14	(1)	26	1	40
Transfers to Level 3 from Level 1	15	—	559	—	574
Transfer to Level 3	192	—	1 184	—	1 376
Transfer out of Level 3	(173)	(791)	(252)	—	(1 216)
Transfers from Level 3 to Level 1	(50)	—	—	—	(50)
Closing balance at the end of the reporting period	9 962	7 442	12 912	399	30 715

30 June 2022	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 327	16 729	8 561	421	28 038
Net interest income	—	219	42	—	261
Other income	—	—	—	—	—
Gains and losses from banking and trading activities	(385)	(136)	(1)	—	(522)
Purchases	3 058	2 637	1 405	—	7 100
Sales	(163)	(1 101)	(1 734)	(1)	(2 999)
Movement in other comprehensive income	—	(1)	(106)	(1)	(108)
Transfer to Level 3	5 725	—	1 598	—	7 323
Transfer out of Level 3	(399)	(4 494)	(253)	—	(5 146)
Closing balance at the end of the reporting period	10 163	13 853	9 512	419	33 947

31 December 2022	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 327	16 729	8 561	421	28 038
Net interest income	—	202	144	—	346
Gains and losses from banking and trading activities	(544)	(447)	(114)	(7)	(1 112)
Gains and losses from investment activities	—	—	—	(14)	(14)
Purchases	5 689	839	868	—	7 396
Sales	(304)	(2 464)	(3 751)	(1)	(6 520)
Movement in other comprehensive income	—	—	16	—	16
Transfer to Level 3	6 178	1 110	5 381	—	12 669
Transfer out of Level 3	(539)	(5 310)	—	—	(5 849)
Foreign currency conversion on assets/liabilities	—	—	—	(2)	(2)
Closing balance at the end of the reporting period	12 807	10 659	11 105	397	34 969

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

13.6 Reconciliation of Level 3 assets and liabilities (continued)

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

30 June 2023	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	528	3 769	—	4 297
Gains and losses from banking and trading activities	112	(76)	—	36
Movement in other comprehensive income	(1)	108	—	107
Issues	35 483	3 134	—	38 617
Settlements	(35 470)	(2 424)	—	(37 894)
Transfer to Level 3	—	—	73	73
Transfer out of Level 3	(15)	(295)	—	(310)
Closing balance at the end of the reporting period	637	4 216	73	4 926

30 June 2022	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	273	3 197	—	3 470
Gains and losses from banking and trading activities	145	(42)	—	103
Movement in other comprehensive income	—	(101)	—	(101)
Issues	—	4 748	—	4 748
Settlements	(1)	(3 929)	—	(3 930)
Transfer to Level 3	11	—	—	11
Transfer out of Level 3	(7)	—	—	(7)
Closing balance at the end of the reporting period	421	3 873	—	4 294

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

13.7 Significant transfers between levels

During the 2023 and 2022 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year. Transfers between Level 1 and Level 2 are not considered significant for disclosure.

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

13.8 Unrealised gains and losses on Level 3 assets and liabilities

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

	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
30 June 2023							
Gains and (losses) from banking and trading activities	2 339	(132)	(17)	2 190	(431)	775	344
30 June 2022							
Gains and (losses) from banking and trading activities	5 025	1 517	102	6 644	(96)	250	154
31 December 2022							
Gains and (losses) from banking and trading activities	2 777	(306)	24	2 495	(30)	354	324

13.9 Sensitivity analysis of valuations using unobservable inputs

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

The following tables 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

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

13.9 Sensitivity analysis of valuations using unobservable inputs (continued)

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

		30 June 2023	
		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	99/(106)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(178)/185
Loans and advances	Credit spreads	(521)/576	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(85)/90	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(101)/101	—/—

		30 June 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	133/(145)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(255)/233
Loans and advances	Credit spreads	(879)/957	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(146)/146	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	290/(290)	—/—

		31 December 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	119/(128)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(103)/106
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

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

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

13.10 Measurement of assets and liabilities at Level 3

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

			30 June		31 December
			2023	2022	2022
Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs		
Loans and advances	Discounted cash flow models and/or yield for debt instruments	Credit spreads	0.01% to 5.33%	0.04% to 3.07%	0.035% to 3.21%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor multiples	Discount rate of 8% to 8.5%	Discount rate of 8% to 8.5%	Discount rate of 8.5%
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	0.15% to 4.16%	0.01% to 4.55%	0.305% to 4.020%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0.0352% to 16.64% 15% to 82.3%, 49.43% to 84.9%	0.09% to 24.15%, 15% to 82.3%, 49% to 100%	0.1% to 24.22% 15% to 82.3% 49% to 100%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	18.2% to 37.5%	18.15% to 55.98%	16.4% to 38.9%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	5.51% to 28.7%	3.35% to 29.80%	5.03% to 40%
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 10.1%	0.025% to 9.3125%	0.05% to 9.395%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	1.15% to 1.5%	1.250% to 1.625%	1.150% to 1.575%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.15% to 1.5%	1.250% to 1.625%	1.150% to 1.575%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	1 to 6 years	1 to 6 years	1 to 6 years
		Annual selling price escalations	6% to 8%	6% to 8%	6% to 8%
		Income capitalisation rates	8% to 8.5%	8% to 8.5%	8% to 8.5%
		Risk adjusted discount rates	10% to 15%	10% to 15%	10% to 15%

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

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

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

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

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

	30 June 2023 Rm	30 June 2022 Rm	31 December 2022 Rm
Opening balance at the beginning of the reporting period	**(634)**	(521)	(521)
New transactions	—	(394)	(394)
Amounts recognised in profit or loss during the reporting period	**156**	116	281
Closing balance at the end of the reporting period	**(478)**	(799)	(634)

13.12 Third-party credit enhancements

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

14. Interest rate benchmark reform

As disclosed in the Group's annual consolidated and separate financial statements for the year ended 31 December 2022 (2022 AFS), 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 were discontinued at 30 June 2023.

The transition journey for JIBAR has made some progress at an industry level however transition timelines are yet to be formally announced by the SARB. The Group participates in the SARB's MPG which has started the preparations for the transition of JIBAR to ZARONIA at an industry level. ZARONIA is currently in an observation period – the observation period is likely to conclude by the end of October 2023. It is anticipated that derivatives referencing ZARONIA will commence trading post the ZARONIA observation period. The Group will leverage the experience it gained in the IBOR transition journey to plan for the upcoming JIBAR transition. The Group's JIBAR journey thus far involves daily submission of transaction data to the SARB for the calculation and publication of ZARONIA.

15. Reporting changes overview

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

15.1 Change in accounting policy for Cash and cash equivalents

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

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These changes in accounting policy do not have an impact on the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, or earnings per share of the Group. Refer to note 15.2.1 for impact.

15.2 Correction of prior period errors

15.2.1 Nostros and other short-term instruments

As part of the review of what constitutes Cash and cash equivalents, it was identified that nostro balances with foreign banks and other short-term instruments have been incorrectly excluded from Cash and cash equivalents and the Statement of cash flows has subsequently been corrected.

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, Statement of cash flows or earnings per share of the Group.

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

	30 June 2022				
		Accounting policy change (note 15.1)	Correction of prior period errors (note 15.2.1)		
	As previously reported Rm	Mandatory reserve balances with the SARB and other central banks Rm	Nostros Rm	Short-dated money market instruments Rm	Restated Rm
Cash and cash equivalents	19 603	29 832	18 481	1 787	69 703

15. Reporting changes overview (continued)

15.2 Correction of prior period errors (continued)

15.2.2 Trading and hedging portfolio assets and liabilities

In terms of the Group's accounting policy, movements in the fair value of collateral held on certain over the counter (OTC) derivative contracts is, in terms of the requirements of IAS 32, required to be offset against the related derivative market-to-market movement and presented on a net basis on the statement of financial position. Certain movements in the fair value of the collateral linked to the Group's hedging strategy were historically reported as part of 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.

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

The impact of the afore-mentioned restatements on the Statement of financial position is as follows:

	30 June 2022		
Statement of financial position	As previously reported Rm	OTC derivatives Rm	Restated Rm
Assets			
Trading portfolio assets	211 797	402	212 199
Hedging portfolio assets	6 097	(402)	5 695
Liabilities			
Trading portfolio liabilities	(97 631)	(4 182)	(101 813)
Hedging portfolio liabilities	(7 082)	4 182	(2 900)

15.3 Changes to reportable segments, business portfolio changes and related IFRS 17 impact

Reportable segment changes

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

IFRS 17 adjustments

The impact of the implementation of the new accounting standard, IFRS 17, on the reportable segments has been shown below. Refer to note 15.4 for further detail on the adoption of the standard.

Business portfolio changes

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 Group.

a. The following reallocations occurred within total income:
   i. Revenue received from Islamic Banking in Everyday Banking was aligned to Group's accounting policy and therefore eliminated the adjustment required in Head Office.
   ii. Group Treasury refined its allocation methodology to better reflect the underlying performance of the relevant business units which resulted in the reallocation of net interest income.

	30 June 2022				
	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	IFRS 17 adjustments Rm	Restated Rm
Total income					
RBB	32 496	—	(32 496)	—	—
Product Solutions Cluster	n/a	90	6 754	(605)	6 239
Everyday Banking	n/a	310	12 314	(16)	12 608
Relationship Banking	n/a	222	6 828	—	7 050
ARO RBB	n/a	(152)	6 602	51	6 501
CIB	12 461	374	—	—	12 835
Head Office, Treasury and other operations	1 988	(844)	—	5	1 149

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolio changes (continued)

b. Costs related to business units have been reallocated between the relevant segments, resulting in an adjustment of operating expenses.

	30 June 2022				
	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	IFRS 17 adjustments Rm	Restated Rm
Operating expenses					
RBB	(18 331)	—	18 331	—	—
Product Solutions Cluster	n/a	(335)	(2 814)	315	(2 834)
Everyday Banking	n/a	346	(7 151)	—	(6 805)
Relationship Banking	n/a	(91)	(3 801)	—	(3 892)
ARO RBB	n/a	(4)	(4 564)	58	(4 511)
CIB	(5 767)	(67)	—	—	(5 834)
Head Office, Treasury and other operations	(34)	149	—	—	115

c. 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:

	30 June 2022				
	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	IFRS 17 adjustments Rm	Restated Rm
Other assets					
RBB	510 424	—	(510 424)	—	—
Product Solutions Cluster	n/a	(1)	59 916	11 673	71 588
Everyday Banking	n/a	1 754	292 636	(1 173)	293 217
Relationship Banking	n/a	1 075	107 421	296	108 792
ARO RBB	n/a	—	52 801	(162)	52 639
CIB	539 706	(2 414)	—	—	537 292
Head Office, Treasury and other operations	(658 303)	(413)	—	(153)	(658 869)
Other liabilities					
RBB	620 126	—	(620 126)	—	—
Product Solutions Cluster	n/a	722	459 366	11 617	471 705
Everyday Banking	n/a	(91)	86 707	1 118	87 734
Relationship Banking	n/a	339	55 655	295	56 289
ARO RBB	n/a	380	18 398	(438)	18 340
CIB	535 991	(3 486)	—	—	532 504
Head Office, Treasury and other operations	(930 011)	2 137	—	(146)	(928 020)

15. Reporting changes overview (continued)

15.4 Implementation of new IFRS

15.4.1 Adoption of IFRS 17 Insurance contracts

After the International Accounting Standards Board ('IASB') initially issued IFRS 4, *Insurance Contracts* in March 2004, the IASB embarked on a project to set a standard for the recognition and measurement of insurance contracts.

On conclusion of the IASB's project, IFRS 17 was issued. The standard sets out specific measurement and recognition criteria for insurance contracts.

Following the specific recognition and measurement criteria in IFRS 17, consequential amendments were also made to the presentation and disclosure requirements for insurance contracts.

This standard requires retrospective application and is effective for annual reporting periods starting on or after 1 January 2023. The Group had opted not to early adopt this standard, and the transition period therefore commenced from 1 January 2022.

In applying the transition provisions in IFRS 17, the Group has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item, EPS and HEPS. The effects of adopting IFRS 17 on the interim financial results at 1 January 2022 are presented in the statement of changes in equity.

In the interim financial results statement of cash flows, the cash flows generated/utilised in operating, investing, and financing activities remain the same upon the adoption of IFRS 17.

Impact of the adoption of the Standard

Since IFRS 4 provided limited guidance on the profit recognition profile of insurance contracts, the Group followed a conservative approach with more profits recognised later in the contract duration. Although the adoption of IFRS 17 changes the timing of profit recognition, the total profit over the life of the insurance contract remains the same.

The below tables summarise the changes brought about by IFRS 17 that had a significant impact for the Group for the six months ended 30 June 2022 and the 12 months ended 31 December 2022 respectively:

Interim consolidated statement of comprehensive income for the reporting period ended 30 June 2022

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Total income	46 958	(564)	46 394
Operating expenses	(24 625)	372	(24 253)
Profit for the period	11 503	(73)	11 430

Interim consolidated statement of financial positions as at 30 June 2022

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Assets			
Reinsurance assets	1 025	(1 025)	—
Insurance contract assets	—	10 768	10 768
Reinsurance contract assets	—	3 374	3 374
Liabilities			
Policyholder liabilities under insurance contracts	5 776	(5 776)	—
Insurance contract liabilities	—	16 117	16 117
Reinsurance contract liabilities	—	2 438	2 438

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15. Reporting changes overview

15.4 Implementation of new IFRS (continued)

15.4.1 Adoption of IFRS 17 Insurance contracts (continued)

Interim consolidated statement of changes in equity for the reporting period ended 30 June 2022

	Retained earnings Rm	Insurance finance reserve Rm	Other equity Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – Ordinary shares Rm	Non-controlling interest – Preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
Balance reported as at 1 January 2022	110 859	—	19 004	129 863	5 798	4 644	7 004	147 309
Impact of adopting IFRS 17	471	327	(3)	795	94	—	—	889
Restated balance as at 1 January 2022	111 330	327	19 001	130 658	5 892	4 644	7 004	148 198
Restated total comprehensive income for the reporting period ended 30 June 2022	10 374	(394)	(6 362)	3 618	514	123	305	4 560
Other equity movements	(4 112)	—	281	(3 831)	(440)	(123)	(305)	(4 699)
Restated balance as at 30 June 2022	117 592	(67)	12 920	130 445	5 966	4 644	7 004	148 059

Consolidated statement of comprehensive income for the reporting period ended 31 December 2022

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Total income	98 918	(1 322)	97 596
Operating expenses	(52 009)	776	(51 233)
Profit for the period	22 711	(307)	22 404

Consolidated statement of financial positions as at 31 December 2022

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Assets			
Reinsurance assets	663	(663)	—
Insurance contract assets	—	11 212	11 212
Reinsurance contract assets	—	3 544	3 544
Liabilities			
Policyholder liabilities under insurance contracts	5 384	(5 384)	—
Insurance contract liabilities	—	16 953	16 953
Reinsurance contract liabilities	—	2 821	2 821

Notes to the interim consolidated financial results

for the reporting period ended

15. Reporting changes overview

15.4 Implementation of new IFRS (continued)

15.4.1 Adoption of IFRS 17 Insurance contracts (continued)

Interim consolidated statement of changes in equity for the reporting period ended 31 December 2022

	Retained earnings Rm	Insurance finance reserve Rm	Other equity Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – Ordinary shares Rm	Non-controlling interest – Preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
Balance reported as at 1 January 2022	110 859	—	19 004	129 863	5 798	4 644	7 004	147 309
Impact of adopting IFRS 17	471	327	(3)	795	94	—	—	889
Restated balance as at 1 January 2022	111 330	327	19 001	130 658	5 892	4 644	7 004	148 198
Restated total comprehensive income for the reporting period ended 31 December 2022	20 238	(590)	(6 350)	13 298	1 071	266	609	15 244
Other equity movements	(9 625)	—	85	(9 540)	(531)	(266)	(110)	(10 447)
Restated balance as at 30 June 2023	121 943	(263)	12 736	134 416	6 432	4 644	7 503	152 995

The below analysis provides a summary of the elements owing to the restated amounts:

- **Total equity:** The adoption of IFRS 17 resulted in a decrease in insurance contract liabilities due to profits emerging faster than under IFRS 4. Profits are recognised as and when services are provided applying a systematic method for the release of such profits.
- In South Africa, the tax legislation for insurance companies is highly interrelated with the accounting treatment of insurance contracts. Consequently, the tax legislation was amended to incorporate the changes that were brought about by IFRS 17. The amended tax legislation was promulgated on 5 January 2023 and is effective for tax years commencing on or after 1 January 2023. In accordance with this legislation, the once-off impact of transition will be subject to current tax in a phased-in approach of six years and three years for long-term and short-term insurers respectively. Therefore, on transition, the Group has recognised a deferred tax asset/liability of R141m in relation to the life business and a deferred tax liability of R33m for the non-life business.
- **Total comprehensive income for the reporting period:** The change is attributable to the disaggregation of insurance finance income and expenses between profit or loss and other comprehensive income for life insurance contracts issued and reinsurance contracts held that are measured using the general measurement model (GMM). This is an accounting policy election made by the Group to reduce volatility in profit or loss due to changing interest rates.

Summary of accounting policies

The below information should be read in conjunction with the information previously disclosed in note 1.22 *New standards and interpretations not yet adopted* in the Group's annual consolidated and separate financial statements for the year ended 31 December 2022 (2022 AFS).

The Group is including the following additional refinements to the accounting policies previously disclosed in the 2022 AFS:

- The Group has elected to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income (OCI) for life insurance contracts issued and reinsurance contracts held that are measured using the general measurement model (GMM). This is achieved through a systematic allocation of the expected total insurance finance income or expense over the duration of the related group of contracts.

The Group applies significant judgements and estimates in determining the measurement of insurance contracts issued and reinsurance contracts held. The Group is including the following additional refinements to the significant judgements and estimates previously disclosed in the 2022 AFS:

- The Group's South African entities apply a discount rate that is derived from internally calculated swap curves while the ARO entities mostly apply discount rates derived from their country specific risk-free yield curves.

Consequential amendments made to IAS 32 regarding treasury shares

Following the issuance of IFRS 17, the IASB has also made consequential amendments to IAS 32 allowing entities operating an investment fund and/or issue insurance contracts with an accounting policy choice on how to recognise treasury shares held in relation to these funds and/or insurance contracts. According to this amendment, entities have an irrevocable election (on an instrument-by-instrument basis) whether to continue recognising these treasury shares as a reduction from equity or alternatively to recognise these as issued shares and the reacquired shares as a financial asset measured at fair value through profit or loss to effectively mitigate an accounting mismatch. The Group currently does not hold any treasury shares to which such an election applies.

15. Reporting changes overview

15.4 Implementation of new IFRS (continued)

15.4.2 Insurance and reinsurance contract

The below table separately analyses insurance revenue, as well as the net (expense)/income from reinsurance contracts that existed at transition date to which the Group has applied the fair value approach and for all other insurance reinsurance contracts.

Insurance contracts: Insurance revenue

	30 June 2023 Contracts under fair value approach Rm	2023 Other Rm	2023 Total Rm	2022 Contracts under fair value approach Rm	2022 Other Rm	2022 Total Rm
Changes in the statement of comprehensive income						
Life – Contracts not measured under PAA	420	2 452	2 872	489	2 147	2 636
Liabilities for remaining coverage – excluding loss component	420	2 452	2 872	489	2 147	2 636
Life – Contracts measured under PAA	—	452	452	—	354	354
Liabilities for remaining coverage – excluding loss component	—	452	452	—	354	354
Non-Life – Contracts measured under PAA	—	2 507	2 507	—	2 187	2 187
Liabilities for remaining coverage – excluding loss component	—	2 507	2 507	—	2 187	2 187
Total Insurance revenue	420	5 411	5 831	489	4 688	5 177

	31 December 2022 Contracts under fair value approach Rm	Other Rm	Total Rm
Changes in the statement of comprehensive income			
Life – Contracts not measured under PAA	833	4 245	5 078
Liabilities for remaining coverage – excluding loss component	833	4 245	5 078
Life – Contracts measured under PAA	—	765	765
Liabilities for remaining coverage – excluding loss component	—	765	765
Non-Life – Contracts measured under PAA	—	4 491	4 491
Liabilities for remaining coverage – excluding loss component	—	4 491	4 491
Total Insurance revenue	833	9 501	10 334

15. Reporting changes overview

15.4 Implementation of new IFRS (continued)

15.4.2 Insurance and reinsurance contract (continued)

Reinsurance contracts: Net income/(expense)

	30 June 2023 Contracts under fair value approach Rm	2023 Other Rm	2023 Total Rm	2022 Contracts under fair value approach Rm	2022 Other Rm	2022 Total Rm
Changes in the statement of comprehensive income						
Life – Contracts not measured under PAA	(41)	(191)	(232)	(36)	(113)	(149)
Remaining coverage component	(41)	(191)	(232)	(36)	(113)	(149)
Life – Contracts measured under PAA	—	(56)	(56)	—	(42)	(42)
Remaining coverage component	—	(56)	(56)	—	(42)	(42)
Non-Life – Contracts measured under PAA	—	(233)	(233)	—	(57)	(57)
Remaining coverage component	—	(233)	(233)	—	(57)	(57)
Net income/(expense) from reinsurance contracts	(41)	(480)	(521)	(36)	(212)	(248)

	31 December 2022 Contracts under fair value approach Rm	Other Rm	Total Rm
Changes in the statement of comprehensive income			
Life – Contracts not measured under PAA	(95)	(250)	(345)
Remaining coverage component	(95)	(250)	(345)
Life – Contracts measured under PAA	—	(111)	(111)
Remaining coverage component	—	(111)	(111)
Non-Life – Contracts measured under PAA	—	(285)	(285)
Remaining coverage component	—	(285)	(285)
Net income/(expense) from reinsurance contracts	(95)	(646)	(741)

Interim consolidated normalised financial results

for the reporting period ended

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

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

The separation project was completed in December 2020. The Group will continue with normalised reporting to reflect significant post-separation impacts on the income statement and the performance ratios.

Normalised results have therefore been disclosed to reflect the underlying business performance. Refer to page 2 for the IFRS results.

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

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

Basis of presentation

Normalised results

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

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

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

Interim consolidated normalised salient features

for the interim reporting period ended

	30 June		31 December
	2023	2022	2022
Statement of comprehensive income (Rm)			
Income	**52 307**	46 380	97 551
Operating expenses	**26 063**	23 761	50 131
Pre-provision profit	**26 244**	22 619	47 420
Credit impairment charges	**8 280**	5 176	13 703
Profit attributable to ordinary equity holders	**11 237**	10 740	21 016
Headline earnings	**11 159**	10 888	20 727
Statement of financial position (Rm)			
Net asset value (NAV)	**138 246**	126 759	131 125
Total assets	**1 896 564**	1 771 549	1 804 663
Financial performance (%)			
Return on equity (RoE)	**16.7**	17.5	16.4
Return on average assets (RoA)	**1.20**	1.34	1.20
Return on risk-weighted assets (RoRWA)	**1.30**	2.05	2.19
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.61**	4.54	4.56
Non-interest income as percentage of total income	**36.9**	38.4	38.0
Cost-to-income ratio	**49.8**	51.2	51.4
JAWS	**3**	8	8
Effective tax rate	**25.5**	27.8	26.2
Share statistics (million)			
Number of shares in issue (excluding treasury shares)	**845.6**	846.6	843.5
Weighted average number of ordinary shares in issue	**844.6**	845.9	845.4
Diluted weighted average number of ordinary shares in issue	**847.2**	850.3	849.9
Share statistics (cents)			
Headline earnings per ordinary share	**1 321.3**	1 287.1	2 451.7
Diluted headline earnings per ordinary share	**1 317.2**	1 280.5	2 438.8
Basic earnings per ordinary share	**1 330.5**	1 269.7	2 485.9
Diluted basic earnings per ordinary share	**1 326.4**	1 263.2	2 472.8
Dividend per ordinary share relating to income for the reporting period	**685**	650	1 300
Dividend payout ratio (%)	**52**	51	52
NAV per ordinary share	**16 352**	14 974	15 546
Tangible NAV per ordinary share	**14 945**	13 825	14 249
Capital adequacy (%)			
Absa Group Limited	**16.2**	17.0	16.6
Absa Bank Limited	**17.3**	18.1	17.6
Common Equity Tier 1 (%)			
Absa Group Limited	**13.0**	13.1	12.8
Absa Bank Limited	**13.0**	13.1	12.5

Refer to the interim consolidated normalised reconciliation for the interim reporting period ended 30 June 2023 for further information as presented on page 62 to 64.

Headline earnings is presented after allowing for **R174m** (30 June 2022: R123m; 31 December 2022: R266m) profit attributable to preference equity holders and **R426m** (30 June 2022: R305m; 31 December 2022: R609m) profit attributable to additional Tier 1 capital holders.

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

Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis.

Interim consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	30 June 2023		
	IFRS Group performance	Barclays PLC separation effects	Normalised Group performance
Statement of financial position (Rm)			
Loans and advances	1 250 562	—	1 250 562
Investment securities	230 223	—	230 223
Other assets	417 555	(1 776)	415 779
Total assets	1 898 340	(1 776)	1 896 564
Deposits	1 323 746	—	1 323 746
Debt securities in issue	213 133	—	213 133
Other liabilities	201 456	846	202 302
Total liabilities	1 738 335	846	1 739 181
Equity	160 005	(2 622)	157 383
Total equity and liabilities	1 898 340	(1 776)	1 896 564
Key performance ratios (%)			
RoA	1.15	n/a	1.20
RoE	15.7	n/a	16.7
Capital adequacy	16.2	n/a	16.2
Common Equity Tier 1	13.0	n/a	13.0
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 289.1	n/a	1 317.2
Statement of comprehensive income (Rm)			
Net interest income	33 069	(58)	33 011
Non-interest income	19 285	11	19 296
Total income	52 354	(47)	52 307
Credit impairment charges	(8 280)	—	(8 280)
Operating expenses	(26 690)	627	(26 063)
Other expenses	(1 166)	11	(1 155)
Share of post-tax results of associates and joint ventures	82	—	82
Operating profit before income tax	16 300	591	16 891
Equity	(4 174)	(125)	(4 299)
Profit for the reporting period	12 126	466	12 592
Profit attributable to:			
Ordinary equity holders	10 792	445	11 237
Non-controlling interest – ordinary shares	734	21	755
Non-controlling interest – preference shares	174	—	174
Other equity – Additional Tier 1 capital	426	—	426
	12 126	466	12 592
Headline earnings	10 715	444	11 159
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.61	n/a	4.61
Credit loss ratio	1.27	n/a	1.27
Non-interest income as % of total income	36.8	n/a	36.9
Income growth	13	n/a	13
Operating expenses growth	10	n/a	10
Cost-to-income ratio	51.0	n/a	49.8
Effective tax rate	25.6	n/a	25.5

IFRS Group performance presents the IFRS information as extracted from the Group's consolidated financial results for the interim reporting period ended 30 June 2023.

Barclays PLC separation effects presents the financial effects of the separation on the summary consolidated financial results of the Group.

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

Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis.

Interim consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	Restated 30 June 2022		
	IFRS Group performance	Barclays PLC separation effects	Normalised Group performance
Statement of financial position (Rm)			
Loans and advances	1 160 281	(0)	1 160 281
Investment securities	206 609	(0)	206 609
Other assets	407 639	(2 980)	404 659
Total assets	1 774 529	(2 980)	1 771 549
Deposits	1 213 509	0	1 213 509
Debt securities in issue	174 871	(0)	174 871
Other liabilities	238 090	462	238 552
Total liabilities	1 626 470	462	1 626 932
Equity	148 059	(3 442)	144 617
Total equity and liabilities	1 774 529	(2 980)	1 771 549
Key performance ratios (%)			
RoA	1.29	n/a	1.34
RoE	16.4	n/a	17.5
Capital adequacy	17.0	n/a	17.0
Common Equity Tier 1	13.1	n/a	13.1
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 261.9	n/a	1 280.5
Statement of comprehensive income (Rm)			
Net interest income	28 583	(23)	28 560
Non-interest income	17 811	9	17 820
Total income	46 394	(14)	46 380
Credit impairment charges	(5 176)	0	(5 176)
Operating expenses	(24 254)	493	(23 761)
Other expenses	(1 165)	12	(1 153)
Share of post-tax results of associates and joint ventures	42	(0)	42
Operating profit before income tax	15 841	490	16 332
Tax expenses	(4 412)	(127)	(4 539)
Profit for the reporting period	11 430	363	11 793
Profit attributable to:			
Ordinary equity holders	10 385	355	10 740
Non-controlling interest – ordinary shares	617	8	625
Non-controlling interest – preference shares	123	0	123
Other equity – Additional Tier 1 capital	305	(0)	305
	11 430	363	11 793
Headline earnings	10 532	356	10 888
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.54	n/a	4.54
Credit loss ratio	0.91	n/a	0.91
Non-interest income as % of total income	38.4	n/a	38.4
Income growth	14	n/a	13
Operating expenses growth	6	n/a	5
Cost-to-income ratio	52.3	n/a	51.2
Effective tax rate	27.9	n/a	27.8

IFRS Group performance presents the IFRS information as extracted from the Group's consolidated financial results for the interim reporting period ended 30 June 2022.

Barclays PLC separation effects presents the financial effects of the separation on the interim consolidated financial results of the Group.

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

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

Non-interest income and operating expenses have been restated. Refer to the reporting changes overview in note 15.

Interim consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	IFRS Group performance	Restated 31 December 2022 Barclays PLC separation effects	Normalised Group performance
Statement of financial position (Rm)			
Loans and advances	1 213 399	—	1 213 399
Investment securities	215 637	—	215 637
Other assets	377 925	(2 298)	375 627
Total assets	1 806 961	(2 298)	1 804 663
Deposits	1 241 918	—	1 241 918
Debt securities in issue	205 519	—	205 519
Other liabilities	206 529	739	207 268
Total liabilities	1 653 966	739	1 654 705
Equity	152 995	(3 037)	149 958
Total equity and liabilities	1 806 961	(2 298)	1 804 663
Key performance ratios (%)			
RoA	1.15	n/a	1.20
RoE	15.4	n/a	16.4
Capital adequacy	16.6	n/a	16.6
Common Equity Tier 1	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 359.4	n/a	2 438.8
Statement of comprehensive income (Rm)			
Net interest income	60 498	(58)	60 440
Non-interest income	37 098	13	37 111
Total income	97 596	(45)	97 551
Credit impairment charges	(13 703)	0	(13 703)
Operating expenses	(51 233)	1 102	(50 131)
Other expenses	(2 440)	(0)	(2 440)
Share of post-tax results of associates and joint ventures	137	0	137
Operating profit before income tax	30 357	1 057	31 414
Tax expenses	(7 953)	(288)	(8 241)
Profit for the reporting period	22 404	769	23 173
Profit attributable to:			
Ordinary equity holders	20 265	751	21 016
Non-controlling interest – ordinary shares	1 264	18	1 282
Non-controlling interest – preference shares	266	—	266
Other equity – Additional Tier 1 capital	609	—	609
	22 404	769	23 173
Headline earnings	19 975	752	20 727
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.56	n/a	4.56
Credit loss ratio	0.96	n/a	0.96
Non-interest income as % of total income	38.0	n/a	38.0
Income growth	15	n/a	14
Operating expenses growth	7	n/a	6
Cost-to-income ratio	52.5	n/a	51.4
Effective tax rate	26.2	n/a	26.2

IFRS Group performance presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2022.

Barclays PLC separation effects presents the financial effects of the separation on the summary consolidated financial results of the Group.

Normalised Group performance presents the summary consolidated financial results of the Group, after adjusting for the consequences of the separation.

Non-interest income and operating expenses have been restated. Refer to the reporting changes overview in note 15.

Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis.

Glossary

Average loans to deposits and debt securities ratio

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

Capital adequacy ratio

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

Capital – Common Equity Tier 1 capital adequacy ratio

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

Constant currency

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

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

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

Cost-to-income ratio

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

Coverage ratio

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

Credit loss ratio

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

Dividend payout ratio

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

Dividend per ordinary share relating to income for the reporting period

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

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

Earnings per share

Basic earnings per share

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

Diluted basic earnings per share

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

Headline earnings

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

Headline earnings per share

Headline earnings per share

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

Diluted headline earnings per share

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

Glossary

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

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

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

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

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

Pre-provision profits
Total income less operating expenses.

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

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

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

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

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

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

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

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

Contact information

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