Absa Group Limited

Financial results for the
reporting period ended 30 June 2023

Report overview

This financial results booklet for the interim reporting period ended 30 June 2023 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 14 August 2023. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the interim financial results presentation. The full set of documents is available on www.absa.africa.

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 Bank (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions Cluster, CIB Pan-Africa and Absa Regional Operations RBB). Refer to the Segment performance overview section.

Business portfolio changes

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

The aforementioned changes resulted in the restatement of the business units' financial results for the comparative period but has had no impact on the overall financial position or net earnings of the Group.

Accounting policy change

The IFRS Interpretation Committee published an agenda decision on 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash flows) – Agenda Paper 3' in April 2022. Based on the afore-mentioned agenda decision, the Statement of cash flows of the Group has been reviewed and it was concluded that the mandatory reserves with central banks should be included as 'Cash and cash equivalents' in the Statement of cash flows.

Correction of prior period errors

Prior reporting periods' statements of financial position were adjusted for the following:

- Trading portfolio assets and Hedging portfolio assets (30 June 2022: R402m), and similarly Trading portfolio liabilities and Hedging portfolio liabilities (restated 30 June 2022: R4.2bn) have been adjusted to align to IAS 32 offsetting requirements.

The 30 June 2022 Statement of cash flows has been corrected for the above-mentioned reclassifications as well as for nostro balances with foreign banks of R8.6m which were previously excluded from Cash and cash equivalents.

The afore-mentioned restatements have no impact on the Statement of comprehensive income, Statement of changes in equity or any performance or prudential ratios.

Adoption of new International Financial Reporting Standards (IFRS)

IFRS 17 has been adopted in the current reporting period. Refer to the Reporting changes section. Refer to the adoption of IFRS 17 Insurance contracts section on page 140 for further information.

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 Group Chief Executive, A Rautenbach.

The Financial Director has regular unrestricted access to the Board of Directors as well as to the Group Audit and Compliance Committee (GACC). Finance is responsible for establishing 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, and probe and challenge recommendations as well as decisions made by management.

Together with the GACC, the Board has reviewed and approved the financial results announcement released on 14 August 2023.

Dividend per share

Interim: 685 cents

Key dates

Dividend payment: Monday, 18 September 2023

Financial year-end: 31 December 2023

Shareholder communications

Icons used with this report

- Positive
- Negative
- Remains the same
- Increase/decrease
- Marginal

The full set of documents is available on **www.absa.africa**

Contents

The Absa Group today

Our purpose

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

Our story

We are a pan-Africa financial services provider, united in a clear purpose. We live our purpose through our global operations and our presence across 15 countries. We believe in Africa's potential and are invested in creating, nurturing and protecting wealth and growth in our continent. We play an integral role in the economic lives of individuals, businesses and nations, while leading the way to a sustainable future.

We serve our clients through a diverse business offering, comprising a universal set of products and services across retail, wealth, business and corporate. Our diversified offerings and footprint support our resilience, while enabling us to capture new growth opportunities.

Our market presence

We have a pan-African footprint with banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, with representative offices in Namibia, Nigeria and the United States; as well as securities entities in the United Kingdom, the United States and technology support colleagues in Czech Republic.

With a primary listing on the Johannesburg Stock Exchange and a secondary listing on A2X, we have ambition to be a leading pan-African bank, by being a trusted advisor to our customers as we successfully overcome the complexities of a progressively challenging macroeconomic context.

Our core banking activities, products and services

Underpinned by our strategy and market presence, our fully integrated business offering is delivered through our customer-first digital solutions, ecosystems of financial services, and lifestyle and value chain offerings.

1
Providing payment services and a safe place to save and invest

Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.

2
Providing funds for purchases and growth

Extending secured and unsecured credit, based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.

3
Managing business and financial risks

Providing solutions, including fixed rate loans, pricing and research, as well as hedging, which includes interest rate and foreign exchange.

4
Providing financial and business support

Providing individual and business advice, advisory on large corporate deals and investment research.

5
Protecting against risks (insurance)

Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments.

Our material scale

R142.3bn
Market capitalisation

>20%
Market share of assets in South Africa

R1 324bn
Deposits

R1 300bn
Gross loans and advances

11.8 million
Customers

999
Outlets

36 706
Employees

3.5 million
Digitally-active customers

6 449
ATMs

Our ambition is to be a leading pan-African bank...

We recognise macroeconomic headwinds have increased, shifting our operating environment. The global and regional economic backdrop remains uncertain, with geopolitical concerns likely to impact the outlook for some time. In South Africa, electricity load shedding, low growth and higher interest rates continue to put businesses and communities under significant strain. While we see far stronger growth across our ARO markets, tight monetary policy is likely to provide a headwind to growth, and sovereign risks are still high on the agenda in some countries. However, we remain confident that our strategy is relevant and agile enough to adapt to changing circumstances. Our experienced leadership team, diversified franchise, and strong balance sheet and liquidity, position us well to deliver on our strategy.

Driven by our purpose, we are supporting our clients and communities through the challenges brought about by the tough economic conditions.

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

Growing as a primary partner...

We are committed to growing, boldly but responsibly – diversifying our franchise across Africa and beyond. The value of our differentiated franchise is evident as we navigate a constrained South African economic context. Aligned to our CIB strategy to build global corridors, we intend to establish a Wholly Foreign Owned Enterprise in China to connect trade, investment flows and clients into Africa enabling us to serve them across our footprint. Our franchise continues to evolve with notable growth across our pan-African markets through CIB client acquisitions and diversifying sectors to realise opportunities outside of traditional markets. We are strategically investing to be a primary partner to our clients with a focus on building our transactional business investing in Private & Wealth, Youth propositions, Bancassurance and Business Banking. We are seeing the results in improved client experience, accelerated customer growth and the resulting deposit growth.

Rated #1 South African Bancassurer, listed by Forbes

300% increase in sign-ups for Absa Rewards

23% YoY increase in new to bank retail transactional accounts acquisition

40% increase in youth acquisition

47% increase in business banking transactional account sales, driven by SME

...enabled by our digital agenda

As technological advancements continue at an accelerated pace, we are actively seeking to unlock value from these technologies. Our digital journey continues to yield value across our franchise, with our digital customer base growing across both our retail and corporate franchise. Our commitment to quality user experience and continuous enhancement of our digital propositions is evidenced by the increase in continuous engagement on our digital platforms. This has resulted in the digital channel sales contribution in South Africa improving from 14% to 18%, with an increase of 57% in sales volume. Recognition of our digital innovation has continued on the back of strong delivery of new propositions across our digital estate. Our continued focus on future-fit technology architecture is a key enabler as we continue to build and enhance our digital platforms. We continue to enable the safety and stability of our digital estate with high availability of digital channels – in South Africa this remained above 99%.

Rated #1 #Best Digital Bank #Best bank for Digital Security

#Best Bank for Customer Satisfaction #Excellence in Customer Service Innovation

40% market share of Payshap customers

First-to-market launch of MobiTap in three ARO markets

~80% of CIB pan-African customers are digitally active on the Absa Access platform

24 months with no severity one incidents

Sustainability as a differentiator

In line with our purpose, we are driven to differentiate ourselves in our markets by becoming a leader in sustainability within the African context. We established the Group Strategy and Sustainability Office to accelerate our sustainability efforts, driving progress against our ambitious agenda, while remaining deeply committed to ensuring a 'just transition' for Africa.
We remain focused on our role in financial inclusion, climate and diversity and inclusion as key pillars of our sustainability strategy. This focus has resulted in significant progress through our declaration of our net zero targets, growing our sustainable financing and driving financial inclusion through mobile lending growth in ARO. We remain committed to diversity and inclusion with the update of our human rights statement and our focus on inclusive products and services such as Islamic banking. This year we launched our load shedding solution enabling customers to transition to solar energy and issued our first Islamic solar financing transaction displaying our continued commitment to climate change.

R4.5bn IFC loan to promote green building finance

Net zero declaration released to market

44% increase in mobile lending disbursements to R3.6bn

Human Rights statement updated to reaffirm commitment of upholding human rights

R11bn BBBEE transaction via a CSI scheme and SA staff scheme

217% growth in the Net Shariah Revenue within Islamic banking

...supported by a purpose-led culture

Our purpose has become the cornerstone of our culture, values and ways of working. In a complex talent environment, our culture is our competitive advantage. We strive to be a leader in shaping a transformed business that fosters diversity, equity and inclusion as evidenced through our leadership programmes and focus on being an employee of choice for women. We strive to continuously improve our colleague experience and engagement through offering a diverse range of benefits. Employee benefits have further been enhanced through the launch of the employee share scheme, increasing the culture of ownership in the Group's success. Developing and retaining talent with future and critical skills remains a priority as we seek to accelerate talent mobility across our franchise.

Rated #1 company to work for in South Africa (LinkedIn)

Regional Top Employer in Africa Award

58% black senior leadership

> 50% of training spend focused on critical, scarce and future skills

61% female colleagues

98% retention of high performing employees

Normalised Group performance

Normalised Group performance overview

for the reporting period ended

The Group's interim normalised headline earnings were resilient and increased by 2% to R11.2bn from a high prior year base (30 June 2022: R10.9bn restated). This performance reflects strong income-led pre-provision profit growth of 16% (15% CCY), partially offset by 60% (61% CCY) higher impairments. A diversified business underpinned this performance with Absa Regional Operations growing very strongly (headline earnings up 97% to R3.7bn) where the South African businesses had a lower contribution (headline earnings reduced by 17% to R7.5bn).

Return on equity of 16.7%

remained strong (30 June 2022: 17.5%) and well above cost of equity (14.5%) and only marginally below the medium-term target of >17%. Returns are marginally lower than the prior reporting period (30 June 2022: 17.5%) due to growth in the net asset value (up 9%) exceeding the growth in headline earnings growth off a high prior year base.

The cost-to-income ratio

improved further to 49.8% (30 June 2022: 51.2%) and remains in line with the medium-term ambition (low 50s). The year-on-year CTI improvement reflects positive JAWS of 3% following strong income growth of 13% relative to operating expenses growth of 10%.

Income growth was driven by

growth in both non-interest income and net interest income. Net interest income up (16%; 14% CCY) has grown faster than the balance sheet and has been supported by higher interest rates and an expanding net interest margin to 4.61% (30 June 2022: 4.54%). Non-interest income growth to (8%; 7% CCY) was underpinned by strong growth in insurance (35%) and trading income (9%; 7% CCY), while low growth in net fee and commission income (3%; 3% CCY) partially reflects the increased use of digital channels as well as the disposal of the investment cluster business.

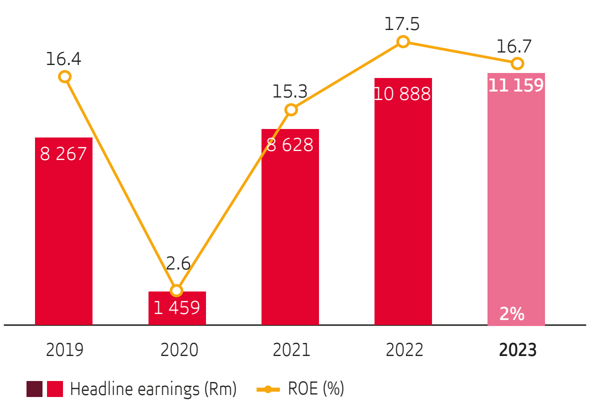
The Group remains well positioned

for growth and resiliency with the key capital ratios remaining above the Board-approved target range (Group CET1 of 13.0%). The Group loan coverage ratio of 4.1% remains robust and higher than the prior reporting period (30 June 2022: 4.0%) and well above the pre-Covid position.

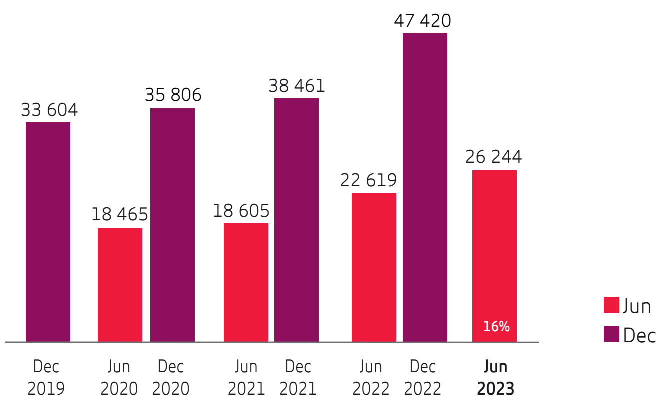
Impairment charges increased

by 60% (61% CCY) to R8.3bn. The credit loss ratio on loans and advances of 1.27% (30 June 2022: 0.91%) is above the Group's through-the-cycle target range of 0.75% to 1.00% and is reflective of increased delinquencies evident mainly in the SA Retail portfolio amidst higher rates and an increased cost of living. The stage 3 ratio has increased to 5.8% (30 June 2022: 5.3%).

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



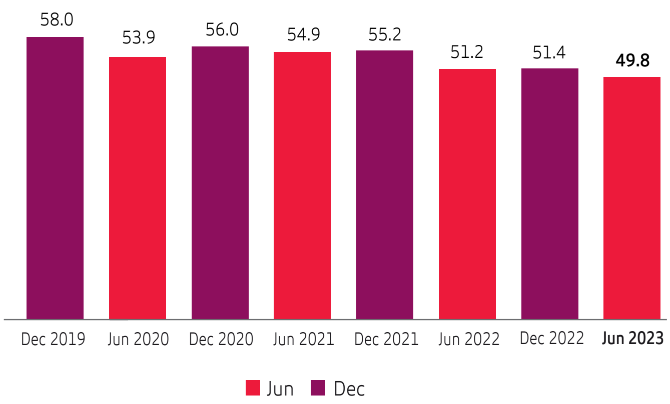
Pre-provision profit (Rm and change %)



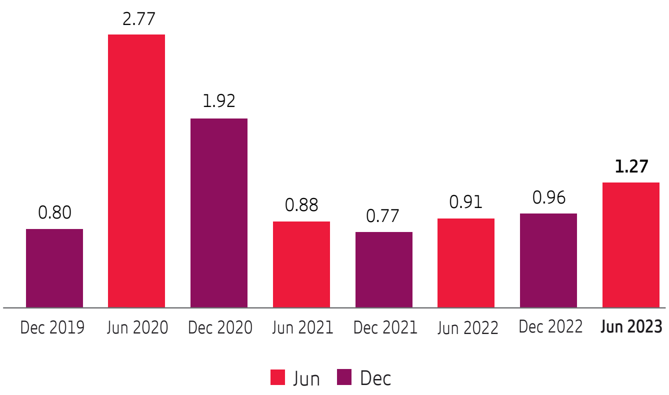
Normalised Group performance overview

for the reporting period ended

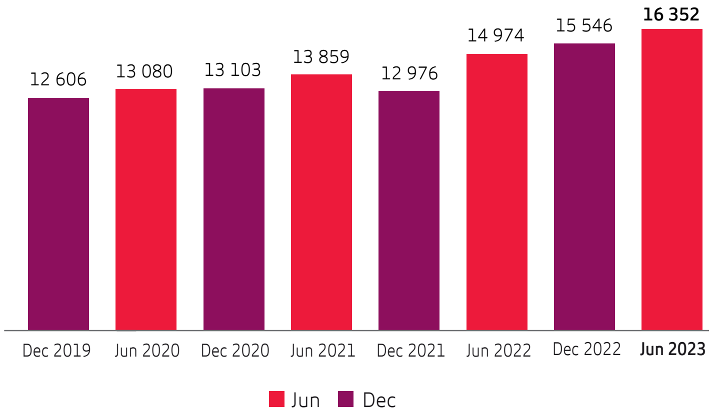
Cost-to-income ratio (%)



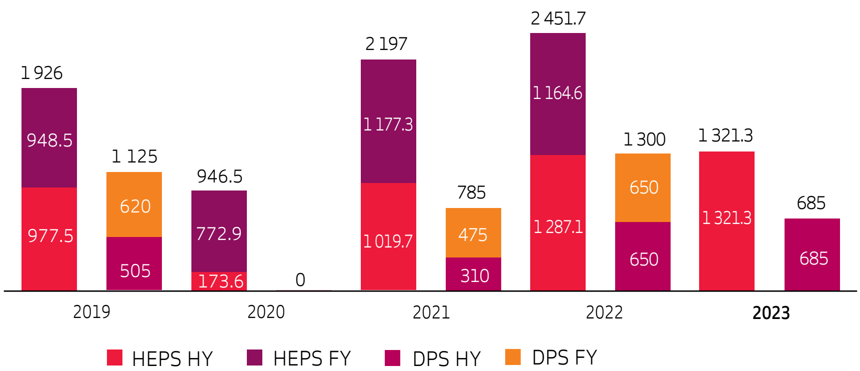
Credit loss ratio (%)



Net asset value (NAV) per ordinary share (cents)



Headline earnings per share and dividends per share



Normalised Group performance overview

for the reporting period ended

	30 June 2023		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
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
Tax expenses	(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	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
Statement of financial position (Rm)			
Loans and advances	1 250 562	—	1 250 562
Loans and advances to customers	1 154 820	—	1 154 820
Loans and advances to banks	95 742	—	95 742
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
Deposits due to customers	1 202 639	—	1 202 639
Deposits due to banks	121 107	—	121 107
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 (%)			
Return on average assets (RoA)	1.15	n/a	1.20
Return on equity (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

Normalised Group performance overview

for the reporting period ended

	Restated 30 June 2022 IFRS Group performance	Barclays separation effects	Normalised Group performance
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)	—	(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	—	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	—	123
Other equity: Additional Tier 1	305	—	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
Statement of financial position (Rm)			
Loans and advances	1 160 281	—	1 160 281
Loans and advances to customers	1 051 308	—	1 051 308
Loans and advances to banks	108 973	—	108 973
Investment securities	206 609	—	206 609
Other assets[1]	407 639	(2 980)	404 659
Total assets[1]	1 774 529	(2 980)	1 771 549
Deposits	1 213 509	—	1 213 509
Deposits due to customers	1 085 155	—	1 085 155
Deposits due to banks	128 354	—	128 354
Debt securities in issue[1]	174 871	—	174 871
Other liabilities[1]	238 090	462	238 552
Total liabilities[1]	1 626 470	462	1 626 932
Equity	148 059	(3 442)	144 617
Total equity and liabilities[1]	1 774 529	(2 980)	1 771 549
Key performance ratios (%)			
Return on average assets (RoA)	1.29	n/a	1.34
Return on equity (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

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

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results	Restated 31 December 2022 IFRS Group performance	Barclays separation effects	Normalised Group performance
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)	—	(13 703)
Operating expenses	(51 233)	1 102	(50 131)
Other expenses	(2 440)	—	(2 440)
Share of post-tax results of associates and joint ventures	137	—	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	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
Statement of financial position (Rm)			
Loans and advances	1 213 399	—	1 213 399
Loans and advances to customers	1 109 829	—	1 109 829
Loans and advances to banks	103 570	—	103 570
Investment securities	215 637	—	215 637
Other assets	377 925	(2 298)	375 627
Total assets	1 806 961	(2 298)	1 804 663
Deposits	1 241 918	—	1 241 918
Deposits due to customers	1 113 281	—	1 113 281
Deposits due to banks	128 637	—	128 637
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 (%)			
Return on average assets (RoA)	1.15	n/a	1.20
Return on equity (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

Normalised salient features

for the reporting period ended

	30 June 2023	30 June 2022	Change %	31 December 2022
Statement of comprehensive income (Rm)				
Income	**52 307**	46 380	13	97 551
Operating expenses	**26 063**	23 761	10	50 131
Pre-provision profit	**26 244**	22 619	16	47 420
Credit impairment charges	**8 280**	5 176	60	13 703
Profit attributable to ordinary equity holders	**11 237**	10 740	5	21 016
Headline earnings	**11 159**	10 888	2	20 727
Statement of financial position				
Net asset value (NAV) (Rm)	**138 246**	126 759	9	131 125
Gross loans and advances (Rm)	**1 299 583**	1 203 294	8	1 258 288
Total assets (Rm)	**1 896 564**	1 771 549	7	1 804 663
Deposits (Rm)	**1 323 746**	1 213 509	9	1 241 918
Gross loans to deposits and debt securities ratio (%)	**84.6**	86.7		86.9
Average gross loans to deposits and debt securities ratio (%)	**83.6**	84.1		84.2
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]	**2.21**	2.36		2.16
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 gross loans and advances to customers and banks	**1.27**	0.91		0.96
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 ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**845.4**	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	3	2 451.7
Diluted headline earnings per ordinary share	**1 317.2**	1 280.5	3	2 438.8
Basic earnings per ordinary share	**1 330.5**	1 269.7	5	2 485.9
Diluted basic earnings per ordinary share	**1 326.4**	1 263.1	5	2 472.8
Dividend per ordinary share relating to income for the reporting period	**685**	650	5	1 300
Dividend payout ratio (%)	**52**	51	2	53
NAV per ordinary share	**16 352**	14 974	9	15 546
Tangible NAV per ordinary share	**14 945**	13 825	8	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

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

Normalised salient features by segment

for the reporting period ended

	30 June 2023	30 June 2022	Change %	31 December 2022
Headline earnings (Rm)[1]				
Product Solutions Cluster	**1 124**	1 289	(13)	3 230
Everyday Banking	**1 547**	1 968	(21)	4 087
Relationship Banking	**1 833**	2 023	(9)	4 024
ARO RBB	**905**	491	84	1 093
CIB	**5 926**	4 500	32	8 977
Head Office, Treasury and other operations	**(176)**	617	<(100)	(684)
Return on average risk-weighted assets (%)[1]				
Product Solutions Cluster	**1.36**	1.55		1.89
Everyday Banking	**2.81**	3.77		3.80
Relationship Banking	**2.70**	3.11		3.08
ARO RBB	**1.76**	1.14		1.18
CIB	**3.12**	2.61		2.49
Return on regulatory capital (%)[1]				
Product Solutions Cluster	**9.7**	12.2		14.9
Everyday Banking	**23.0**	31.9		31.9
Relationship Banking	**23.8**	27.5		27.2
ARO RBB	**13.9**	10.0		10.5
CIB	**26.5**	22.4		21.4
Credit loss ratio (%)[1]				
Product Solutions Cluster	**1.11**	0.75		0.65
Everyday Banking	**9.22**	5.97		6.45
Relationship Banking	**0.68**	0.35		0.45
ARO RBB	**1.69**	1.70		1.64
CIB	**0.16**	0.13		0.27
Gross loans and advances (Rm)[1]				
Product Solutions Cluster	**426 252**	398 959	7	416 409
Everyday Banking	**92 606**	88 148	5	90 674
Relationship Banking	**149 045**	139 061	7	140 919
ARO RBB	**86 535**	72 058	20	78 297
CIB	**509 417**	487 676	4	520 288
Head Office, Treasury and other operations	**35 729**	17 391	>100	11 701
Deposits (Rm)[1]				
Product Solutions Cluster	**1 550**	1 908	(19)	1 863
Everyday Banking	**296 931**	279 100	6	289 606
Relationship Banking	**211 214**	189 719	11	201 191
ARO RBB	**123 534**	102 346	21	110 714
CIB	**547 954**	501 796	9	499 609
Head Office, Treasury and other operations	**142 563**	138 640	3	138 935

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

Profit commentary

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the Group's normalised financial results for the current reporting period to the six months ended 30 June 2023 (1H23).

Salient features

- Diluted headline earnings per share (DHEPS) grew 3% to 1 317.2 cents from 1 280.5 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 16.7% from 17.5%
- Revenue grew 13% to R52.3bn and operating expenses rose 10% to R26.1bn, producing a 49.8% cost-to-income ratio from 51.2%
- Pre-provision profit grew 16% to R26.2bn
- 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 9% to 16 352 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.

The Group intends to stop issuing normalised financial results from 2024 as the impact is expected to be immaterial.

Overview of results

The Group's headline earnings increased by 2% to R11 159m from R10 888m and DHEPS grew 3% to 1 317.2 cents from 1 280.5 cents. Dividends per share (DPS) increased 5% to 685 cents, a payout ratio of 52%. The Group's RoE declined to 16.7% from 17.5% and its return on average assets was 1.20% from 1.34%.

Revenue grew 13% to R52 307m, with net interest income rising 16% to R33 011m and non-interest income increasing 8% to R19 296m. 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 063m, the cost-to-income ratio improved to 49.8% from 51.2%. Pre-provision profit grew 16% to R26 244m. 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 17% to R7 503m, while Absa regional operations grew 97% to R3 656m.

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 cost 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.

Profit commentary

Group performance

Statement of financial position

Total assets increased 7% to R1 897bn, 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.

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 9% to R138bn and NAV per share grew 9% to 16 352 cents. During 2023, the Group generated retained earnings of R11bn 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 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 14% in CCY, to R33 011m from R28 560m, 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 296m from R17 820m to account for 36.9% 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.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Credit impairment charges (continued)

ARO RBB credit impairments increased 20%, or 19% in CCY, to R684m, resulting in a flat credit loss ratio of 1.69%. 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 063m from R23 761m, improving the Group's cost-to-income ratio to 49.8% from 51.2%. Staff costs rose 12% to R14 710m, accounting for 56% of total operating expenses, reflecting salary increases and people investments. Staff numbers grew 5%, predominantly in frontline business areas. Total incentives were flat, with bonuses down 3% linked to the Group's performance, while deferred cash and share-based payments increased 10%.

Non-staff costs grew 7%, or 5% in CCY, to R11 354m. IT costs increased 10% to R2 915m, due to further investment in digital platforms and increased cybersecurity spend. Amortisation of intangible assets rose 1%, 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.

Marketing costs rose 21%, 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 3%, 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 299m from R4 539m, given lower corporate tax rate in South Africa and a higher proportion of exempt income, resulting in an effective tax rate of 25.5% from 27.8%.

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 loan 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 23.1% 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 16% 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 152% to R774m, driven by revenue led 54% higher pre-provision profits. ARO Insurance earnings declined 28% to R131m, given 9% lower revenue, with Life Insurance down 14%.

Profit commentary

Group performance (continued)

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 18% 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 52% 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 897m, 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 17% to R7 503m, 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 914m, 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 7% to R18 333m, resulting in a 49.7% cost-to-income ratio from 48.8%. Pre-provision profits grew 4% to R18 581m. South Africa contributed 67% of Group earnings and its RoRC reduced to 16.6% from 21.4%.

Absa regional operations

Headline earnings increased 97%, or 87% in CCY, to R3 656m. Pre-provision profit increased 64% to R7 663m, as revenue increased 36%, or 31% in CCY, to R15 393m. Net interest income grew 34%, and 30% in CCY, with 23% customer loan growth and improved margins. Non-interest revenue rose 39%, or 33% in CCY, driven by 51% growth from CIB ARO with ARO RBB up 20%. Operating expenses rose 17%, or 11% in CCY, to R7 730m, producing a 50.2% cost-to-income ratio from 58.6%. Credit impairments increased 9%, or 14% in CCY, to R771m, 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%.

The reclassifications 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.

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.

Basis of presentation

IFRS reporting

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

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

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement include impairment of financial assets measured at amortised cost; capitalisation, amortisation and impairment of internally generated intangible assets; fair value measurements; consolidation of structured or sponsored entities; post-retirement benefits; provisions; income taxes; share-based payments; liabilities arising from claims made under short and long-term insurance contracts; and offsetting of financial assets and liabilities.

Normalised reporting

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

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

Accounting policies

The accounting policies applied in preparing 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.

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

Amendments to IAS 1 *Classification of liabilities as current or non-current*

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

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 12 to give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform

The 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.

Basis of presentation

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

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 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.

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

New standards and interpretations not yet adopted

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

The directors have assessed the Group's ability to continue as a going concern, and the directors have concluded that there are no material uncertainties that could have cast significant doubt over the Group's ability to continue as a going concern for at least a year from the date of approval of the financial results.

Events after the reporting period

The Board of Directors are not aware of any events, as defined per IAS 10 Events after the Reporting Period, between the reporting date of 30 June 2023 and the date of authorisation of these financial results.

On behalf of the Board

S Moloko
Group Chairman

J Quinn
Group Financial Director

Johannesburg
14 August 2023

Dividend announcement

Declaration of 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 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 interim dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 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
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 when establishing a BBBEE structure.

Consolidated normalised statement of comprehensive income

for the reporting period ended

	Note	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Net interest income	2	**33 011**	28 560	16	60 440
Interest and similar income		**75 330**	50 889	48	112 232
Effective interest income		**73 928**	49 853	48	110 314
Other interest income		**1 402**	1 036	35	1 918
Interest expense and similar charges		**(42 319)**	(22 329)	90	(51 792)
Non-interest income	3	**19 296**	17 820	8	37 111
Net fee and commission income		**12 508**	12 093	3	24 852
Fee and commission income		**13 746**	13 512	2	27 546
Fee and commission expense		**(1 238)**	(1 419)	(13)	(2 694)
Insurance service result		**1 375**	1 204	14	2 278
Insurance revenue		**5 831**	5 177	13	10 334
Insurance service expenses		**(3 935)**	(3 725)	6	(7 315)
Net expense from reinsurance contracts		**(521)**	(248)	>100	(741)
Net finance income/(expense) from insurance contracts		**18**	102	(82)	77
Net finance income/(expense) from reinsurance contracts		**1**	(10)	<(100)	(6)
Changes in investment contract liabilities		**(1 057)**	1 729	<(100)	1 148
Gains and losses from banking and trading activities		**4 386**	4 043	8	7 728
Gains and losses from investment activities		**1 618**	(1 586)	<(100)	(532)
Other operating income		**447**	245	83	1 566
Total income		**52 307**	46 380	13	97 551
Credit impairment charges	4	**(8 280)**	(5 176)	60	(13 703)
Operating income before operating expenditure		**44 027**	41 204	7	83 848
Operating expenditure		**(26 063)**	(23 761)	10	(50 131)
Other expenses	5	**(1 155)**	(1 153)	<(100)	(2 440)
Other impairments		**(96)**	(233)	(59)	(591)
Indirect taxation	6	**(1 059)**	(920)	15	(1 849)
Share of post-tax results of associates and joint ventures		**82**	42	95	137
Operating profit before income tax		**16 891**	16 332	3	31 414
Taxation expense		**(4 299)**	(4 539)	(5)	(8 241)
Profit for the reporting period		**12 592**	11 793	7	23 173
Profit attributable to:					
Ordinary equity holders		**11 237**	10 740	5	21 016
Non-controlling interest – ordinary shares		**755**	625	21	1 282
Non-controlling interest – preference shares		**174**	123	41	266
Other equity: Additional Tier 1 capital		**426**	305	40	609
		12 592	11 793	7	23 173
Earnings per share:					
Basic earnings per share (cents)		**1 330.5**	1 269.7	5	2 486.0
Diluted earnings per share (cents)		**1 326.4**	1 263.8	5	2 472.8

Consolidated normalised statement of comprehensive income

for the reporting period ended

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Profit for the reporting period	**12 592**	11 793	7	23 173
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(212)**	(9)	>100	(20)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**1**	(5)	<(100)	(1)
Fair value movements	**1**	(6)	<(100)	(1)
Deferred tax	**—**	1	(100)	—
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(142)**	5	<(100)	(151)
Fair value movements	**(196)**	13	<(100)	(202)
Deferred tax	**54**	(8)	<(100)	51
Movement in retirement benefit fund assets and liabilities	**(71)**	(9)	>100	132
Decrease in retirement benefit surplus	**(19)**	(15)	27	(37)
Decrease in retirement benefit deficit	**(64)**	—	100	148
Deferred tax	**12**	6	100	21
Items that are or may be subsequently reclassified to profit or loss	**2 193**	(6 867)	<(100)	(7 150)
Movement in foreign currency translation reserve	**2 321**	(1 140)	<(100)	(1 795)
Differences in translation of foreign operations	**2 321**	(1 140)	<(100)	(1 795)
Movement in cash flow hedging reserve	**(197)**	(4 535)	(96)	(4 477)
Fair value movements	**(551)**	(4 241)	(87)	(3 460)
Amounts transferred within other comprehensive income	**22**	2	>100	21
Amount removed from other comprehensive income and recognised in profit or loss	**260**	(1 997)	<(100)	(2 718)
Deferred tax	**72**	1 701	(96)	1 680
Movement in fair value of debt instruments measured at FVOCI	**74**	(757)	<(100)	(237)
Fair value movements	**386**	(818)	<(100)	(364)
Release to profit or loss	**(66)**	(13)	>100	(7)
Deferred tax	**(246)**	74	<(100)	134
Movement in Insurance finance reserve	**(5)**	(435)	(99)	(641)
Finance expenses from insurance contracts	**(71)**	(836)	(92)	(1 194)
Finance income from reinsurance contracts	**56**	247	(77)	335
Deferred tax	**10**	154	(94)	218
Total comprehensive income for the reporting period	**14 573**	4 917	>100	16 003
Total comprehensive income attributable to:				
Ordinary equity holders	**13 142**	3 966	>100	14 039
Non-controlling interest – ordinary shares	**831**	523	59	1 089
Non-controlling interest – preference shares	**174**	123	41	266
Other equity: Additional Tier 1 capital	**426**	305	40	609
	14 573	4 917	>100	16 003

Consolidated normalised statement of financial position

as at

	Note	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Assets					
Cash, cash balances and balances with central banks		**86 795**	61 353	41	67 179
Investment securities		**230 223**	206 609	11	215 637
Trading portfolio assets[1]		**214 153**	212 199	1	206 436
Hedging portfolio assets[1]		**6 856**	5 695	20	4 973
Other assets		**33 825**	52 729	(36)	24 797
Current tax assets		**639**	479	33	656
Non-current assets held for sale		**182**	5 150	(96)	212
Loans and advances	8	**1 250 562**	1 160 281	8	1 213 399
Insurance contract assets		**10 794**	10 768	—	11 212
Reinsurance contract assets		**4 048**	3 374	20	3 544
Investments linked to investment contracts		**20 307**	18 930	7	19 288
Investments in associates and joint ventures		**2 527**	1 635	55	2 409
Investment properties		**399**	419	(5)	397
Property and equipment		**15 240**	14 825	3	15 016
Goodwill and intangible assets		**11 891**	9 726	22	10 939
Deferred tax assets		**8 123**	7 377	10	8 569
Total assets		**1 896 564**	1 771 549	7	1 804 663
Liabilities					
Trading portfolio liabilities		**79 952**	101 813	(21)	94 895
Hedging portfolio liabilities		**2 499**	2 900	(14)	2 237
Other liabilities		**52 823**	60 802	(13)	36 083
Provisions		**3 877**	3 913	(1)	5 860
Current tax liabilities		**864**	825	5	869
Non-current liabilities held for sale		**18**	3 333	(99)	26
Deposits	9	**1 323 746**	1 213 509	9	1 241 918
Debt securities in issue	10	**213 133**	174 871	22	205 519
Loans from Absa Group companies		**1 098**	945	16	895
Liabilities under investment contracts		**20 484**	19 825	3	20 023
Insurance contract liabilities		**17 035**	16 117	6	16 953
Reinsurance contract liabilities		**2 850**	2 438	17	2 821
Borrowed funds	11	**20 585**	25 240	(18)	26 420
Deferred tax liabilities		**217**	401	(43)	185
Total liabilities		**1 739 181**	1 626 932	7	1 654 705
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital		**1 708**	1 693	1	1 686
Share premium		**4 056**	4 167	(3)	3 636
Retained earnings		**129 714**	120 417	8	125 167
Other reserves		**2 768**	482	>100	636
		138 246	126 759	9	131 125
Non-controlling interest – ordinary shares		**6 990**	6 210	13	6 686
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Other equity: Additional Tier 1 capital		**7 503**	7 004	7	7 503
Total equity		**157 383**	144 617	9	149 958
Total liabilities and equity		**1 896 564**	1 771 549	7	1 804 663

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

Consolidated normalised 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
Restated balance at the beginning of the reporting period	843 406	1 686	3 636	125 167	655	809	(992)
Total comprehensive income	—	—	—	11 014	2 128	—	88
Profit for the period	—	—	—	11 237	—	—	—
Other comprehensive income	—	—	—	(223)	2 128	—	88
Dividends paid during the reporting period	—	—	—	(5 402)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(538)	(761)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	2 140	22	420	—	—	—	—
Movement in share-based payment reserve	—	—	538	—	(300)	—	—
Transfer from share-based payment reserve	—	—	538	—	(538)	—	—
Value of employee services	—	—	—	—	421	—	—
Deferred tax	—	—	—	—	(183)	—	—
Movement in general credit risk reserve	—	—	—	(169)	169	169	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(53)	53	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(82)	82	—	—
Balance at the end of the reporting period	845 546	1 708	4 056	129 714	2 768	978	(904)

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2023

	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
	(3 215)	1 406	57	(263)	1 098	1 736	131 125	6 650	4 644	7 503	149 922
	(197)	2 231	—	6	—	—	13 142	831	174	426	14 573
	—	—	—	—	—	—	11 237	755	174	426	12 592
	(197)	2 231	—	6	—	—	1 905	76	—	—	1 981
	—	—	—	—	—	—	(5 402)	(491)	(174)	—	(6 067)
	—	—	—	—	—	—	—	—	—	(426)	(426)
	—	—	—	—	—	—	(1 299)	—	—	—	(1 299)
	—	—	—	—	—	—	442	—	—	—	442
	—	—	—	—	(300)	—	238	—	—	—	238
	—	—	—	—	(538)	—	—	—	—	—	—
	—	—	—	—	421	—	421	—	—	—	421
	—	—	—	—	(183)	—	(183)	—	—	—	(183)
	—	—	—	—	—	—	—	—	—	—	—
	—	—	53	—	—	—	—	—	—	—	—
	—	—	—	—	—	82	—	—	—	—	—
	(3 412)	3 637	110	(257)	798	1 818	138 246	6 990	4 644	7 503	157 383

Consolidated normalised statement of changes in equity

for the reporting period ended

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 comprehensive income reserve Rm
Balance at the end of the previous reporting period	846 266	1 692	4 089	113 327	6 715	825	(845)
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—
Restated balance at the beginning of the reporting period	846 266	1 692	4 089	113 798	7 039	825	(845)
Total comprehensive income	—	—	—	10 728	(6 762)	—	(717)
Profit for the period	—	—	—	10 740	—	—	—
Other comprehensive income	—	—	—	(12)	(6 762)	—	(717)
Dividends paid during the reporting period	—	—	—	(3 951)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(197)	(132)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	281	1	78	—	—	—	—
Movement in share-based payment reserve	—	—	197	—	179	—	—
Transfer from share-based payment reserve	—	—	197	—	(197)	—	—
Value of employee services	—	—	—	—	351	—	—
Deferred tax	—	—	—	—	25	—	—
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—
Share of post-tax results of associates and joint ventures	—	—	—	(42)	42	—	—
Restated balance at the end of the reporting period	846 547	1 693	4 167	120 417	482	809	(1 562)

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2022

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
1 262	3 145	57	—	672	1 599	125 823	6 035	4 644	7 004	143 506
—	(3)	—	327	—	—	795	94	—	—	889
1 262	3 142	57	327	672	1 599	126 618	6 129	4 644	7 004	144 395
(4 535)	(1 116)	—	(394)	—	—	3 966	523	123	305	4 917
—	—	—	—	—	—	10 740	625	123	305	11 793
(4 535)	(116)	—	(394)	—	—	(6 774)	(102)	—	—	(6 876)
—	—	—	—	—	—	(3 951)	(442)	(123)	—	(4 516)
—	—	—	—	—	—	—	—	—	(305)	(305)
—	—	—	—	—	—	(329)	—	—	—	(329)
—	—	—	—	—	—	79	—	—	—	79
—	—	—	—	179	—	376	—	—	—	376
—	—	—	—	(197)	—	—	—	—	—	—
—	—	—	—	351	—	351	—	—	—	351
—	—	—	—	25	—	25	—	—	—	25
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	42	—	—	—	—	—
(3 273)	2 026	57	(67)	851	1 641	126 759	6 210	4 644	7 004	144 617

Consolidated normalised statement of changes in equity

for the reporting period

	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
Balance at the end of the previous reporting period	846 266	1 692	4 089	113 327	6 715	825	(845)
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—
Restated balance at the beginning of the reporting period	846 266	1 692	4 089	113 798	7 039	825	(845)
Total comprehensive income	—	—	—	20 989	(6 950)	—	(147)
Profit for the period	—	—	—	21 016	—	—	—
Other comprehensive income	—	—	—	(27)	(6 950)	—	(147)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(156)	—	—	—
Elimination of Treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—
Movement in share-based payment reserve	—	—	357	—	426	—	—
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—
Value of employee services	—	—	—	—	655	—	—
Deferred tax	—	—	—	—	128	—	—
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—
Restated balance at the end of the reporting period	843 406	1 686	3 636	125 167	636	809	(992)

[1] On 30 September 2022, the board of directors disposed of Integrated Processing Solutions.
[2] The Additional Tier 1 instruments were issued on the back of additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'other equity' instruments. This had no impact on the profit and loss, or net equity position of the Group.

Consolidated normalised statement of changes in equity

for the reporting period

31 December 2022										
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
1 262	3 145	57	—	672	1 599	125 823	6 035	4 644	7 004	143 506
—	(3)	—	327	—	—	795	94	—	—	889
1 262	3 142	57	327	672	1 599	126 618	6 129	4 644	7 004	144 395
(4 477)	(1 736)	—	(590)	—	—	14 039	1 089	266	609	16 003
—	—	—	—	—	—	21 016	1 282	266	609	23 173
(4 477)	(1 736)	—	(590)	—	—	(6 977)	(193)	—	—	(7 170)
—	—	—	—	—	—	(9 343)	(532)	(266)	—	(10 141)
—	—	—	—	—	—	—	—	—	(609)	(609)
—	—	—	—	—	—	—	—	—	499	499
—	—	—	—	—	—	(513)	—	—	—	(513)
—	—	—	—	—	—	(459)	—	—	—	(459)
—	—	—	—	426	—	783	—	—	—	783
—	—	—	—	(357)	—	—	—	—	—	—
—	—	—	—	655	—	655	—	—	—	655
—	—	—	—	128	—	128	—	—	—	128
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	137	—	—	—	—	—
(3 215)	1 406	57	(263)	1 098	1 736	131 125	6 686	4 644	7 503	149 958

Consolidated normalised statement of cash flows

for the reporting period ended

	Note	30 June 2023 Rm	30 June Restated 2022 Rm	Change %	31 December 2022 Rm
Net cash generated from operating activities		**35 836**	14 495	>100	24 323
Net cash utilised in investing activities		**(2 210)**	(1 948)	13	(5 283)
Net cash utilised in financing activities		**(8 125)**	(6 957)	17	(12 613)
Net cash increase in cash and cash equivalent		**25 501**	(6 956)	>(100)	6 427
Cash and cash equivalents at the beginning of the reporting period	1	**70 475**	62 875	12	62 875
Effect of foreign exchange rate movement on cash and cash equivalents		**(4 936)**	1 238	>(100)	1 173
Cash and cash equivalents at the end of the reporting period	2	**91 040**	57 157	59	70 475

Notes to the summary consolidated normalised statement of cash flows

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

	30 June 2023 Rm	30 June Restated 2022 Rm	Change %	31 December 2022 Rm
Mandatory reserve balances with the SARB and other central banks	**31 842**	28 705	11	28 705
Coin and notes	**14 303**	14 577	(2)	14 577
Loans and advances to banks	**22 319**	17 897	25	17 897
Money market assets	**2 011**	1 695	19	1 695
	70 475	62 874	12	62 874

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

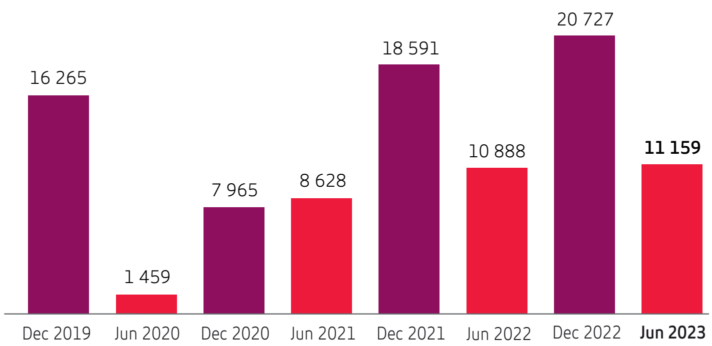
	30 June 2023 Rm	30 June Restated 2022 Rm	Change %	31 December 2022 Rm
Mandatory reserve balances with the SARB and other central banks	**48 781**	29 832	64	31 842
Coin and notes	**12 874**	13 006	(1)	14 303
Loans and advances to banks	**27 677**	25 040	11	22 319
Money market assets	**1 708**	1 825	(6)	2 011
	91 040	69 703	31	70 475

Statement of cash flows has been restated. Refer to reporting changes overview note.
Loans and advances to banks includes call advances, which are used as working capital by the Group.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share



Headline earnings	30 June 2023 Gross Rm	30 June 2023 Net Rm	30 June 2022 Gross Rm	30 June 2022 Net Rm	Net change %	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		**11 237**		10 740	5		21 016
Total headline earnings adjustment:		**(78)**		148	<(100)		(289)
IFRS 5 – Profit on disposal of non-current assets held for sale	**(112)**	**(142)**	(20)	(15)	>100	(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	(61)	354	254
IAS 36 – Impairment of intangible assets	**7**	**5**	—	—	>100	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
		11 159		10 888	2		20 727

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

Notable adjustments to headline earnings

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

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

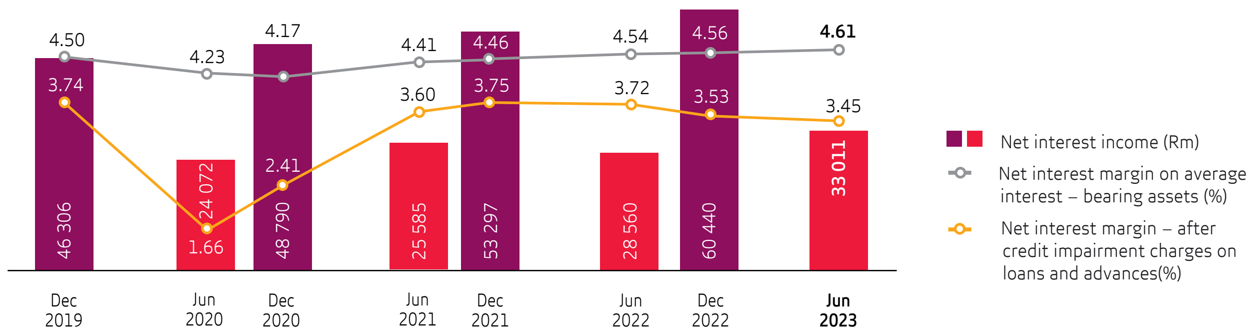
	30 June 2023 Rm	30 June 2022 Rm	Change value/ %	31 December 2022 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**11 237**	10 740	5	21 016
Weighted average number of ordinary shares in issue (million)	**844.6**	845.9	(1.3)	845.4
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(3.2)**	(1.9)	(1.3)	(2.4)
Basic earnings per ordinary share (cents)	**1 330.5**	1 269.7	5	2 485.9
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**11 237**	10 740	5	21 016
Diluted weighted average number of ordinary shares in issue (million)	**847.2**	850.3	(3.1)	849.9
Weighted average number of ordinary shares in issue (million)	**844.6**	845.9	(1.3)	845.4
Adjustments for share options issued at no value (million)	**2.6**	4.4	(1.8)	4.5
Diluted basic earnings per ordinary share (cents)	**1 326.4**	1 263.1	5	2 472.8
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**11 159**	10 888	2	20 727
Weighted average number of ordinary shares in issue (million)	**844.6**	845.9	(1.3)	845.4
Headline earnings per ordinary share (cents)	**1 321.3**	1 287.1	3	2 451.7
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**11 159**	10 888	2	20 727
Diluted weighted average number of ordinary shares in issue (million)	**847.2**	850.3	(3.1)	849.9
Diluted headline earnings per ordinary share (cents)	**1 317.2**	1 280.5	3	2 438.8

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin



	30 June						31 December		
	2023			2022			2022		
	Average balance Rm	Average rate %	Interest income/ (expense) Rm	Average balance Rm	Average rate %	Interest income/ (expense) Rm	Average balance Rm	Average rate %	Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**5 554**	**0.42**	**12**	4 295	0.46	10	3 007	0.75	22
Investment securities	**204 576**	**8.81**	**8 934**	171 714	7.44	6 338	182 865	7.86	14 373
Loans and advances	**1 234 081**	**10.85**	**66 384**	1 092 811	8.22	44 540	1 138 471	8.59	97 836
Interest-bearing assets	**1 444 212**	**10.52**	**75 330**	1 268 820	8.09	50 889	1 324 343	8.47	112 232
Non-interest-bearing assets	**436 002**	**—**	**—**	374 555	—	—	402 288	—	—
Total assets	**1 880 213**	**—**	**75 330**	1 643 374	—	50 889	1 726 631	—	112 232
Liabilities									
Deposits	**1 007 882**	**(6.72)**	**(33 579)**	929 234	(3.88)	(17 891)	951 488	(4.26)	(40 533)
Debt securities in issue	**176 455**	**(8.38)**	**(7 332)**	119 782	(5.48)	(3 257)	135 825	(6.36)	(8 637)
Borrowed funds	**23 932**	**(11.86)**	**(1 408)**	24 495	(9.72)	(1 180)	25 818	(10.16)	(2 623)
Interest-bearing liabilities	**1 208 269**	**(7.06)**	**(42 319)**	1 073 511	(4.19)	(22 328)	1 113 131	(4.65)	(51 792)
Non-interest-bearing liabilities	**523 300**	**—**	**—**	430 742	—	—	473 638	—	—
Total liabilities	**1 731 569**	**—**	**(42 319)**	1 504 252	—	(22 328)	1 586 769	—	(51 792)
Total equity	**148 644**	**—**	**—**	139 122	—	—	139 862	—	—
Total equity and liabilities	**1 880 213**	**—**	**(42 319)**	1 643 374	—	(22 328)	1 726 631	—	(51 792)
Net interest margin on average interest-bearing assets		**4.61**			4.54			4.56	

Due to a misclassification in the prior period, the interest expense between products was reclassified. This did not however have any impact on the total interest expense recognised for June 2022.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income (continued)

	30 June 2023 bps	30 June 2022 bps	31 December 2022 bps
Net interest margin at the end of the previous reporting period	**454**	441	446
Loans and advances to customers (i)	**9**	7	8
Change in rates (pricing)	**4**	7	7
Change in composition	**5**	—	1
Deposits due to customers (ii)	**21**	6	12
Change in rates (pricing)	**11**	1	9
Change in composition	**(5)**	6	(5)
Endowment (iii)	**15**	(1)	8
Equity endowment (iii)	**14**	6	9
SA	**12**	4	8
Africa Regional Operations	**2**	2	1
Interest rate risk management (hedging strategy) (iii)	**(29)**	(4)	(14)
Other (iv)	**(8)**	(2)	(5)
Change in net interest margin	**7**	13	10
Net interest margin at the end of the current reporting period	**461**	454	456

Performance

The Group's net interest margin of **461bps** (30 June 2022: 454bps) is 7bps higher than the previous reporting period (30 June 2022: increased by 13bps) reflecting margin expansion in ARO from 658bps to 722bps in a rising interest rate environment. This was partially offset by the SA margin which declined slightly from 409bps to 398bps mainly reflecting faster growth in low-margin deposit balances. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Improved pricing in Everyday Banking supported Group margin.
- Composition had a favourable impact on margin given slower growth in Home Loans partially offset by faster growth in CIB.

(ii) Deposits due to customers

- Deposit margin expansion was supported by the impact of higher policy rates in ARO.
- Composition had an adverse impact on margin given faster growth in wholesale funding in South Africa partially offset by Corporate SA.

Performance indicators and normalised notes to the consolidated financial statements

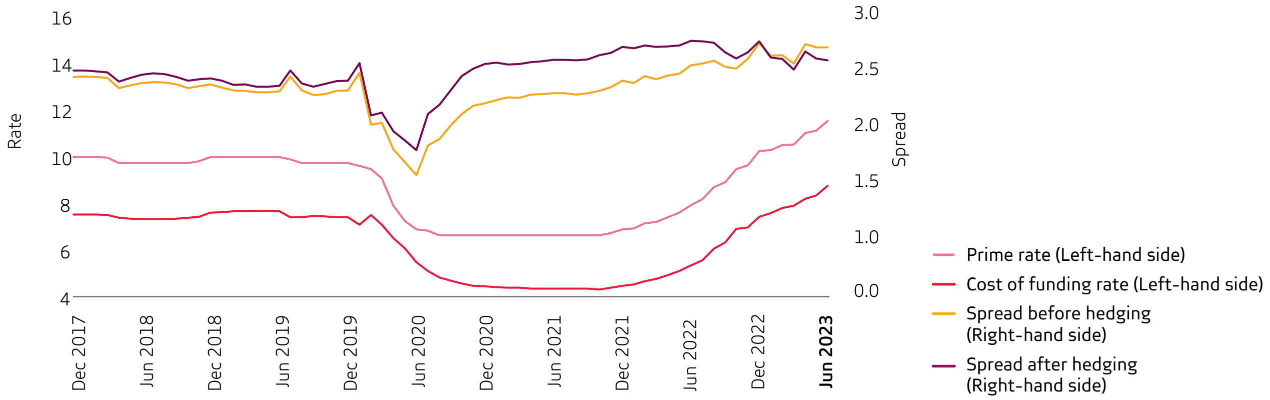
for the reporting period ended

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin[1] (%)



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 30 June 2023 an aggregate of 12% (30 June 2022: 13%; 31 December 2022: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme in South Africa. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a debit balance of R3.5bn (30 June 2022: R3.2bn debit; 31 December 2022: R3bn debit). The structural hedge released a charge of R568m to the income statement, 29bps less than the R1 339m benefit in 1H22.
- The impact of total endowment after hedging in South Africa year-on-year was (-2bps). This was a result of slower growth of endowment balances relative to the Group's interest bearing assets (-3bps), partially offset by a higher rate earned on the hedging programme (+1bp).
- The impact of endowment on equity in ARO on the Group's net interest margin was positive (+2bps) (30 June 2022: +2bps) reflective of the positive mix impact of higher rates and equity balances across most markets.

(iv) Other

Other items had a cumulative 8bps negative impact mainly representing:

- Lower yields earned on the SA Liquid Asset Portfolio had a negative impact on margin (price impact).
- Faster growth on investment securities for SA and ARO had a negative impact on margin (mix impact).
- The negative impact on margin for a reduction in the basis differential between prime and JIBAR.
- A lower benefit from managing the asset liability position in SA Treasury; partially offset by
- The benefit of higher rates that had a favourable impact on asset liability management in ARO markets.

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.1 Net fee and commission income

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Consulting and administration fees	**241**	228	6	479
Transactional fees and commissions	**10 656**	10 347	3	21 121
Cheque accounts	**2 520**	2 364	7	4 834
Credit cards (includes card issuing fees)	**1 542**	1 346	15	2 896
Electronic banking	**3 243**	3 283	(1)	6 595
Other (includes fees on mortgage loans and foreign currency transactions)	**2 778**	2 654	5	5 400
Savings accounts	**573**	700	(18)	1 396
Insurance commission received	**486**	496	(2)	951
Investment, markets execution and investment banking fees	**244**	231	6	412
Merchant income	**1 378**	1 277	8	2 671
Other fee and commission income	**368**	323	14	699
Trust and other fiduciary services fees	**373**	611	(39)	1 213
Portfolio and other management fees	**196**	457	(57)	875
Trust and estate income	**177**	154	15	338
Fee and commission income	**13 746**	13 512	2	27 546
Fee and commission expense	**(1 238)**	(1 419)	(13)	(2 694)
Brokerage fees	**(52)**	(52)	—	(103)
Cheque processing fees	**(2)**	(4)	(50)	(6)
Clearing and settlement charges	**(644)**	(662)	(3)	(1 252)
Notification fees	**(118)**	(120)	(2)	(251)
Other	**(375)**	(525)	(29)	(977)
Valuation fees	**(47)**	(56)	(16)	(105)
	12 508	12 093	3	24 852
Segment split				
Product Solutions Cluster	**1 255**	1 151	9	2 510
Everyday Banking	**5 712**	5 669	1	11 632
Relationship Banking	**2 347**	2 415	(3)	4 917
ARO RBB	**1 543**	1 239	25	2 688
CIB	**2 000**	1 731	16	3 441
Head Office, Treasury and other operations	**(349)**	(111)	>100	(336)
	12 508	12 093	3	24 852

Credit cards include acquiring and issuing fees.
Other transactional fees and commissions income include service and credit-related fees of **R1 962m** (30 June 2022: R1 077m; 31 December 2022: R2 079m), exchange commission **R421m** (30 June 2022: R359m; 31 December 2022: R795m) and guarantees **R179m** (30 June 2022: R150m; 31 December 2022: R222m).
The segment split numbers have been restated, refer to the report overview.
Insurance commission received has been restated due to the implementation of IFRS 17.
Other fee and commission expense restated due to the implementation of IFRS 17.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.2 Insurance service results

3.2.1 Insurance revenue

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Contracts not measured under the PAA	**2 872**	2 636	9	5 078
Life insurance contracts	**2 872**	2 636	9	5 078
Contracts measured under the PAA	**2 959**	2 541	16	5 256
Life insurance contracts	**452**	354	28	765
Non-life insurance contracts	**2 507**	2 187	15	4 491
	5 831	5 177	13	10 334
Segment split				
Product Solutions Cluster	**4 334**	3 972	9	7 996
Everyday Banking	**141**	135	4	276
ARO RBB	**1 356**	1 070	27	2 062
	5 831	5 177	13	10 334

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

3.3 Changes in investment contract liabilities

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Change in insurance contract liabilities	**—**	—	—	—
Change in investment contract liabilities	**(1 057)**	1 729	<(100)	1 148
	(1 057)	1 729	<(100)	1 148
Segment split				
Product Solutions Cluster	**(1 062)**	1 727	<(100)	1 146
ARO RBB	**5**	(2)	<(100)	(2)
Head Office, Treasury and other operations	**—**	4	(100)	4
	(1 057)	1 729	<(100)	1 148

One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with 'Net gains on investments from insurance activities: Policyholder investment contracts' reported in 'Gains and losses from investment activities'.

The segment split numbers have been updated, refer to the report overview.

The changes in insurance contract liabilities have been restated due to the implementation of IFRS 17.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.4 Gains from banking and trading activities

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Net gains on investments	**211**	148	43	272
Debt instruments designated at fair value through profit or loss	**110**	73	51	185
Equity instruments at fair value through profit or loss	**35**	62	(44)	80
Unwind from reserves for debt instruments at FVOCI	**66**	13	>100	7
Net trading result	**4 246**	3 969	7	7 481
Net trading income excluding the impact of hedge accounting	**4 513**	4 139	9	7 674
Ineffective portion of hedges	**(267)**	(170)	57	(193)
Cash flow hedges	**(260)**	(188)	38	(208)
Fair value hedges	**(7)**	18	<(100)	15
Other losses	**(71)**	(74)	(4)	(25)
	4 386	4 043	8	7 728
Segment split				
Relationship Banking	**2**	(1)	<(100)	1
ARO RBB	**509**	371	37	829
CIB	**4 000**	3 449	16	6 532
Head Office, Treasury and other operations	**(125)**	224	<(100)	366
	4 386	4 043	8	7 728

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

3.5 Gains and losses from investment activities

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Net gains on investments from insurance activities	**1 578**	(1 609)	<(100)	(574)
Policyholder insurance contracts	**246**	45	>100	276
Policyholder investment contracts	**1 119**	(1 754)	<(100)	(1 159)
Shareholders' funds	**213**	100	>100	309
Other gains	**40**	23	74	42
	1 618	(1 586)	<(100)	(532)
Segment split				
Product Solutions Cluster	**1 453**	(1 705)	<(100)	(800)
ARO RBB	**133**	103	30	229
Head Office, Treasury and other operations	**32**	16	>100	39
	1 618	(1 586)	<(100)	(532)

One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contract liabilities' reported in 'Changes in investment liabilities'.

The Head Office, Treasury and other operations segment includes the elimination of investment returns of Absa Life Limited in the Product Solutions Cluster for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' in the Product Solutions Cluster, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Property-related income	**28**	27	4	155
Income from investment properties	**1**	1	—	(19)
Change in fair value	**—**	—	—	(21)
Rentals	**1**	1	—	2
Property-related income arising from contracts with customers	**27**	26	4	48
Profit on disposal of property and equipment	**6**	7	(14)	10
Profit on sale of developed properties	**4**	8	(50)	11
Rental income	**17**	11	55	27
Insurance proceeds received related to property and equipment	**—**	—	—	126
Other operating income	**419**	218	93	1 411
Foreign exchange differences, including recycle from other comprehensive income	**28**	(25)	<(100)	(81)
Income from maintenance contracts	**12**	19	(37)	27
Loss on disposal of intangible assets	**—**	—	—	(1)
Sundry income	**379**	224	70	1 466
	447	245	83	1 566
Segment split				
Property-related income	**28**	27	4	155
Product Solutions Cluster	**1**	—	100	1
Relationship Banking	**3**	9	(67)	4
Everyday Banking	**11**	7	57	137
ARO RBB	**11**	10	10	12
CIB	**—**	—	—	—
Head Office, Treasury and other operations	**2**	1	100	1
Other operating income	**419**	218	93	1 411
Product Solutions Cluster	**36**	18	100	45
Relationship Banking	**197**	102	93	183
Everyday Banking	**82**	10	>100	87
ARO RBB	**5**	105	(95)	121
CIB	**(3)**	14	<(100)	350
Head Office, Treasury and other operations	**102**	(31)	<(100)	625
	447	245	83	1 566

Sundry income includes profit on disposal of non-core assets.

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

Sundry income has been restated due to implementation of IFRS 17.

Insurance proceeds of R126m was received during the previous financial year for the damaged sustained to property and equipment due to the KZN riots that took place.

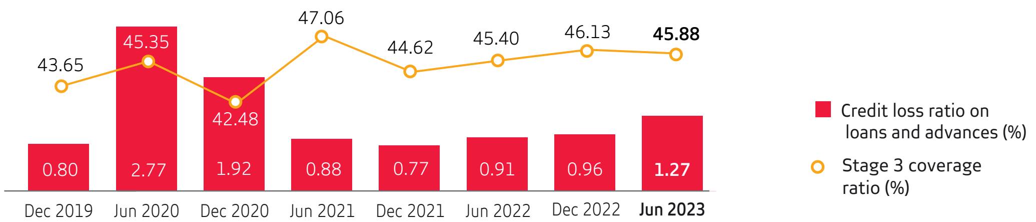
Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges

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

Credit loss and Stage 3 coverage ratios



Charge to the statement of comprehensive income by market segment	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Product Solutions Cluster				
Home Loans	**975**	272	>100	688
Vehicle and Asset Finance	**1 334**	1 175	14	1 898
Total charge	**2 309**	1 447	60	2 586
Credit loss ratio (%)	**1.11**	0.75		0.65
Everyday Banking				
Card	**2 367**	1 396	70	2 888
Personal Loans	**1 526**	1 010	51	2 447
Transactions and Deposits	**366**	221	66	438
Other	**0**	1	(100)	2
Total charge	**4 259**	2 628	62	5 775
Credit loss ratio (%)	**9.22**	5.97		6.45
Relationship Banking	**488**	231	>100	618
Credit loss ratio (%)	**0.68**	0.35		0.45
ARO RBB	**684**	572	20	1 182
Credit loss ratio (%)	**1.69**	1.70		1.64
CIB				
CIB SA	**464**	162	>100	424
CIB ARO	**(85)**	135	<(100)	954
Total charge	**379**	297	28	1 378
Credit loss ratio (%)	**0.16**	0.13		0.27
Head Office, Treasury and other operations				
Total charge	**161**	1	>100	2 164
Total charge to the statement of comprehensive income	**8 280**	5 176	60	13 703

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

Charge to the statement of comprehensive income by market segment	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Comprising:				
Credit impairment charges raised	**8 302**	5 602	48	14 173
Loans and advances to customers and undrawn facilities	**8 299**	5 569	49	11 778
Loans and advances to banks	**(29)**	12	<(100)	(7)
Other financial instruments subject to credit impairment	**133**	7	>100	2 190
Guarantees and letters of credit	**(101)**	14	<(100)	212
Recoveries of financial instruments subject to credit impairment previously written off	**(429)**	(491)	(13)	(1 010)
Modifications	**407**	65	>100	540
Total charge to the statement of comprehensive income	**8 280**	5 176	60	13 703

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.2 ECL analysis by market segment and class of credit exposure

	30 June 2023			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
Product Solutions Cluster	—	354 116	1 530	0.43
Home Loans	—	257 499	511	0.20
Vehicle and Asset Finance	—	96 617	1 019	1.05
Everyday Banking	—	61 436	2 509	4.08
Card	—	40 846	1 354	3.31
Personal Loans	—	17 907	902	5.04
Transactions and Deposits	—	2 683	253	9.43
Other	—	—	—	—
Relationship Banking	—	120 256	283	0.24
ARO RBB	—	72 662	1 040	1.43
CIB	82 204	329 660	1 317	0.40
CIB SA	82 204	262 541	803	0.31
CIB ARO	—	67 119	514	0.77
Head Office, Treasury and other operations	—	5 859	(171)	—
Loans and advances to customers	—	5 859	3	0.05
Reclassification to provisions	—	—	(174)	—
Loans and advances to customers	82 204	943 989	6 508	0.69
Loans and advances to banks	22 815	64 771	50	0.08
Total loans and advances	105 019	1 008 760	6 558	0.65

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.

30 June 2023

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
35 823	2 333	6.51	34 513	11 697	33.89	408 892
24 092	965	4.01	24 848	6 971	28.05	297 992
11 731	1 368	11.66	9 665	4 726	48.90	110 900
10 161	2 913	28.67	14 073	10 828	76.94	69 420
5 696	1 789	31.41	8 291	6 167	74.38	45 523
3 505	882	25.16	5 138	4 156	80.89	20 610
960	242	25.21	592	453	76.52	3 287
—	—	—	52	52	100	—
18 609	979	5.26	8 464	3 805	44.96	142 262
6 681	1 020	15.27	6 604	4 289	64.95	79 598
30 647	595	1.94	12 012	4 133	34.41	448 478
21 549	303	1.41	5 437	1 975	36.33	368 650
9 098	292	3.21	6 575	2 158	32.82	79 828
—	(106)	—	—	(34)	—	6 170
—	—	—	—	—	—	5 856
—	(106)	—	—	(34)	—	314
101 921	7 734	7.59	75 666	34 718	45.88	1 154 820
8 217	11	0.13	—	—	—	95 742
110 138	7 745	7.03	75 666	34 718	45.88	1 250 562

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

	30 June 2022			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
Product Solutions Cluster	—	335 664	1 556	0.46
Home Loans	—	244 659	499	0.20
Vehicle and Asset Finance	—	91 005	1 057	1.16
Everyday Banking	—	57 185	2 415	4.22
Card	—	37 315	1 278	3.42
Personal Loans	—	17 346	905	5.22
Transactions and Deposits	—	2 524	232	9.19
Other	—	—	—	—
Relationship Banking	—	116 441	721	0.62
ARO RBB	—	60 184	1 077	1.79
CIB	81 399	287 079	1 162	0.40
CIB SA	81 399	234 829	796	0.34
CIB ARO	—	52 250	366	0.70
Head Office, Treasury and other operations	—	754	(150)	—
Loans and advances to customers	—	754	4	0.53
Reclassification to provisions	—	—	(154)	—
Loans and advances to customers	81 399	857 307	6 781	0.79
Loans and advances to banks	40 198	64 699	88	0.14
Total loans and advances	121 597	922 006	6 869	0.75

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.

30 June 2022						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
33 187	2 141	6.45	28 468	10 163	35.70	383 459
23 822	795	3.34	20 436	6 017	29.44	281 606
9 365	1 346	14.37	8 032	4 146	51.62	101 853
8 966	2 547	28.41	10 935	8 232	75.28	63 892
5 474	1 639	29.94	6 944	5 255	75.68	41 561
2 819	712	25.26	3 458	2 577	74.52	19 429
673	196	29.12	481	348	72.35	2 902
—	—	—	52	52	100	—
13 258	1 017	7.67	8 382	3 424	40.85	132 919
5 789	995	17.19	5 725	3 355	58.60	66 271
30 692	656	2.14	10 117	3 738	36.95	403 731
22 219	256	1.15	5 475	2 011	36.73	340 859
8 473	400	4.72	4 642	1 727	37.20	62 872
—	(105)	—	—	(27)	—	1 036
—	—	—	—	—	—	750
—	(105)	—	—	(27)	—	286
91 892	7 251	7.89	63 627	28 885	45.40	1 051 308
4 172	8	0.19	—	—	—	108 973
96 064	7 259	7.56	63 627	28 885	45.40	1 160 281

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

	31 December 2022			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
Product Solutions Cluster	—	351 517	1 534	0.44
Home Loans	—	257 438	496	0.19
Vehicle and Asset Finance	—	94 079	1 038	1.10
Everyday Banking	—	59 289	2 503	4.22
Card	—	39 401	1 359	3.45
Personal Loans	—	17 279	908	5.25
Transactions and Deposits	—	2 609	236	9.05
Other	—	—	—	—
Relationship Banking	—	119 087	544	0.46
ARO RBB	—	65 793	1 139	1.73
CIB	73 802	320 457	1 166	0.36
CIB SA	73 802	266 553	761	0.29
CIB ARO	—	53 904	405	0.75
Head Office, Treasury and other operations	—	3 163	(157)	—
Loans and advances to customers	—	3 163	3	0.09
Reclassification to provisions	—	—	(160)	—
Loans and advances to customers	73 802	919 306	6 729	0.73
Loans and advances to banks	41 274	56 831	67	0.12
Total loans and advances	115 076	976 137	6 796	0.70

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.

31 December 2022						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
33 308	2 209	6.63	29 587	10 315	34.86	400 354
22 363	926	4.14	21 178	6 156	29.07	293 401
10 945	1 283	11.72	8 409	4 159	49.46	106 953
10 688	2 897	27.11	11 655	8 749	75.07	67 483
5 692	1 664	29.23	7 202	5 288	73.42	43 984
4 147	1 009	24.33	3 919	3 046	77.72	20 382
849	224	26.38	482	363	75.31	3 117
—	—	—	52	52	100	—
12 844	747	5.82	7 674	3 536	46.08	134 778
6 091	898	14.74	6 054	3 784	62.50	72 117
32 006	746	2.33	11 622	4 361	37.52	431 614
19 824	303	1.53	5 876	2 177	37.05	362 814
12 182	443	3.64	5 746	2 184	38.01	68 800
2	(135)	—	—	(26)	—	3 483
2	—	—	—	—	—	3 162
2	(135)	—	—	(26)	—	321
94 939	7 362	7.75	66 592	30 719	46.13	1 109 829
5 544	12	0.22	—	—	—	103 570
100 483	7 374	7.34	66 592	30 719	46.13	1 213 399

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance

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

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 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 and interest in suspense	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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

	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 and interest in suspense	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.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	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 and interest in suspense	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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.4 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 4.2. The segment report per market segment also provides further insights on key credit metrics.

Macroeconomic scenarios

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

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

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

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

	Baseline				Mild upside				Mild downside			
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	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 prime 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	2023	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 prime 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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.4 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 4.1 ECL analysis by market segment and class of credit exposure for further information.

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

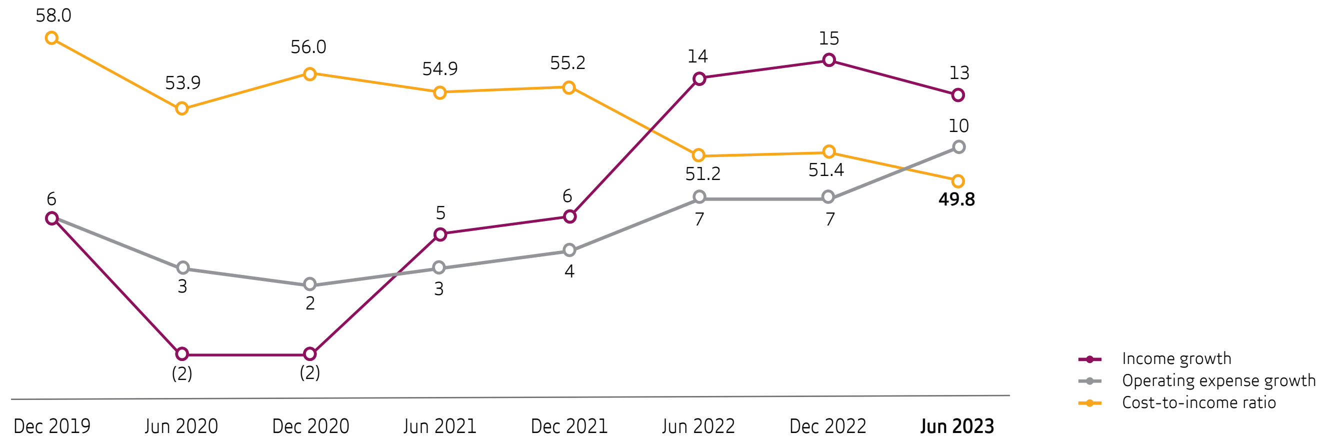
During February 2023, the Group participated in a bond exchange program in Ghana. This resulted in the Group derecognising bonds previously classified as FVOCI instruments of **R4 423m** and recognising new bonds at their amortised cost of **R4 423m**. Such bonds were determined to be purchased originated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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

JAWS and cost-to-income ratio (%)



Breakdown of operating expenses	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Amortisation of intangible assets	**741**	736	1	1 668
Auditors' remuneration	**309**	204	51	496
Cash transportation	**580**	574	1	1 123
Depreciation	**1 509**	1 563	(3)	3 133
Equipment costs	**313**	184	70	441
Information technology	**2 915**	2 643	10	5 541
Marketing costs	**936**	771	21	1 720
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 024**	873	17	1 733
Printing and stationery	**185**	150	23	319
Professional fees	**1 215**	1 334	(9)	2 884
Property costs	**930**	895	4	1 862
Staff costs	**14 710**	13 165	12	27 823
Bonuses	**1 282**	1 315	(3)	3 256
Deferred cash and share-based payments	**438**	397	10	773
Other staff costs	**456**	431	6	895
Salaries and current service costs on post-retirement benefit funds	**12 264**	10 855	13	22 309
Training costs	**271**	167	62	590
Straight-line lease expenses on short-term leases and low value assets	**103**	99	4	221
Telephone and postage	**593**	570	4	1 167
	26 063	23 761	10	50 131

Breakdown of IT-related spend included in operating expenses	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Amortisation of intangible assets and depreciation of IT equipment	**1 095**	1 127	(3)	2 426
Information technology	**2 915**	2 643	10	5 541
Staff costs	**1 844**	1 525	21	3 181
of which staff costs pre the capitalisation of project-related resource costs	**2 082**	1 770	18	3 658
Other IT-related spend	**695**	644	8	1 491
	6 549	5 939	10	12 639

'Other staff costs' includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.
Other operating costs and Salaries have been restated as part of the IFRS17 insurance restatements for June and December 2022.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses (continued)

Operating costs increased by **10%** (CCY 8%) to **R26 063m** (June 2022: R23 761m) reflecting an increase in staff costs of **12%** (CCY 10%) whilst non-staff costs increased by **7%** (CCY 5%). Staff cost growth was in part driven by people investments over the period. Non-staff cost growth mainly reflects continued investments into information technology and marketing, which were partially offset by lower depreciation and professional fee spend as well as low growth in amortisation and property costs.

- Amortisation of intangible assets increased by **1%** (flat in constant currency terms) to **R741m**. The Group has continued to invest in new digital, data and automation capabilities which has resulted in an increase in Goodwill and intangible assets to **R11 891m** (June 2022: R9 726m).
- Cash transportation costs increased by **1%** (flat in constant currency terms) to **R580m** and reflect lower merchant cash volumes which were supported by a migration towards digital banking and increased cash recycling.
- Depreciation decreased by **3%** (CCY 5%) to **R1 509m** from reduced utilisation of physical IT infrastructure and optimisation of corporate and retail property footprint.
- Equipment costs increased by **70%** (CCY 65%) to **R313m** and mainly reflect higher energy costs due to load shedding in South Africa.
- Information technology costs increased by **10%** (CCY 9%) to **R2 915m** and mainly reflect continuing investment into digital platforms resulting in higher software license and maintenance costs as well as increased cybersecurity spend.
- Marketing costs increased by **21%** (CCY 19%) to **R936m** reflecting higher campaigns, sponsorship and corporate social investment spend.
- Other operating costs increased by **17%** (CCY 7%) to **R1 024m** from increased business travel, higher insurance premiums and a once-off regulatory item in 2023.
- Professional fees decreased by **9%** (CCY 10%) to **R1 215m** mainly reflecting a reduction in the use of external resources on strategic projects.
- Property costs increased by **4%** (CCY 2%) to **R930m** benefitting from ongoing optimisation of corporate and retail properties.
- Staff costs increased by **12%** (CCY 10%) to **R14 710m** (June 2022: R13 165m). Salaries and Other staff costs of **R12 720m** increased by **13%** (CCY 11%) from salary increases and people investments mainly in frontline business areas. Bonuses of **R1 282m** (June 2022: R1 315m) decreased by **3%** (CCY 4%) whilst Deferred cash and share-based payments of **R438m** (June 2022: R397m) increased by **10%** (CCY 9%).
- Telephone and postage costs increased by **4%** (CCY 2%) to **R593m** reflecting contained growth on postage and other communication costs.

6. Indirect taxation

	30 June			31 December
	2023 Rm	2022 Rm	Change %	2022 Rm
Training levy	**165**	127	30	232
Value-added tax net of input credits	**894**	793	13	1 617
	1 059	920	15	1 849

Value-added tax net of input credits has been restated due to the implementation of IFRS 17.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**16 891**	16 332	3	31 414
Share of post-tax results of associates and joint ventures	**(82)**	(42)	95	(137)
	16 809	16 290	3	31 277
Tax calculated at a tax rate of 27%	**4 538**	4 561	(1)	8 758
Effect of different tax rates in other countries	**103**	144	(28)	384
Expenses not deductible for tax purposes	**576**	329	75	370
Assessed losses	**23**	11	>100	126
Dividend income	**(602)**	(349)	72	(952)
Non-taxable interest	**(488)**	(319)	53	(672)
Other income not subject to tax	**(6)**	(34)	(82)	(35)
Other	**158**	144	10	207
Effect of tax rate changes	**—**	38	(100)	129
Items of a capital nature	**(3)**	14	<(100)	(74)
	4 299	4 539	(5)	8 241

Expenses not deductible for tax purposes includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.

Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.

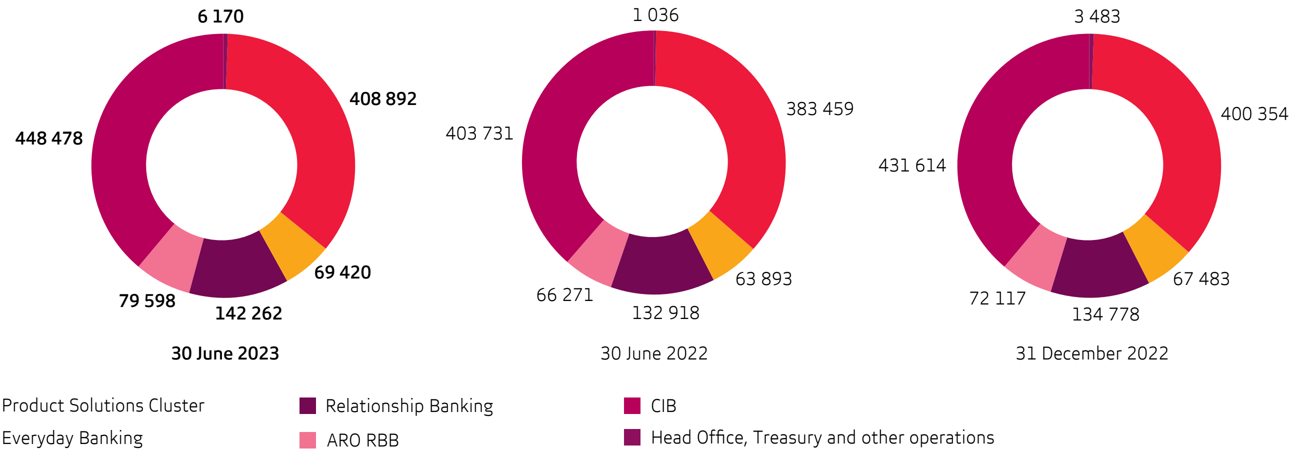
During the budget speech presented on 23 February 2022, the finance minister announced that the South African corporate tax rate will be reduced from 28% to 27%, effective for tax assessment years ending after 31 March 2023. This change was substantively enacted at the balance sheet date and has therefore been reflected in the measurement of the Group’s deferred tax balances at 31 December 2022.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances

Loans and advances to customers by segment (Rm)



	30 June 2023 %	30 June 2022 %	31 December 2022 %
Loans and advances to customers	**92.4**	90.6	91.5
Product Solutions Cluster	**32.7**	33.0	33.0
Everyday Banking	**5.6**	5.5	5.6
Relationship Banking	**11.4**	11.5	11.1
ARO RBB	**6.4**	5.7	5.9
CIB	**35.8**	34.8	35.6
Head Office, Treasury and other operations	**0.5**	0.1	0.3
Loans and advances to banks	**7.6**	9.4	8.5
	100.0	100.0	100.0

Loans and advances to customers by segment	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 %
Product Solutions Cluster				
Instalment credit agreements	**91 208**	83 728	9	87 333
Loans to associates and joint ventures	**20 917**	21 141	(1)	20 594
Mortgages	**302 574**	284 914	6	297 093
Other loans and advances	**5 887**	3 532	67	5 505
Overdrafts	**3 866**	4 004	(3)	3 887
Gross loans and advances to customers	**424 452**	397 319	7	414 412
Credit impairment charges on loans and advances to customers	**(15 560)**	(13 860)	12	(14 058)
	408 892	383 459	7	400 354
Everyday Banking				
Credit cards	**52 235**	47 121	11	49 707
Instalment credit agreements	**7**	6	17	6
Other loans and advances	**4**	5	(20)	5
Overdrafts	**4 224**	3 668	15	3 927
Personal and term loans	**29 200**	26 287	11	27 987
Gross loans and advances to customers	**85 670**	77 087	11	81 632
Impairment losses on loans and advances to customers	**(16 250)**	(13 194)	23	(14 149)
	69 420	63 893	9	67 483

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances (continued)

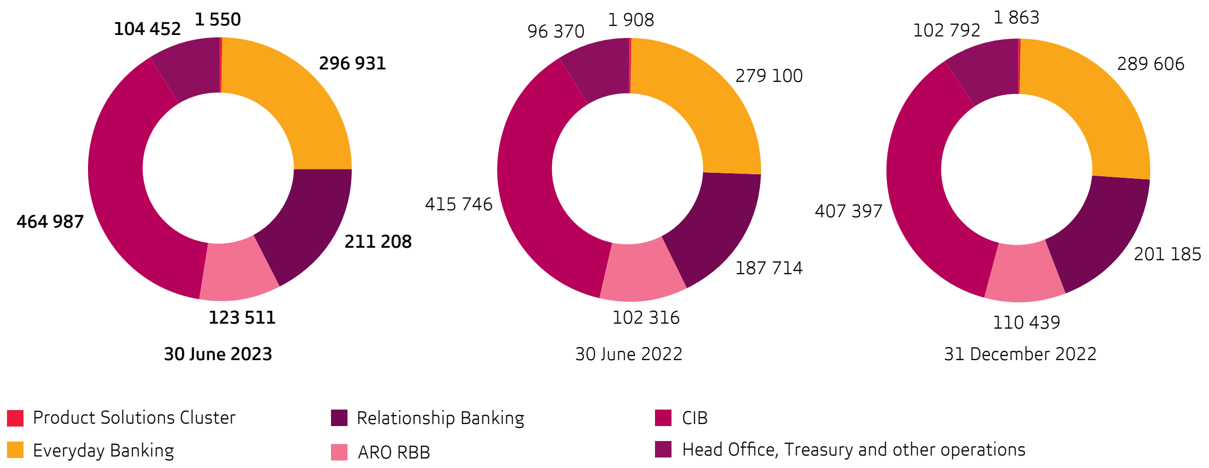
Loans and advances to customers by segment (continued)	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Relationship Banking				
Credit cards	**959**	949	1	922
Instalment credit agreements	**38 762**	34 525	12	35 328
Loans to associates and joint ventures	**3 126**	3 023	3	3 055
Mortgages	**26 856**	27 154	(1)	26 767
Other loans and advances	**928**	790	17	996
Overdrafts	**28 107**	28 091	0	28 159
Personal and term loans	**48 591**	43 548	12	44 378
Gross loans and advances to customers	**147 329**	138 080	7	139 605
Credit impairment charges on loans and advances to customers	**(5 067)**	(5 162)	(2)	(4 827)
	142 262	132 918	7	134 778
ARO RBB				
Gross loans and advances to customers	**85 947**	71 698	20	77 938
Credit impairment charges on loans and advances to customers	**(6 349)**	(5 427)	17	(5 821)
	79 598	66 271	20	72 117
CIB				
CIB SA	**371 731**	343 922	8	366 055
Foreign currency loans	**56 979**	41 300	38	54 476
Mortgages	**60 177**	53 458	13	56 753
Term loans	**122 062**	117 633	4	133 080
Overdrafts	**14 592**	15 825	(8)	15 762
Overnight finance	**25 656**	22 131	16	23 010
Preference shares	**31 219**	30 372	3	30 200
Reverse repurchase agreements	**48 615**	50 605	(4)	41 948
Other loans and advances	**12 431**	12 598	(1)	10 826
ARO loans and advances	**82 792**	65 365	27	71 832
Gross loans and advances to customers	**454 523**	409 287	11	437 887
Credit impairment charges on loans and advances to customers	**(6 045)**	(5 556)	9	(6 273)
	448 478	403 731	11	431 614
Head Office, Treasury and other operations				
Gross loans and advances to customers	**5 859**	754	>100	3 165
Credit impairment charges on loans and advances to customers	**311**	282	10	318
	6 170	1 036	>100	3 483
Total loans and advances				
Gross loans and advances to customers	**1 203 780**	1 094 225	10	1 154 639
Gross loans and advances to banks	**95 803**	109 069	(12)	103 649
Gross loans and advances	**1 299 583**	1 203 294	8	1 258 288
Credit impairment charges on loans and advances	**(49 021)**	(43 013)	14	(44 889)
Credit impairment charges on loans and advances to customers	**(48 960)**	(42 917)	14	(44 810)
Credit impairment charges on loans and advances to banks	**(61)**	(96)	(36)	(79)
Net loans and advances including reverse repurchase agreements	**1 250 562**	1 160 281	8	1 213 399
Less: Reverse repurchase agreements	**(87 984)**	(93 999)	(6)	(41 948)
Net loans and advances excluding reverse repurchase agreements	**1 162 578**	1 066 282	9	1 171 451

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits

Deposits due to customers by segment (Rm)



Total funding mix	30 June 2023 %	30 June 2022 %	31 December 2022 %
Deposits due to customers	**78.3**	78.2	76.9
Product Solutions Cluster	**0.1**	0.1	0.1
Everyday Banking	**19.3**	20.1	20.0
Relationship Banking	**13.7**	13.8	13.9
ARO RBB	**8.0**	7.4	7.6
CIB	**30.3**	29.9	28.1
Head Office, Treasury and other operations	**6.9**	6.9	7.2
Deposits from banks	**7.8**	9.2	8.9
Debt securities in issue	**13.9**	12.6	14.2
	100.0	100.0	100.0

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits (continued)

Deposits by segment	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Product Solutions Cluster	**1 550**	1 908	(19)	1 863
Cheque account deposits	**1 504**	1 652	(9)	1 605
Fixed deposits	**4**	1	>100	2
Other deposits	**42**	255	(84)	256
Everyday Banking	**296 931**	279 100	6	289 606
Call deposits	**247**	238	4	235
Cheque account deposits	**36 629**	36 752	(0)	36 609
Credit card deposits	**1 920**	1 965	(2)	2 032
Fixed deposits	**79 355**	71 443	11	75 244
Foreign currency deposits	**945**	932	1	884
Notice deposits	**28 338**	30 547	(7)	29 499
Other deposits	**104**	102	2	100
Saving and transmission deposits	**149 393**	137 121	9	145 003
Relationship Banking	**211 208**	187 714	11	201 185
Call deposits	**14 228**	14 042	1	14 559
Cheque account deposits	**74 276**	74 950	(1)	75 295
Credit card deposits	**127**	91	40	110
Fixed deposits	**30 126**	22 784	32	24 821
Foreign currency deposits	**660**	288	>100	789
Notice deposits	**6 456**	4 543	42	5 447
Other deposits	**11**	61	(82)	11
Saving and transmission deposits	**85 324**	72 956	17	80 153
ARO RBB	**123 511**	102 316	21	110 439
CIB	**464 987**	415 746	12	407 397
CIB SA deposits	**358 630**	335 711	7	318 883
Call deposits	**40 440**	54 514	(26)	46 155
Cheque account deposits	**130 997**	130 092	1	127 803
Fixed deposits	**88 458**	60 895	45	67 002
Foreign currency deposits	**41 246**	39 711	4	32 089
Notice deposits	**18 108**	18 428	(2)	14 647
Other deposits	**630**	614	3	504
Repurchase agreements	**26 075**	20 405	28	19 071
Saving and transmission deposits	**12 676**	11 052	15	11 612
CIB ARO deposits	**106 357**	80 034	33	88 514
Head Office, Treasury and other operations	**104 452**	96 370	8	102 791
Total deposits due to customers including repurchase agreements	**1 202 639**	1 085 155	11	1 113 281
Total deposits from banks including repurchase agreements	**121 107**	128 354	(6)	128 637
Total deposits including repurchase agreements	**1 323 746**	1 213 509	9	1 241 918
Less: Repurchase agreements	**(75 074)**	(105 473)	(29)	(88 225)
Total deposits excluding repurchase agreements	**1 248 672**	1 108 036	13	1 153 693

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

10. Debt securities in issue

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Commercial paper	**1 886**	1 750	8	4 802
Credit-linked notes	**20 116**	19 398	4	19 734
Floating rate notes	**42 640**	47 730	(11)	51 722
Negotiable certificates of deposit	**99 418**	67 908	46	88 429
Other	**1 349**	1 971	(32)	2 121
Promissory notes	**1 182**	2	>100	2
Senior notes	**46 539**	36 010	29	38 608
Structured notes and bonds	**3**	102	(97)	101
	213 133	174 871	22	205 519
Segment split				
CIB	**23 260**	23 135	1	26 669
ARO RBB	**95**	85	12	88
Head Office, Treasury and other operations	**189 778**	151 651	25	178 762
	213 133	174 871	22	205 519

11. Equity and borrowed funds

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Authorised				
891 774 054 (30 June 2022: 891 774 054 31 December 2022: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—	1 784
Issued				
847 750 679 (30 June 2022: 847 750 679 31 December 2022: 847 750 679) ordinary shares of R2.00	**1 712**	1 696	1	1 696
2 204 654 (30 June 2022 :1 203 261 31 December 2022 :4 344 343) treasury shares held by Group entities	**(4)**	(3)	33	(10)
	1 708	1 693	1	1 686
Total issued capital				
Share capital	**1 708**	1 693	1	1 686
Share premium	**4 056**	4 167	(3)	3 636
	5 764	5 860	(2)	5 322

Number of ordinary shares in issue (after deductions of treasury shares)	30 June 2023 Number of shares (million)	30 June 2022 Number of shares (million)	Change %	31 December 2022 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(2.2)**	(1.2)	83	(4.3)
	845.6	846.6	(0)	843.5

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds (continued)

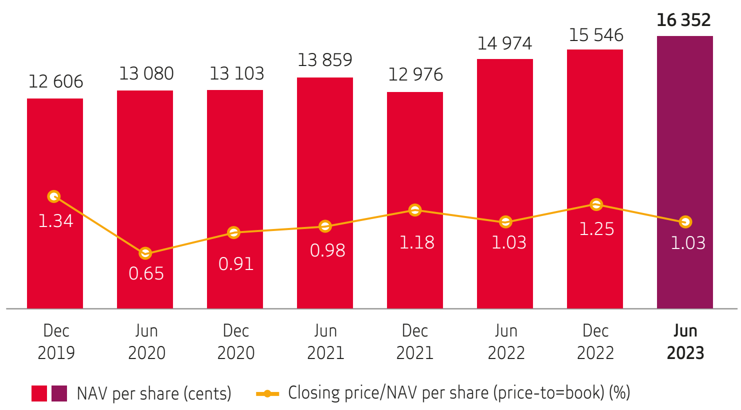
Borrowed funds		30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Subordinated callable notes issued by Absa Bank Limited					
Interest rate	**Final maturity date**				
Consumer Price Index link note fixed at 5.50%	7 December 2028	**1 500**	1 500	—	1 500
Subordinated callable notes issued by Absa Group Limited					—
11.81%	3 September 2027	**—**	737	(100)	—
Three-months JIBAR + 3.60%	3 September 2027	**—**	30	(100)	—
Three-months JIBAR + 3.15%	30 September 2027	**—**	295	(100)	—
Three-month JIBAR + 2.10%	16 September 2032	**1 916**	—	100	1 916
Three-months JIBAR + 2.13%	17 May 2030	**2 676**	2 676	—	2 676
Three-months JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—	1 580
Three-months JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—	1 500
Three-months JIBAR + 3.85%	14 August 2029	**390**	390	—	390
Three-months JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—	1 014
Foreign currency denominated notes					—
USD 6.25%	25 April 2028	**—**	4 952	(100)	4 952
USD 6.375%	n/a	**6 866**	6 866	—	6 866
Subordinated callable notes issued by other subsidiaries					—
Bank of Botswana limit rate + 2.25%	14 November 2028	**145**	136	7	136
Other					
Accrued interest		**1 489**	1 275	17	1 401
Fair value adjustments		**(966)**	(681)	42	(940)
Foreign exchange movements		**2 475**	2 970	(17)	3 429
		20 585	25 240	(18)	26 420

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

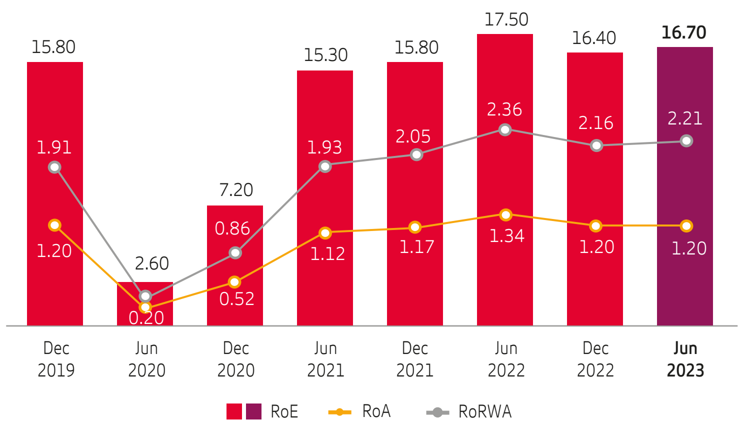
11. Equity and borrowed funds (continued)

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



12. Returns

RoE, RoA and RoRWA (%)

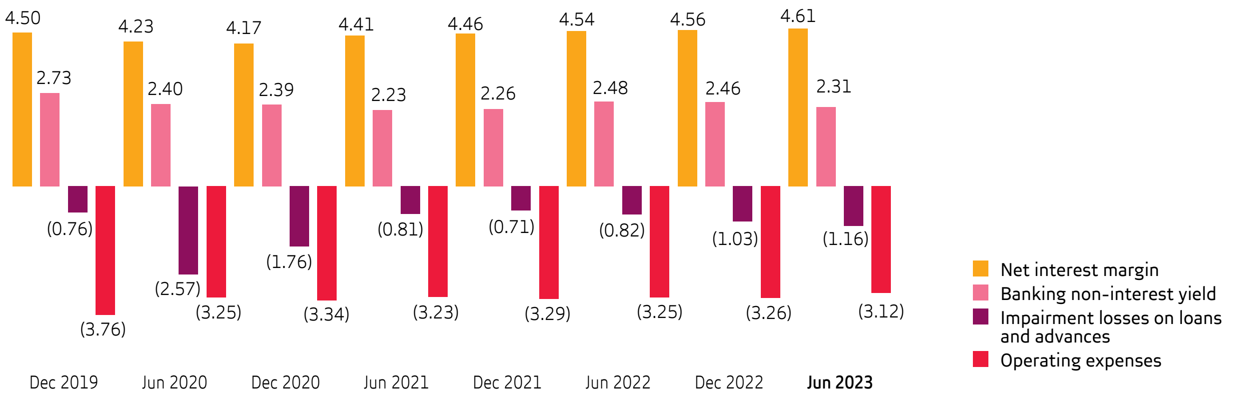


Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

13. RoE decomposition

Major drivers of RoE (%)



		30 June 2023 %	30 June 2022 %	31 December 2022 %
	Net interest margin on average interest-bearing assets	**4.61**	4.54	4.56
Less:	Credit impairment charges/average interest-bearing assets	**1.16**	0.82	1.03
Equals:	Net interest margin on average interest-bearing assets – after credit impairment charges	**3.45**	3.72	3.53
Multiply:	Average interest-bearing assets/average banking assets	**86.04**	84.74	84.93
Equals:	Banking interest yield	**2.96**	3.15	3.00
Plus:	Banking non-interest yield	**2.31**	2.48	2.46
Equals:	Banking income yield	**5.28**	5.63	5.46
Less:	Operating expenses/average banking assets	**3.12**	3.25	3.26
Equals:	Net banking return	**2.15**	2.38	2.20
Less:	Other[1]	**0.82**	0.90	0.85
Equals:	Banking return	**1.34**	1.48	1.35
Multiply:	Average banking assets/total average assets	**89.46**	91.71	90.92
Equals:	RoA	**1.20**	1.34	1.20
Multiply:	Leverage	**13.92**	13.06	13.67
Equals:	RoE	**16.70**	17.50	16.40

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

14. 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	**—**	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 443 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.

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.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

14. Contingencies, commitments and similar items (continued)

Regulatory developments

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

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

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

Income taxes

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

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

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

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

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 aforementioned 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 aforementioned 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.

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 aforementioned 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 aforementioned restatements on the Statement of financial position and Statement of cash flows are 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
Net cash generated from operating activities	6 905	3 655	(3 630)	(3 630)	6 500

15.2.2 Trading and Hedging portfolio assets and liabilities and debt securities

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 aforementioned 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.

15.3 Changes to reportable segments and business portfolio

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).

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.

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolio (continued)

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.

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	32 497	—	(32 497)	—	—
Product Solutions Cluster	n/a	90	6 753	(604)	6 239
Everyday Banking	n/a	310	12 315	(17)	12 608
Relationship Banking	n/a	222	6 828	—	7 050
ARO RBB	n/a	(152)	6 603	50	6 501
CIB	12 461	374	—	—	12 835
Head Office, Treasury and other operations	1 988	(844)	—	6	1 149

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)	(2 813)	314	(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)	(4 565)	57	(4 511)
CIB	(5 767)	(67)	—	—	(5 834)
Head Office, Treasury and other operations	(34)	151	—	—	115

c. Loans and advances in RBB had been reallocated to the Product Solutions Cluster, Everyday Banking and Relationship Banking business units as follows:

	30 June 2022				
	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	IFRS 17 adjustments Rm	Restated Rm
Total Loans and advances					
RBB	660 596	—	(660 596)	—	—
Product Solutions Cluster	n/a	—	385 112	(13)	385 099
Everyday Banking	n/a	—	74 954	—	74 954
Relationship Banking	n/a	—	133 899	—	133 899
ARO RBB	n/a	—	66 631	—	66 631
CIB	482 026	—	—	—	482 026
Head Office, Treasury and other operations	17 659	—	—	13	17 672

Performance indicators and normalised notes to the consolidated financial statements

for the reporting period ended

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolio (continued)

IFRS 17 adjustments (continued)

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

	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)	59 920	11 671	71 588
Everyday Banking	n/a	1 754	290 282	4	293 217
Relationship Banking	n/a	1 075	107 423	295	108 792
ARO RBB	n/a	—	52 800	(161)	52 639
CIB	539 706	(2 414)	—	—	537 292
Head Office, Treasury and other operations	(658 303)	(413)	—	(152)	(658 869)
Other liabilities					
RBB	620 126	—	(620 126)	—	—
Product Solutions Cluster	n/a	722	459 366	11 633	471 705
Everyday Banking	n/a	(91)	86 707	(45)	87 734
Relationship Banking	n/a	339	55 655	295	56 289
ARO RBB	n/a	380	18 397	(437)	18 341
CIB	535 991	(3 486)	—	—	532 504
Head Office, Treasury and other operations	930 011)	2 137	—	(148)	(928 020)

Statement of financial position

	30 June 2022		
	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)

Segment performance

Segment performance overview

for the reporting period ended

Segment reporting structure

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

Absa Group Limited

Operating model change

RBB (as previously reported)
- Home Loans
- Vehicle and Asset Finance
- Everyday Banking
- Relationship Banking
- Insurance SA
- RBB Other – SA
- RBB ARO*

Product Solutions Cluster
- Home Loans
- Vehicle and Asset Finance
- Insurance SA
  - Life Insurance
  - Non-Life Insurance
- Non-banking Financial Services

Everyday Banking
- Personal Loans
- Credit Card
- Transactions and Deposits
- Everyday Banking Other (includes Physical Channels)

Relationship Banking
- Business Bank
- Wealth
- Commercial Asset Finance

ARO RBB
- ARO RBB Banking
- ARO Insurance

CIB

Corporate Bank
- Corporate Bank SA
- Corporate Bank ARO

Investment Bank
- Investment Bank SA
  - Markets
  - Banking
  - Private Equity and Infrastructure Investments
  - Commercial Property Finance
- Investment Bank ARO
  - Markets
  - Banking
  - Commercial Property Finance

Head Office, Treasury and other operations
- Group Treasury (SA + ARO)
- Enterprise Functions
- Consolidation Centre
- Investment Management
- Terminating Lines

Barclays separation effects
- Financial impact of the Barclays PLC separation to differentiate between normal business activities and the IFRS impact of the separation

--- Normalised — IFRS

* ARO Insurance disclosed as part of RBB ARO

Segment performance overview

for the reporting period ended

Operational metrics

	30 June 2023	30 June 2022	Change %	31 December 2022
Market share				
SA Retail Deposits market share (%)[2]	**20.8**	21.8	(1)	21.4
SA Retail Advances market share (%)[2]	**22.5**	22.1	0.4	22.3
Physical footprint				
South Africa				
Outlets (including number of branches and sales centres)	**619**	619	0	621
ATMs	**5 376**	6 297	(15)	5 364
Absa Regional Operations				
Outlets (including number of branches and sales centres)	**380**	373	2	377
ATMs	**1 073**	1 063	1	1 052
Retail Product Holding				
South Africa (average number)	**2.61**	2.61	0	2,67
Absa Regional Operations (average number)	**1.62**	1.69	(4)	1.69
Customer numbers				
South Africa				
Customer number (millions)	**9.8**	9.6	2	9.7
Digitally active customers (millions)	**2.8**	2.6	8	2.7
Absa Regional Operations				
Active customer numbers	**2.0**	1.7	16	1.7
Digitally active customers (millions)	**0.7**	0.6	16	0.7
Number of permanent and temporary employees	**36 706**	35 074	5	35 451
South Africa (excludes WFS employees)	**26 887**	25 610	5	25 719
Absa Regional Operations	**9 626**	9 296	4	9 556
International operations outside Africa	**193**	168	15	176

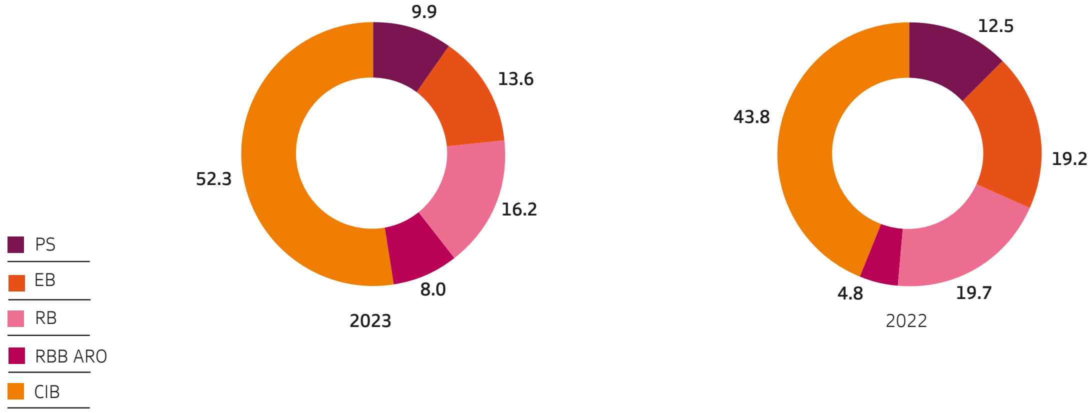
Source: BA900, May 2023 numbers have been included as June 2023 was not available upon finalisation of the results.
Absa regional operations customer numbers are calculated based on active customer numbers and not total customers.
Headcount as disclosed is in relation to the Group's international offices in the United States, the United Kingdom and the Czech Republic.
Prior year figures have been restated.

Segment performance overview

for the reporting period ended

Performance per market segment

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



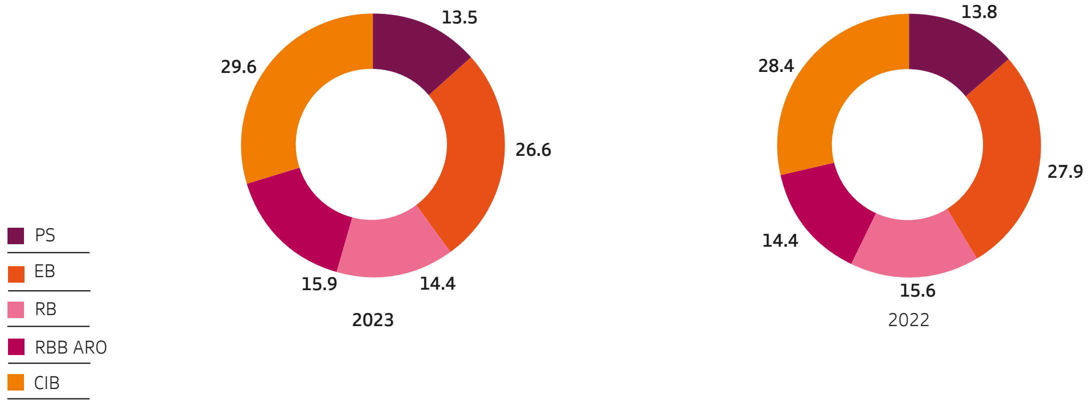
Headline earnings	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Product Solutions Cluster	**1 124**	1 289	(13)	3 230
Everyday Banking	**1 547**	1 968	(21)	4 087
Relationship Banking	**1 833**	2 023	(9)	4 024
ARO RBB	**905**	491	84	1 093
CIB	**5 926**	4 500	32	8 977
Head Office, Treasury and other operations	**(176)**	617	<(100)	(684)
	11 159	10 888	2	20 727

Segment performance overview

for the reporting period ended

Performance per market segment

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



Income	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Product Solutions Cluster	**6 957**	6 239	12	13 187
Everyday Banking	**13 727**	12 608	9	26 434
Relationship Banking	**7 433**	7 050	5	14 442
ARO RBB	**8 176**	6 501	26	13 750
CIB	**15 241**	12 835	19	26 783
Head Office, Treasury and other operations	**773**	1 147	(33)	2 955
	52 307	46 380	13	97 551

This page has been left blank intentionally

Segment report per market segment

for the reporting period ended

	Product Solutions Cluster				Everyday Banking			
	30 June			31 December	30 June			31 December
	2023	2022	Change %	2022	2023	2022	Change %	2022
Statement of comprehensive income (Rm)								
Net interest income	**4 674**	4 374	7	9 154	**7 791**	6 822	14	14 373
Non-interest income	**2 283**	1 865	22	4 033	**5 936**	5 786	3	12 061
Total income	**6 957**	6 239	12	13 187	**13 727**	12 608	9	26 434
Credit impairment charges	**(2 309)**	(1 447)	60	(2 586)	**(4 259)**	(2 628)	62	(5 775)
Operating expenses	**(2 932)**	(2 834)	3	(5 794)	**(6 953)**	(6 805)	2	(13 916)
Other expenses	**(22)**	(43)	(49)	(119)	**(239)**	(221)	8	(576)
Operating profit before income tax	**1 694**	1 915	(12)	4 688	**2 276**	2 954	(23)	6 167
Tax expense	**(424)**	(520)	(18)	(1 269)	**(594)**	(841)	(29)	(1 834)
Profit for the reporting period	**1 270**	1 395	(9)	3 419	**1 682**	2 113	(20)	4 333
Profit attributable to:								
Ordinary equity holders	**1 123**	1 288	(13)	3 204	**1 540**	1 964	(22)	4 058
Non-controlling interest – ordinary shares	**—**	—	—	—	**41**	86	(52)	138
Non-controlling interest – preference shares	**43**	30	43	65	**30**	18	67	42
Other equity: Additional Tier 1 capital	**104**	77	35	150	**71**	45	58	95
	1 270	1 395	(9)	3 419	**1 682**	2 113	(20)	4 333
Headline earnings	**1 124**	1 289	(13)	3 230	**1 547**	1 968	(21)	4 087
Operating performance (%)								
Net interest margin on average interest-bearing assets	**2.13**	2.17		2.19	**4.14**	3.91		3.97
Credit loss ratio	**1.11**	0.75		0.65	**9.22**	5.97		6.45
Non-interest income as % of income	**32.8**	29.9		30.6	**43.2**	45.9		45.6
Income growth	**12**	21		15	**9**	8		10
Operating expenses growth	**3**	(2)		(2)	**2**	6		5
Cost-to-income ratio	**42.1**	45.4		43.9	**50.7**	54.0		52.6
Statement of financial position (Rm)								
Loans and advances	**410 692**	385 099	7	402 351	**76 356**	74 954	2	76 523
Loans and advances to customers	**408 892**	383 459	7	400 354	**69 420**	63 893	9	67 483
Loans and advances to banks	**1 800**	1 640	10	1 997	**6 936**	11 061	(37)	9 040
Investment securities	**26 919**	23 551	14	26 718	**3 951**	3 735	6	3 901
Other assets	**70 743**	71 588	(1)	71 701	**315 953**	293 217	8	310 862
Total assets	**508 354**	480 238	6	500 770	**396 260**	371 906	7	391 286
Deposits	**1 550**	1 908	(19)	1 863	**296 931**	279 100	6	289 606
Deposits due to customers	**1 550**	1 908	(19)	1 863	**296 931**	279 100	6	289 606
Deposits due to banks	**—**	—	—	—	**—**	—	—	—
Debt securities in issue	**—**	—	—	—	**—**	—	—	—
Other liabilities	**498 196**	471 705	6	489 319	**96 080**	87 734	10	95 957
Total liabilities	**499 746**	473 613	6	491 182	**393 011**	366 834	7	385 563
Financial performance (%)								
RoRWA	**1.36**	1.55		1.89	**2.81**	3.77		3.80
RoA	**0.45**	0.55		0.67	**0.83**	1.12		1.13
RoRC	**9.7**	12.2		14.9	**23.0**	31.9		31.9

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

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

Relationship Banking				ARO RBB					CIB				
			31 December					31 December					31 December
2023	2022	Change %	2022	2023	2022	CCY %	Change %	2022	2023	2022	CCY %	Change %	2022
4 886	4 525	8	9 337	**5 762**	4 484	24	29	9 713	**9 246**	7 642	19	21	16 458
2 547	2 525	1	5 105	**2 414**	2 017	15	20	4 037	**5 995**	5 193	13	15	10 325
7 433	7 050	5	14 442	**8 176**	6 501	21	26	13 750	**15 241**	12 835	17	19	26 783
(488)	(231)	>100	(618)	**(684)**	(572)	19	20	(1 182)	**(379)**	(297)	40	28	(1 378)
(4 288)	(3 892)	10	(7 933)	**(5 315)**	(4 511)	12	18	(9 645)	**(6 493)**	(5 834)	9	11	(12 508)
(25)	(2)	>100	(30)	**(261)**	(241)	2	8	(425)	**(168)**	(139)	19	21	(281)
2 632	2 925	(10)	5 861	**1 916**	1 177	61	63	2 498	**8 201**	6 565	23	25	12 616
(683)	(809)	(16)	(1 661)	**(650)**	(370)	72	76	(814)	**(1 731)**	(1 665)	1	4	(2 815)
1 949	2 116	(8)	4 200	**1 266**	807	56	57	1 684	**6 470**	4 900	30	32	9 801
1 833	2 023	(9)	4 018	**904**	494	82	83	1 061	**5 925**	4 501	30	32	8 965
—	—	—	—	**362**	313	16	16	623	**309**	235	32	31	495
33	27	22	56	**—**	—	—	—	—	**68**	48	42	42	103
83	66	26	126	**—**	—	—	—	—	**168**	116	43	45	238
1 949	2 116	(8)	4 200	**1 266**	807	56	57	1 684	**6 470**	4 900	30	32	9 801
1 833	2 023	(9)	4 024	**905**	491	83	84	1 093	**5 926**	4 500	30	32	8 977
3.86	3.88		3.81	**9.45**	8.75			8.89	**2.65**	2.50			2.52
0.68	0.35		0.45	**1.69**	1.70			1.64	**0.16**	0.13			0.27
34.3	35.8		35.3	**29.5**	31.0			29.4	**39.3**	40.5			38.6
5	4		5	**26**	19			18	**19**	7			12
10	5		6	**18**	9			13	**11**	8			12
57.7	55.2		54.9	**65.0**	69.4			70.1	**42.6**	45.5			46.7
143 978	133 899	8	136 091	**80 186**	66 631	16	20	72 476	**503 317**	482 026	4	4	513 942
142 262	132 918	7	134 778	**79 598**	66 271	16	20	72 117	**448 478**	403 731	10	11	431 614
1 716	981	75	1 313	**588**	360	59	63	359	**54 839**	78 295	(31)	(30)	82 328
7 010	6 292	11	6 590	**1 769**	1 364	30	30	1 518	**46 143**	43 380	6	6	47 252
120 647	108 792	11	124 116	**63 459**	52 639	15	21	56 992	**570 858**	537 292	5	6	513 409
271 635	248 983	9	266 797	**145 414**	120 634	16	21	130 986	**1 120 318**	1 062 698	5	5	1 074 603
211 214	189 719	11	201 191	**123 534**	102 346	16	21	110 714	**547 954**	501 796	8	9	499 609
211 208	189 714	11	201 185	**123 511**	102 316	16	21	110 439	**464 987**	415 746	10	12	407 397
6	5	20	6	**23**	30	(34)	(23)	275	**82 967**	86 050	(3)	(4)	92 212
—	—	—	—	**95**	85	0	12	88	**23 260**	23 135	1	1	26 669
58 023	56 289	3	61 210	**17 815**	18 340	(6)	(3)	19 605	**540 188**	532 504	1	1	540 231
269 237	246 008	9	262 401	**141 444**	120 771	13	17	130 407	**1 111 402**	1 057 435	4	5	1 066 509
2.70	3.11		3.08	**1.76**	1.14			1.18	**3.12**	2.61			2.49
1.39	1.65		1.57	**1.32**	0.86			0.90	**1.09**	0.94			0.88
23.8	27.5		27.2	**13.9**	10.0			10.5	**26.5**	22.4			21. 4

Segment report per market segment

for the reporting period ended

	Head office, Treasury and other operations					Normalised Group Performance				
					31 December					31 December
	2023	2022	CCY %	Change %	2022	2023	2022	CCY %	Change %	2022
Statement of comprehensive income (Rm)										
Net interest income	**652**	713	(8)	(9)	1 405	**33 011**	28 560	14	16	60 440
Non-interest income	**121**	434	(79)	(72)	1 550	**19 296**	17 820	7	8	37 111
Total income	**773**	1 147	(35)	(33)	2 955	**52 307**	46 380	12	13	97 551
Credit impairment charges	**(161)**	(1)	>100	>100	(2 164)	**(8 280)**	(5 176)	61	60	(13 703)
Operating expenses	**(82)**	115	<(100)	<(100)	(335)	**(26 063)**	(23 761)	8	10	(50 131)
Other expenses	**(358)**	(465)	(23)	(23)	(872)	**(1 073)**	(1 111)	(5)	(3)	(2 303)
Operating profit before income tax	**172**	796	(79)	(78)	(416)	**16 891**	16 332	2	3	31 414
Tax expense	**(217)**	(334)	(16)	(35)	152	**(4 299)**	(4 539)	(6)	(5)	(8 241)
Profit for the reporting period	**(45)**	462	<(100)	<(100)	(264)	**12 592**	11 793	6	7	23 173
Profit attributable to:										
Ordinary equity holders	**(88)**	470	<(100)	<(100)	(290)	**11 237**	10 740	3	5	21 016
Non-controlling interest – ordinary shares	**43**	(9)	<(100)	>100	26	**755**	625	21	21	1 282
Non-controlling interest – preference shares	**—**	—	100	—	—	**174**	123	41	41	266
Other equity: Additional Tier 1 capital	**—**	1	>100	(100)	—	**426**	305	40	40	609
	(45)	462	<(100)	<(100)	(264)	**12 592**	11 793	6	7	23 173
Headline earnings	**(176)**	617	<(100)	<(100)	(684)	**11 159**	10 888	1	2	20 727
Operating performance (%)										
Net interest margin on average interest-bearing assets	**n/a**	n/a			n/a	**4.61**	4.54			4.56
Credit loss ratio	**n/a**	n/a			n/a	**1.27**	0.91			0.96
Non-interest income as % of income	**n/a**	n/a			n/a	**36.9**	38.4			38.0
Income growth	**n/a**	n/a			n/a	**13**	13			14
Operating expenses growth	**n/a**	n/a			n/a	**10**	5			6
Cost-to-income ratio	**n/a**	n/a			n/a	**49.8**	51.2			51.4
Statement of financial position (Rm)										
Loans and advances	**36 033**	17 672	96	>100	12 016	**1 250 562**	1 160 281	7	8	1 213 399
Loans and advances to customers	**6 170**	1 036	>100	>100	3 483	**1 154 820**	1 051 308	9	10	1 109 829
Loans and advances to banks	**29 863**	16 636	71	80	8 533	**95 742**	108 973	(14)	(12)	103 570
Investment securities	**144 431**	128 287	9	13	129 658	**230 223**	206 609	9	11	215 637
Other assets	**(725 881)**	(658 869)	10	10	(701 453)	**415 779**	404 659	2	3	375 627
Total assets	**(545 417)**	(512 910)	7	6	(559 779)	**1 896 564**	1 771 549	6	7	1 804 663
Deposits	**142 563**	138 640	1	3	138 935	**1 323 746**	1 213 509	8	9	1 241 918
Deposits due to customers	**104 452**	96 371	8	8	102 791	**1 202 639**	1 085 155	10	11	1 113 281
Deposits due to banks	**38 111**	42 269	(16)	(10)	36 144	**121 107**	128 354	(8)	(6)	128 637
Debt securities in issue	**189 778**	151 651	25	25	178 762	**213 133**	174 871	22	22	205 519
Other liabilities	**(1 008 000)**	(928 020)	9	9	(999 054)	**202 302**	238 552	(16)	(15)	207 268
Total liabilities	**(675 659)**	(637 729)	6	6	(681 357)	**1 739 181**	1 626 932	6	7	1 654 705
Financial performance (%)										
RoRWA	**n/a**	n/a			n/a	**2.21**	2.36			2.19
RoA	**n/a**	n/a			n/a	**1.20**	1.34			1.20
RoRC	**n/a**	n/a			n/a	**n/a**	n/a			n/a

This page has been left blank intentionally

Segment report per geographical segment

for the reporting period ended

	South Africa[1]			
	30 June			31 December
	2023	2022	Change %	2022
Statement of comprehensive income (Rm)				
Net interest income	**22 946**	21 075	9	43 965
Non-interest income	**13 968**	13 994	(0)	29 045
Total income	**36 914**	35 069	5	73 010
Credit impairment charges	**(7 509)**	(4 468)	68	(9 466)
Operating expenses	**(18 333)**	(17 129)	7	(36 134)
Other expenses	**(756)**	(814)	(7)	(1 780)
Operating profit before income tax	**10 316**	12 658	(19)	25 630
Tax expenses	**(2 094)**	(3 265)	(36)	(6 301)
Profit for the reporting period	**8 222**	9 393	(12)	19 329
Profit attributable to:				
Ordinary equity holders	**7 582**	8 879	(15)	18 315
Non-controlling interest – ordinary shares	**40**	86	(53)	138
Non-controlling interest – preference shares	**174**	123	41	266
Other equity: Additional Tier 1 capital	**426**	305	40	609
	8 222	9 393	(12)	19 328
Headline earnings	**7 503**	9 029	(17)	17 982
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.98**	4.09		3.63
Credit loss ratio	**1.38**	0.91		0.92
Non-interest income as % of income	**37.8**	39.9		39.8
Income growth	**5**	11		11
Cost growth	**7**	3		3
Cost-to-income ratio	**49.7**	48.8		49.5
Statement of financial position (Rm)				
Loans and advances	**1 064 403**	1007 907	6	1043 465
Loans and advances to customers	**995 394**	922 164	8	968 914
Loans and advances to banks	**69 009**	85 743	(20)	74 551
Investment securities	**153 427**	127 967	20	135 957
Other assets	**336 550**	349 194	(4)	315 548
Total assets	**1 554 380**	1 485 068	5	1 494 970
Deposits	**1 059 686**	1 001 132	6	1 003 941
Deposits due to customers	**966 369**	897 542	8	908 272
Deposits due to banks	**93 317**	103 590	(10)	95 669
Debt securities in issue	**209 844**	171 957	22	202 511
Other liabilities	**159 926**	191 843	(17)	163 324
Total liabilities	**1 429 456**	1 364 932	5	1 369 776
Financial performance (%)				
RoRWA	**2.19**	2.73		2.65
RoA	**0.98**	1.39		1.31
RoRC	**16.6**	21.4		20.7

Africa regions[1]					Normalised Group performance				
30 June				31 December	30 June				31 December
2023	2022	CCY %	Change %	2022	2023	2022	CCY %	Change %	2022
10 065	7 485	30	34	16 475	**33 011**	28 560	14	16	60 440
5 328	3 826	33	39	8 066	**19 296**	17 820	7	8	37 111
15 393	11 311	31	36	24 541	**52 307**	46 380	12	13	97 551
(771)	(708)	14	9	(4 237)	**(8 280)**	(5 176)	61	60	(13 703)
(7 730)	(6 632)	11	17	(13 997)	**(26 063)**	(23 761)	8	10	(50 131)
(317)	(297)	(0)	7	(523)	**(1 073)**	(1 111)	(5)	(3)	(2 303)
6 575	3 674	74	79	5 784	**16 891**	16 332	2	3	31 414
(2 205)	(1 274)	73	73	(1 940)	**(4 299)**	(4 539)	(6)	(5)	(8 241)
4 370	2 400	74	82	3 844	**12 592**	11 793	6	7	23 173
3 655	1 861	86	96	2 701	**11 237**	10 740	3	5	21 016
715	539	33	33	1 144	**755**	625	21	21	1 282
—	—	—	—	—	**174**	123	41	41	266
—	—	—	—	—	**426**	305	40	40	609
4 370	2 400	74	82	3 845	**12 592**	10 793	6	7	23 173
3 656	1 859	87	97	2 745	**11 159**	10 888	1	2	20 727
7.22	6.58			5.53	**4.61**	4.54			4.56
0.66	0.93			1. 22	**1.27**	0.91			0.96
34.6	33.8			32.9	**36.9**	38.4			38.0
36	17			21	**13**	13			14
17	10			12	**10**	5			6
50.2	58.6			57.0	**49.8**	51.2			51.4
186 159	152 374	17	22	169 934	**1 250 562**	1 160 281	7	8	1 213 399
159 426	129 144	18	23	140 915	**1 154 820**	1 051 308	9	10	1 109 829
26 733	23 230	7	15	29 019	**95 742**	108 973	(14)	(12)	103 570
76 796	78 642	(9)	(2)	79 680	**230 223**	206 609	9	11	215 637
79 229	55 465	35	43	60 079	**415 779**	404 659	2	3	375 627
342 184	286 481	13	19	309 693	**1 896 564**	1 771 549	6	7	1 804 663
264 060	212 377	17	24	237 977	**1 323 746**	1 213 509	8	9	1 241 918
236 270	187 613	19	26	205 009	**1 202 639**	1 085 155	10	11	1113 281
27 790	24 764	2	12	32 968	**121 107**	128 354	(8)	(6)	128 637
3 289	2 914	31	13	3 008	**213 133**	174 871	22	22	205 519
42 376	46 709	(14)	(9)	43 944	**202 302**	238 552	(16)	(15)	207 268
309 725	262 000	12	18	284 930	**1 739 181**	1 626 932	6	7	1 654 705
2.25	1.43			0.97	**2.21**	2.36			2.19
2.22	1.12			0.78	**1.20**	1.34			1.20
23.2	14.8			10.1	**n/a**	n/a			n/a

Product Solutions Cluster

for the reporting period ended

Product Solutions Cluster headline earnings decreased by **13%** to **R1.1bn** (30 June 2022: R1.3bn), whilst pre-provision profit growth remained healthy, up **18%** year on year supported by revenue growth of **12%** and prudent cost management (sub-inflationary cost growth of 3%). This growth was offset by higher impairments on the back of higher inflation and increasing interest rates, which impacted consumer affordability negatively.

Key performance highlights for the period include the following:

Net interest income increased by **7%** to **R4.7bn** (30 June 2022: R4.4bn) as a result of balance sheet growth of 7%, however margins have contracted due to higher funding costs and increased competition on new business.

Non-interest income increased by **22%** to **R2.3bn** (30 June 2022: R1.9bn) reflecting continued strong new business growth, lower claims as lower mortality rates persist in the Life business, whilst the Non-Life business has seen an improvement in losses as a result of reduced significant weather-related events year on year.

Net customer advances grew by **7%** to **R409bn** (30 June 2022: R384bn) on the back of new business and a stable run off rate on the back book.

Balance sheet resilience increased marginally across the business
in response to higher elevated credit strain with total coverage levels increasing to **3.7%** (30 June 2022: 3.5%) and NPL ratio increasing to **8.1%** (30 June 2022: 7.2%).

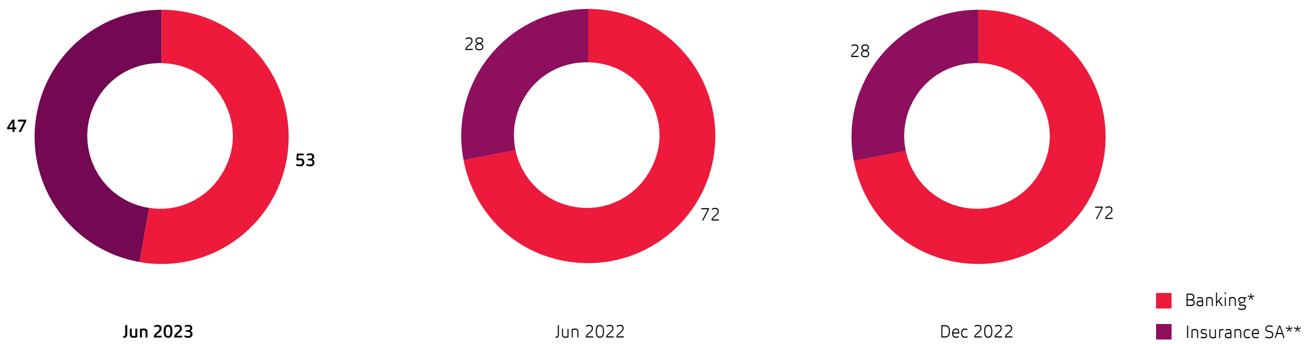
Insurance SA net premium income increased by **8%** to **R3.9bn** (30 June 2022: R3.6bn), driven by new business growth across various product offerings.

Cost-to-income ratio improved by **3.3%** to **42.1%** (30 June 2022: 45.4%) underpinned by stronger revenue performance and cost management resulting in positive **JAWS** of **9%.**

Credit loss ratio increased to **1.11%** (30 June 2022: 0.75%) given the continued deteriorating macro-economic conditions.

Return on Regulatory Capital (RoRC)
decreased to **9.7%** (30 June 2022: 12.2%) as a result of the decline in headline earnings of 13%. The business continues to focus on capital optimisation and during the period realised R26bn in risk weighted asset savings.

Headline earnings contribution (%)



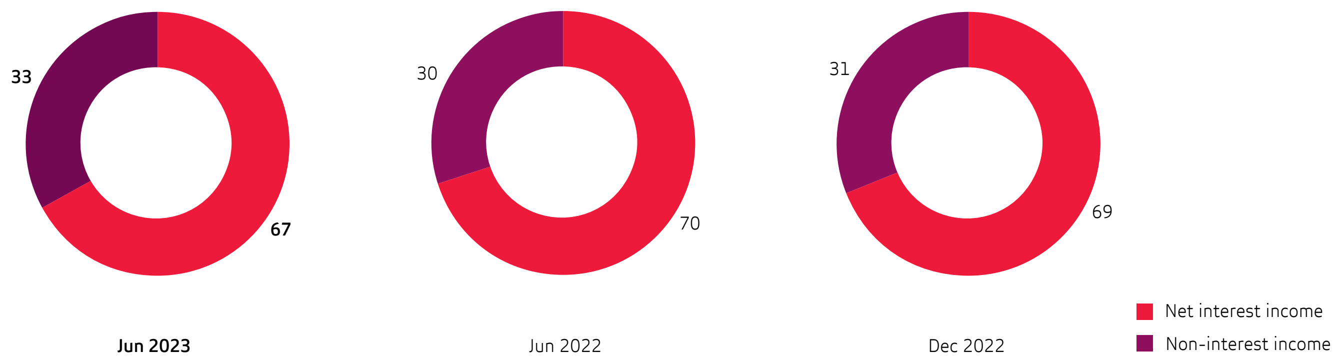
* Bank includes Home Loans and Vehicle and Asset Finance

** Insurance SA includes Life Insurance and Non-Life Insurance

Product Solutions Cluster

for the reporting period ended

Revenue mix (%)



Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Income (Rm)	**6 957**	6 239	12	13 187
Pre-provision profit (Rm)	**4 025**	3 405	18	7 393
Headline earnings (Rm)	**1 124**	1 289	(13)	3 230
Credit loss ratio (%)	**1.11**	0.75		0.65
Cost-to-income ratio (%)	**42.1**	45.4		43.9
RoRC (%)	**9.7**	12.2		16.2

Business profile

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

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships and preferred suppliers. VAF's joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Insurance SA** – includes the following:
  - Life Insurance offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - Non-Life Insurance provides non-life insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions, such as iDirect and Activate, are also available to the retail market.
- **Non-Banking Financial Services** – includes the following:
  - Absa Insurance and Financial Advisors offers omni-channel approach to financial advice through face-to-face advisors (offering holistic outcomes based financial planning), a digital advice platform (servicing clients end-to end without going into a branch) and a direct sales service center (telephony).
  - Stockbroking and Portfolio Management offers products and services to core middle market, retail affluent, private banking, wealth, and business clients.
  - Absa Trust facilitates wealth preservation through the implementation of estate planning solutions, including wills drafting and safe custody of wills, estate administration, trust administration and beneficiary fund administration.
  - The investment in Sanlam Investment Holdings and management of the associated distribution agreement.

Product Solutions Cluster

for the reporting period ended

	Home Loans				Vehicle and Asset Finance			
	30 June			31 December	30 June			31 December
	2023	2022[1]	Change %	2022	2023	2022[1]	Change %	2022
Statement of comprehensive income (Rm)								
Net interest income	**2 750**	2 665	3	5 463	**1 926**	1 728	11	3 504
Non-interest income	**264**	222	19	464	**345**	317	9	645
Total income	**3 014**	2 887	4	5 927	**2 271**	2 045	11	4 149
Credit impairment charges	**(975)**	(272)	>100	(688)	**(1 334)**	(1 175)	14	(1 898)
Operating expenses	**(945)**	(953)	(1)	(1 937)	**(809)**	(750)	8	(1 511)
Other expenses	**(19)**	(8)	>100	(40)	**(25)**	(12)	>100	13
Operating profit before income tax	**1 075**	1 654	(35)	3 262	**103**	108	(5)	753
Tax expenses	**(273)**	(449)	(39)	(890)	**(18)**	(21)	(14)	(190)
Profit for the reporting period	**802**	1 205	(33)	2 372	**85**	87	(2)	563
Profit attributable to:			—				—	
Ordinary equity holders	**706**	1 131	(38)	2 228	**36**	52	(31)	493
Non-controlling interest – preference shares	**28**	21	33	43	**14**	10	40	21
Other equity – Additional Tier 1 capital	**68**	53	28	101	**35**	25	40	49
	802	1 205	(33)	2 372	**85**	87	(2)	563
Headline earnings	**705**	1 133	(38)	2 230	**36**	52	(31)	493
Operating performance (%)								
Net interest margin on average interest-bearing assets	**1.71**	1.78		1.77	**3.30**	3.28		3.21
Credit loss ratio	**0.65**	0.19		0.24	**2.34**	2.24		1.76
Non-interest income as % of income	**8.8**	7.7		7.8	**15.2**	15.5		15.5
Income growth	**4**	6		6	**11**	12		12
Operating expenses growth	**(1)**	5		7	**8**	12		10
Cost-to-income ratio	**31.4**	33.0		32.7	**35.6**	36.7		36.4
Statement of financial position (Rm)								
Loans and advances	**298 270**	281 855	6	293 691	**110 899**	101 853	9	106 952
Loans and advances to customers	**297 993**	281 606	6	293 402	**110 899**	101 853	9	106 952
Loans and advances to banks	**277**	249	11	289	**—**	—	—	—
Investment securities	**15 983**	14 453	11	15 559	**5 566**	4 953	12	5 337
Other assets	**28 591**	28 334	1	30 481	**4 349**	3 722	17	3 948
Total assets	**342 844**	324 640	6	339 731	**120 814**	110 528	9	116 237
Deposits	**1 550**	1 908	(19)	1 863	**—**	—	—	—
Other liabilities	**338 732**	319 886	6	334 121	**119 706**	109 368	9	114 728
Total liabilities	**340 282**	321 794	6	335 984	**119 706**	109 368	10	114 728
Financial performance (%)								
RoRWA	**1.41**	2.29		2.20	**0.12**	0.19		0.85
RoA	**0.41**	0.72		0.68	**0.06**	0.10		0.45

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

Product Solutions Cluster

for the reporting period ended

Insurance SA				Non-Banking Financial Services				Product Solutions Cluster			
30 June			31 December	30 June			31 December	30 June			31 December
2023	2022[1]	Change %	2022	2023	2022[1]	Change %	2022	2023	2022[1]	Change %	2022
5	—	100	1	**(7)**	(19)	(63)	186	**4 674**	4 374	7	9 154
1 153	882	31	1 950	**521**	444	17	974	**2 283**	1 865	22	4 033
1 158	882	31	1 951	**514**	425	21	1 160	**6 957**	6 239	12	13 187
—	—	—	—	**—**	—	—	—	**(2 309)**	(1 447)	60	(2 586)
(253)	(202)	25	(430)	**(925)**	(929)	0	(1 916)	**(2 932)**	(2 834)	3	(5 794)
(15)	(18)	(17)	(52)	**37**	(5)	>100	(40)	**(22)**	(43)	(49)	(119)
890	662	34	1 469	**(374)**	(509)	(27)	(796)	**1 694**	1 915	(12)	4 688
(237)	(195)	22	(416)	**104**	145	(28)	227	**(424)**	(520)	(18)	(1 269)
653	467	40	1 053	**(270)**	(364)	(26)	(569)	**1 270**	1 395	(9)	3 419
										—	
653	467	40	1 053	**(272)**	(362)	(25)	(570)	**1 123**	1 288	(13)	3 204
—	—	—	—	**1**	(1)	>100	1	**43**	30	43	65
—	—	—	—	**1**	(1)	>100	—	**104**	77	35	150
653	467	40	1 053	**(270)**	(364)	(26)	(569)	**1 270**	1 395	(9)	3 419
653	467	40	1 053	**(270)**	(363)	(26)	(546)	**1 124**	1 289	(13)	3 230
		—									
n/a	n/a		n/a	**n/a**	n/a		n/a	**2.13**	2.17		2.19
n/a	n/a		n/a	**n/a**	n/a		n/a	**1.11**	0.75		0.65
n/a	n/a		n/a	**n/a**	n/a		n/a	**32.8**	29.9		30.6
n/a	n/a		n/a	**n/a**	n/a		n/a	**12**	21		15
n/a	n/a		n/a	**n/a**	n/a		n/a	**3**	(2)		(2)
n/a	n/a		n/a	**n/a**	n/a		n/a	**42.1**	45.4		43.9
936	842	11	541	**587**	549	7	1 167	**410 692**	385 099	7	402 351
—	—	—	—	**—**	—	—	—	**408 892**	383 459	7	400 354
936	842	11	541	**587**	549	7	1 167	**1 800**	1 640	10	1 997
5 158	5 276	(2)	5 603	**212**	(1 131)	>100	219	**26 919**	23 551	14	26 718
34 657	33 183	4	34 175	**3 146**	6 351	(50)	3 097	**70 743**	71 588	(1)	71 701
40 751	39 301	4	40 319	**3 945**	5 769	(32)	4 483	**508 354**	480 238	6	500 770
—	—	—	—	**—**	—	—	—	**1 550**	1 908	(19)	1 863
37 902	36 690	3	37 738	**1 856**	5 761	(68)	2 732	**498 196**	471 705	6	489 319
37 902	36 690	3	37 738	**1 856**	5 761	(68)	2 732	**499 746**	473 613	6	491 182
n/a	n/a		n/a	**n/a**	n/a		n/a	**1.36**	1.55		1.89
n/a	n/a		n/a	**n/a**	n/a		n/a	**0.45**	0.55		0.67

Product Solutions Cluster

for the reporting period ended

Business performance

Product Solutions Cluster performance was underpinned by consistent strategy execution, which sustained the underlying business momentum and supported growth sustainably across the cluster. Demand in the Home Loan's market slowed as application volumes decreased across the industry on the back of the weaker macro environment, resulting in a slower in year growth, whilst the vehicle market displayed resilience. Impairments deteriorated materially, on the back of higher inflation and increasing interest rates resulting in increasing inflows into arrears, negatively impacting non-performing loans and credit loss ratios. Life Insurance reported healthy underlying growth as it continues to deliver on the integrated bancassurance model. The impact of lower mortality claims and strong new business growth, supporting insurance revenue further improved the financial performance in Life. Non-Life reflects strong growth year on year as a result of the non-recurrence of the higher weather-related claims experienced in the first half of 2022. Key performance indicators in the Trust and Management businesses continued to trend positively in line with expectations as the business focused on digitisation and automation, which resulted in an improved customer experience.

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

- In **Home Loans**, stable BA900 market share over the past 12 months at **23.7%** (30 June 2022: 23.7%).
- Vehicle Finance production increased by 4%.
- Life Insurance claims decreased by 3% as mortality and retrenchment experience normalised from the impact of the Covid-19 pandemic.
- Non-Life reflected insurance revenue growth of 8% year on year on the back of growth in net insurance premium income.

Despite the challenging macro-economic conditions, advances growth of 7% was supported by continued momentum in the lending portfolios driven by production and a stable run off, of the back book. The business remains prudent in its loss expectations as the macro-economic outlook is expected to remain weak with overall book coverage increasing to 3.7%.

The rapid rise in interest rates, combined with cost of living increases, has placed considerable affordability strain on consumers. As a result of this strain, there has been an increase in inflows into arrears, debt review and legal, resulting in an increase in the non-performing loans ratio and the impairment charge. Home Loans and Vehicle Finance are focusing on:

- Proactive customer contact as a reminder of the instalment amount and due date.
- Capacity management to ensure all customers who miss payments are contacted to make alternative payment arrangements.
- Implementing more flexible loan restructure options and simplifying the customer process, whilst ensuring appropriate impairment coverage for the population remains.
- Increasing volumes through private and assisted sales to enable customers to trade out assets in the event that payment arrangements are not feasible.

Remaining consistent through the cycle is important for the Home Loans and Vehicle Asset Finance businesses and new business continues to be originated within risk appetite. Whilst there has been an increase in the loss rates, risk adjusted margins remains strong, contributing positively to lifetime profitability.

Recently the Prudential Authority approved the implementation of enhancements to the Vehicle Asset Finance Basel Probability of Default (PD) and Loss Given default (LGD) as well as the Home Loans PD models. These new models are expected to reduce risk weighted asset consumption and consequently improve the CET1 ratio and returns for the cluster and group.

The South African Insurance Cluster delivered a sound financial performance with resilient insurance revenue growth of 8%, as new business volumes increased by 4%. The Non-Life business has seen an improvement in losses as a result of reduced weather-related events year on year, partially offset by an increase in surge related claims and increased new business strain from new motor and value added products, as the focus remains on diversifying the policy base.

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

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

Looking ahead:

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

Product Solutions Cluster

for the reporting period ended

Home Loans

Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Net-interest income (Rm)	**2 750**	2 665	3	5 463
Credit impairment charges (Rm)	**(975)**	(272)	>100	(688)
Headline earnings (Rm)	**705**	1 133	(38)	2 230
Gross loans and advances (Rm)	**306 440**	288 917	6	300 979

Business unit performance

The residential property market has seen reduced levels of activity on the back of the constrained macro-economic environment. Notwithstanding the resultant pressures on the consumers, the business continued to execute on its strategy, which is underpinned by its clear purpose to house the nation, remain consistent in the market and being there for customers and consumers in their time of need.

The overall confidence in the South African property market has deteriorated:

- Absa overall Homeowner Sentiment Index of **73%** (Quarter 1 2023) is 6 percentage points lower than it was in the final quarter of 2022. This is the lowest overall sentiment recorded since Q1 2020.
- The buying sentiment has declined from 67% (Quarter 4 2022) to **61%** (Quarter 1 2023). This is the largest decline since Quarter 3 2018 driven by the economic pressures facing consumers. The selling sentiment has followed a similar trend declining from 52% (Quarter 4 2022) to **43%** (Quarter 1 2023).
- As a result of the above, application volumes across the industry has decreased year on year.

During the first half of the year, the business focused on:

- Delivering simple digitally enabled alternative energy financing solutions through its 'Power their world' campaign in support of the clients.
- Further embedded new self-serve digital features on the Absa mobile banking app and connected banking platform, driving improved customer experience.
- Offered customers integrated value by focusing on Bancassurance and Everyday banking solutions.
- Strengthened the multi-channel approach by delivering an integrated Private Bank and Wealth customer experience for customers looking for a home loan.
- Continued to enhance collections strategies to provide sustainable solutions for distressed customers in their time of need.

The execution of the strategic initiatives has resulted in:

- In Home Loans, stable BA900 market share over the past 12 months at **23.7%** (30 June 2022: 23.7%).
- Customers Interactive Voice Response (IVR) self-service function usage, increasing to **18.3%** from 6.8% relative to the prior period.
- Mortgages originated through internal channels as a percentage of business remaining strong at **35.3%** (30 June 2022: 33.4%).

Financial performance

Gross loans and advances increased by **6%** to **R306bn** (30 June 2022: R289bn) on the back of new mortgages registered, although slowing down given the weaker macro environment. Net interest income increased **3%** to **R2 750m** (30 June 2022: R2 665m), notwithstanding slower in year growth as well as margin contraction from increasing pricing pressures in the market and higher funding cost.

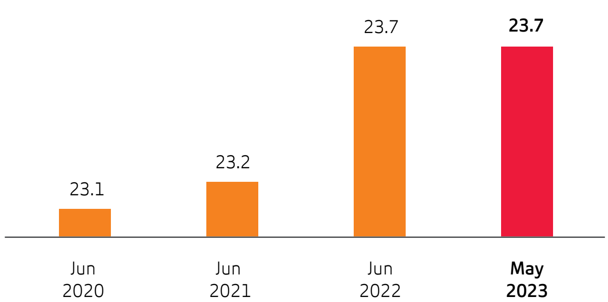
Credit impairment charges increased to **R975m** (30 June 2022: R272m) with the credit loss ratio increasing to **0.65%** (30 June 2022: 0.19%) driven by increased delinquencies due to continued economic pressure on customers. The NPL ratio increased to **8.1%** (30 June 2022: 7.1%) driven by sustained pressure on the legal book and inflows into debt review with these drivers also contributing to the increase in the credit impairment charge. Total coverage increased slightly to **2.8%** (30 June 2022: 2.5%) given the deterioration in delinquency profile whilst NPL coverage decreased to **28.1%** (30 June 2022: 29.4%) due NPL book growth with new inflows attracting lower coverage.

Notwithstanding the above, pre-provision profit grew by 7% due to diligent deployment of financial resources. Headline earnings decreased to **R705m** (30 June 2022: R1 133m).

Looking ahead, Home Loans will focus on:

- Continued support for distressed customers with enhanced sustainable customer solutions.
- Remaining sustainable and competitive through the cycle with consistent market presence, strategic partnerships and enhanced customer value propositions.
- Broadening franchise value by providing improved integrated home loan solutions with insurance and transactional products.
- Accelerating delivery of an integrated frontend and workflow capability to improve colleague and customer experience.
- Stimulating demand for Edge certified developments through, innovative sustainable funding mechanisms.

Mortgages market share (%)



Source: BA900, May 2023 numbers have been included as June 2023 was not available upon finalisation of the results.

Product Solutions Cluster

for the reporting period ended

Vehicle and Asset Finance

Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Net-interest income (Rm)	**1 926**	1 728	11	3 504
Credit impairment charges (Rm)	**(1 334)**	(1 175)	14	(1 898)
Headline earnings (Rm)	**36**	52	(31)	493
Gross loans and advances (Rm)	**118 013**	108 402	9	113 433

Business performance

The vehicle market has been resilient despite the challenging macro–economic environment characterised by an increase in inflation and interest rates, as well as severe load shedding which has resulted in:

- New vehicle sales increasing by 4.8% compared to June 2022 (NAAMSA).
- New vehicle price inflation averaging 6.3% for the five month period ending May 2023 (StatsSA).

VAF continued to focus on achieving its strategic objectives through:

- Excellence in dealer and customer service by way of the embedment of self-service features on Voice and Digital platforms.
- Continued enhancement of payment processes and shifting capacity to deploy improved collections solutions to distressed customers.
- Expanding share in Wholesale Finance to Dealer Groups in collaboration with Relationship Banking.
- Continued roll out and optimisation of the Bancassurance sales operating model to deliver value propositions to customers through the dealer network.
- Establishing relationships with new market entrants and deepening cooperation with existing Original Equipment Manufacturers (OEMs) in South Africa.

The execution of the strategic initiatives has resulted in:

- Production increasing by 4% year on year.
- Market share on Instalment Debtors (per BA900) increasing to **24.0%** (30 June 2022: 23.2%).
- Increase in the used vehicle market share as at June 2023 to 21%.
- Stable margins, although pressure on new business pricing continues due to market competition and prime rate increases.
- Increase in wholesale financing by **71%** to **R5.7bn** (30 June 2022: R3.3bn).

Financial performance

Gross loans and advances to customers increased by **9%** to **R118bn** (30 June 2022: R108bn) driven by solid production levels and a stable run-off rate on the back book.

Total revenue delivering **11%** growth, reaching **R2 271bn** (30 June 2022: R 2 045bn). This increase was driven by book growth and run-off, of the lower margin back book, supplemented by the growth in the wholesale finance book.

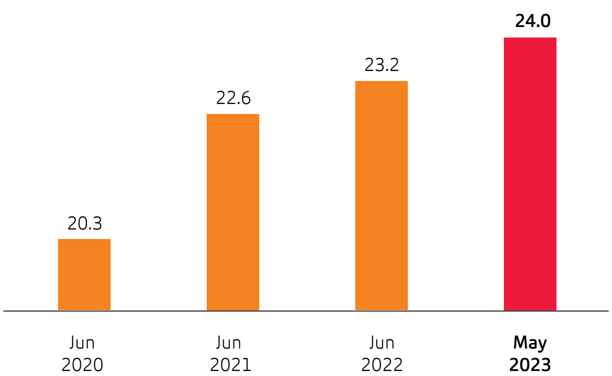
The increase in impairments resulted in a decrease in Headline earnings to **R35.8m** (30 June 2022: R52.4m).

Credit impairment charges increased to **R1 334m** (30 June 2022: R1 175m) with the credit loss ratio increasing to **2.34%** (30 June 2022: 2.24%) driven by increased customer delinquencies due to continued economic pressure on customers. The NPL ratio increased to **8.2%** (30 June 2022: 7.4%) driven by sustained pressure on the legal book and inflows into debt review with these drivers also contributing to the increase in the credit impairment charge. Total coverage remained stable at **6.0%** (30 June 2022: 6.0%) whilst NPL coverage decreased to **48.9%** (30 June 2022: 51.6%) due to an increase in write-offs, of aged legal matters that carry higher coverage.

Looking ahead, VAF will focus on:

- Continuing to improve returns through the origination of quality new business and the efficient use of financial resources through the economic cycle.
- Optimising performance of the payments capability as well as improving collections effectiveness by refining risk differentiated strategies.
- Implementation of new customer financial education and acquisition features on digital platforms.
- Strategic partnerships with the automotive industry stakeholders as a preferred financial service partner.
- Understanding the transition scenarios into New Energy Vehicles (NEV) in support of the banks sustainability goals.

VAF market share (%)



Source: BA900, May 2023 numbers have been included as June 2023 was not available upon finalisation of the results.

Product Solutions Cluster

for the reporting period ended

Insurance SA

	Life Insurance				Non-Life Insurance				Insurance SA			
	30 June			31 December	30 June			31 December	30 June			31 December
	2023	2022	Change %	2022	2023	2022	Change %	2022	2023	2022	Change %	2022
Statement of comprehensive income (Rm)												
Insurance revenue	**2 650**	2 457	8	4 906	**1 805**	1 676	8	3 435	**4 455**	4 133	8	8 341
Insurance service expenses	**(1 831)**	(1 741)	5	(3 546)	**(1 554)**	(1 570)	(1)	(3 036)	**(3 385)**	(3 311)	2	(6 582)
Net income/(expenses) from reinsurance contracts	**(192)**	(90)	>100	(266)	**(62)**	60	<(100)	58	**(254)**	(30)	>100	(208)
Insurance Service Result	**627**	626	0	1 094	**189**	166	14	457	**816**	792	3	1 551
Net finance income/(expenses) from insurance contracts	**27**	86	(69)	109	**—**	—	—	—	**27**	86	(69)	109
Net finance income/(expenses) from reinsurance contracts	**—**	(12)	(100)	(20)	**—**	—	—	—	**—**	(12)	(100)	(20)
Investment income	**1 277**	(1 455)	>100	(1 078)	**95**	57	67	146	**1 372**	(1 398)	>100	(932)
Policyholder insurance contracts	**81**	(78)	>100	17	**32**	20	60	49	**113**	(58)	>100	66
Policyholder investment contracts	**1 117**	(1 415)	>100	(1 196)	**—**	—	—	—	**1 117**	(1 415)	>100	(1 196)
Shareholder funds	**79**	38	>100	101	**63**	37	70	97	**142**	75	89	198
Changes in Investment contract liabilities	**(1 097)**	1 374	<(100)	1 131	**—**	—	—	—	**(1 097)**	1 374	<(100)	1 131
Policyholder investment contracts	**(1 097)**	1 374	<(100)	1 131	**—**	—	—	—	**(1 097)**	1 374	<(100)	1 131
Other income	**17**	24	(29)	72	**23**	16	44	40	**40**	40	—	112
Gross operating income	**851**	643	32	1 308	**307**	239	28	643	**1 158**	882	31	1 951
Other operating expenses	**(63)**	(34)	87	(94)	**(205)**	(187)	10	(388)	**(268)**	(220)	22	(482)
Net operating income	**788**	609	29	1 214	**102**	52	94	255	**890**	662	34	1 469
Taxation expense	**(209)**	(180)	16	(340)	**(28)**	(14)	94	(76)	**(237)**	(195)	22	(416)
Profit for the period	**579**	429	35	874	**74**	38	95	179	**653**	467	40	1 053
Other comprehensive income	**(20)**	(362)	(94)	(524)	**—**	—	—	—	**(20)**	(362)	(94)	(524)
Total comprehensive income for the period	**559**	67	>100	350	**74**	38	95	179	**633**	105	>100	529
Note (Rm)												
Investment income												
Policyholder investment contracts	**1 117**	(1 415)	>100	(1 196)	**—**	—	—	—	**1 117**	(1 415)	>100	(1 196)
Net interest income	**258**	189	37	405	**—**	—	—	—	**258**	189	37	405
Dividend income	**133**	117	14	255	**—**	—	—	—	**133**	117	14	255
Fair value gains/(losses)	**726**	(1 721)	>100	(1 856)	**—**	—	—	—	**726**	(1 721)	>100	(1 856)
Policyholder insurance contracts	**81**	(78)	>100	17	**32**	20	60	49	**113**	(58)	>100	66
Net interest income	**41**	29	41	67	**32**	20	60	49	**73**	49	49	116
Dividend income	**9**	8	13	19	**—**	—	—	—	**9**	8	13	19
Fair value gains/(losses)	**31**	(115)	>100	(69)	**—**	—	—	—	**31**	(115)	>100	(69)
Shareholder funds	**79**	38	>100	101	**63**	37	70	97	**142**	75	89	198
Net interest income	**78**	42	86	103	**67**	44	52	105	**145**	86	69	208
Fair value gains/(losses)	**1**	(4)	>100	(2)	**(4)**	(7)	(43)	(8)	**(3)**	(11)	(73)	(10)
Total	**1 277**	(1 455)	>100	(1 078)	**95**	57	67	146	**1 372**	(1 398)	>100	(932)
Net interest income	**377**	260	45	575	**99**	64	55	154	**476**	324	47	729
Dividend income	**142**	125	14	274	**—**	—	—	—	**142**	125	14	274
Fair value gains/(losses)	**758**	(1 840)	>100	(1 927)	**(4)**	(7)	(43)	(8)	**754**	(1 847)	>100	(1 935)

Product Solutions Cluster

for the reporting period ended

	Insurance SA			
	30 June			31 December
	2023	2022	Change %	2022
Statement of financial position				
Assets				
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**20 647**	19 963	3	20 147
Cash balances and loans and advances to banks	**341**	907	(62)	859
Investment securities	**20 306**	19 056	7	19 288
Policyholder insurance contracts	**12 234**	12 475	(1)	12 716
Cash balances and loans and advances to banks	**335**	267	25	261
Investment securities	**2 407**	2 683	(10)	2 581
Insurance contract assets	**9 492**	9 525	0	9 874
Reinsurance assets	**3 235**	2 759	17	3 162
Shareholder funds	**3 686**	3 424	8	3 566
Cash balances and loans and advances to banks	**936**	831	13	544
Investment securities	**2 750**	2 593	6	3 022
Other assets	**903**	680	33	715
Property and equipment	**27**	—	100	—
Deferred tax assets	**19**	0	100	13
Total assets	**40 751**	39 301	4	40 319
Liabilities				
Liabilities under investment contracts	**20 486**	19 826	3	20 025
Insurance contracts liabilities	**12 922**	12 615	2	13 308
Reinsurance contracts liabilities	**2 849**	2 478	15	2 861
Other liabilities	**1 645**	1 600	3	1 544
Other liabilities	**1 464**	1 459	(0)	1 446
Other liabilities relating to investment contracts	**181**	141	28	98
Deferred tax liabilities	**—**	171	(100)	—
Total liabilities	**37 902**	36 690	3	37 738
Equity				
Capital and reserves	**2 849**	2 611	9	2 581
Total equity	**2 849**	2 611	9	2 581
Total liabilities and equity	**40 751**	39 301	4	40 319

Product Solutions Cluster

for the reporting period ended

Insurance SA

Business unit performance

The operating environment remained challenging with ongoing load shedding, sustained higher inflation and the resulting interest rate increases, continuing to affect customer affordability and investment markets. In the context of this environment, the South African Insurance businesses continued to focus on the execution of the opportunities identified in the Bancassurance strategy, through:

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

The insurance businesses have applied the IFRS 17 Insurance Contracts standard from 1 January 2023 and have restated comparative numbers for 2022. The application of the standard has had minimal impact to date on the business strategy, dividends, solvency, liquidity, capital positions and product pricing and management. The methodology used for embedded value reporting is being aligned to the standard and will be provided in subsequent reporting periods.

Financial performance

The South African Insurance Cluster's financial performance continues to benefit from the integrated Bancassurance model, delivering positive underwriting results that led to insurance service result growth of 3%. This was achieved in a challenging consumer environment, with life insurance claims experience continuing to normalise, and Non-Life Insurance underwriting margins showing marginal improvements. The insurance service result performance was driven by growth in net premium income, Non-Life insurance premiums and reserving releases from the liability for incurred claims, which was partially offset by higher expense and acquisition costs. Investment returns on policyholder and shareholder assets also benefitted earnings growth in the first half of 2023 from the high interest rate environment.

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

Looking ahead, the South African Insurance cluster will continue to focus on delivering superior product experiences at key moments for clients, broadening franchise value and remaining sustainable and competitive through the cycle by:

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

Product Solutions Cluster

for the reporting period ended

Life insurance

	30 June			31 December
Salient features	2023	2022	Change %	2022
Headline Earnings (Rm)	**579**	429	35	874
Net premium income (Rm)	**2 255**	2 083	8	4 308

Business performance

Life Insurance South Africa continued its strategic drive to maximise value extraction from the integrated Bancassurance operating model, despite the tougher operating environment characterised by load shedding, higher inflation and interest rates that have placed significant strain on customer affordability. Within this context the business:

- Focused on strategic initiatives to enhance and grow the integrated Bancassurance propositions to ensure they remain differentiated and attractive to customers.
- Continued to leverage the bank's distribution channels and digital capabilities to provide and expand customer access to the leading Life Insurance value propositions.
- Collaborated with strategic partners to develop Life Insurance solutions for their customers and drive growth in the Credit Life and Group Life offerings.
- Implemented business optimisation and digital initiatives aimed at enabling holistic digital offerings and operational efficiencies.

The execution of the strategic initiatives has resulted in:

- Credit Life strike rates of **77%** (30 June 2022: 72%), continued to improve, as customer journeys are integrated and new products are launched.
- Digital new business sales increasing by 7% driven by 35% growth in digital funeral sales.
- Instant Life, one of SA's first fully digital underwritten Life insurance providers, has launched the first digital underwritten advisor product, offering cover up to R10m.
- Absa Life has been recognised by Forbes as one of the 'World's Best Life Insurers' and the only SA Bancassurer on this list (110 top global Life Insurers).

Financial performance

Insurance revenue increased by **8%** to **R2 650m** (30 June 2022: R2 457m), driven by strong growth in premium income given the challenging economic environment. New business sales increased by 6% year on year to 420 790 policies and policy losses improved to **2.6%** (30 June 2022: 2.9%), resulting in net premium income growth of 8%. The business has continued to see strong uptake of funeral, digital and fully underwritten life products by the Absa customer base, which assisted with new business growth. This performance is due to the closer integration with bank operations and the execution of the partnership strategy. Revenue growth was also supported by higher releases from the Liability for Incurred Claims (LIC) relating to the Incurred but Not Reported (IBNR) and claims in payment reserves.

Insurance service expenses grew 5% year on year reflecting increases in expenses and acquisition costs which was partially offset by a decline of **3%** in net insurance claims to **R801m** (30 June 2022: R824m), as mortality and retrenchment experience normalised from the impact of the Covid-19 pandemic.

Headline earnings increased to **R579m** (30 June 2022: R429m) driven by premium growth and the normalisation of claims experience which was supported by reserving releases and significant growth in investment income from the high interest rate environment.

Product Solutions Cluster

for the reporting period ended

Non-Life insurance

Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Headline earnings (Rm)	**74**	38	95	179
Net premium income (Rm)	**1 734**	1 576	10	3 262
Underwriting margin (%)	**0.5**	(0.1)		2.5
Loss ratio (%)	**71**	72		69

Business unit performance

During the first half of 2023 the business continued to show good growth momentum in a tough operating environment, including a hardening reinsurance market, low customer affordability and higher inflationary rates impacting cost of claims and expenses. Whilst the business has not seen a severe event like the KwaZulu-Natal floods experienced in April last year, there has been a number of weather-related events resulting in low severity flooding in the Western Cape and KwaZulu-Natal provinces. An earth tremor was also registered in Gauteng. In addition to this, the business has seen an increase in surge claims on the back of load shedding.

Non-Life continued to focus on delivering against its strategic objectives through:

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

The execution of the strategic initiatives has resulted in:

- Leveraging of the Vehicle Asset Finance (VAF) business, enabling growth in the Value Added Products (VAPS) of 14% year on year.
- The business is enduring on digitising the product portfolio which contributed to a 10% increase in new business Activate sales.
- The business consolidated all retention activity into a Saleshub which enabled the centralisation and application of best practice activities that resulted in a 9% increase in the retention strike rate year on year.
- The Activate product has continued to show good growth through the digital and VAF channels, resulting in growth of 126% in gross written premiums year on year.
- Delivery of the Pet Insurance product into the market in the second quarter of 2023.

Financial performance

The net insurance premium income increased by **10%** to **R1 734m** (30 June 2022: R1 576m), driven by underlying growth in the Activate digital product, the value-added motor products and the iDirect product. This was assisted by the base effect of the reinstatement premium paid in the first quarter of 2022.

The business has seen some smaller localised weather activity in the year and in addition to this the impact of the higher stages of load shedding has resulted in an increase in surge claims year on year. With the transition to IFRS 17, the allocation to reinsurance contracts is being reviewed.

Headline earnings increased to **R74m** (30 June 2022: R38m) reflecting the growth in the premiums year on year of 10%, an improvement in the loss ratio to **71%** (30 June 2022: 72%) resulting in an improvement in the underwriting margin to **0.5%** (30 June 2022: (0.1%)) and the base effects as mentioned above.

Product Solutions Cluster

for the reporting period ended

Non-Banking Financial Services

Business unit performance

The industries in which the Non-Banking Financial Services cluster operates experienced challenges similar to the broader bank in the reported period. This is evident in the negative net client cash flow experience in retail savings and lapses in risk products, both reflective of a depletion of disposal income in the customer base. Within this context, the cluster demonstrated the benefits of a diverse portfolio, which assisted in navigating this tough period.

- Absa Trusts' diverse portfolio demonstrated resilience by continuing with the positive momentum in the distribution of Estates from 2022 into the first six months of 2023.
- Absa Insurance and Financial Advisors (AIFA) experienced muted sales across investments, life policies and fiduciary, reflective of the prevailing tough economic environment.
- In Stock Broking and Portfolio Management (SPM), the positive market movement in 2023 impacted confidently on the portfolio management side of the business whilst the brokerage business experienced a decline in total trades when compared to the first half of 2022. This was consistent with trading volumes on the JSE equity market.

Non-Banking Financial Services continues to focus on key actions across all businesses through:

- Improving client experience through investment in the Absa Trust platform and advice tools in AIFA.
- Increasing the AIFA advisor force to better match the branch footprint and market demand.
- Revising the operating model in the estates business to introduce efficiencies and improve customer experience.
- Integrating the customer on-boarding journeys with the bank, to better utilise the combined opportunities.

Financial performance

Total revenue increased by **21%** to **R514m** (30 June 2022: R425m). The steady growth in year-on-year revenue was supported by robust progression from Absa Trust (26%), countering SPM's negative growth of (18%), as prior year brokerage volumes were enhanced by market activity from the Russia Ukraine war and below inflation growth from AIFA (2%) reflective of the tough economic environment experienced by the clients.

Operating expenses reduced marginally year on year, **R925m** (30 June 2022: R929m) on the back of frugal cost management whilst not removing the focus on continued investment in people and technologies to improve customer experience and modernise the various operating platforms.

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

- Improving the customer experience through platform optimisation across the Non-Banking Financial Services suite of businesses.
- Embedding the advice tools within Absa Insurance and Financial Advisors (AIFA) to enhance the quality and consistency of financial advice provided to clients.
- Optimising portfolio management for scale and alignment with the internal and external distribution channel.

Everyday Banking

for the reporting period ended

Pre-provision profit grew 17%, underpinned by strong growth in revenue and operational efficiencies. However, headline earnings declined by 21% due to elevated charges for credit impairments. The increase in credit impairment charges was largely a function of the adverse economic climate and the impact thereof on customers' disposable incomes.

Key performance highlights for the period include the following:

Total income grew 9% through an increase in the customer base and activity.

Gross loans and advances grew by 11%, largely underpinned by sustained production momentum.

Cost-to-income ratio improved from 54.0% to **50.7%** delivering positive JAWS of **7%**.

Investment deposits grew by 9% supported by effective marketing campaigns, and a rising interest rate environment.

Operating expenses growth was contained at 2%, below the rate of inflation.

Transactional deposits contracted 3%, largely due to the adverse economic climate.

Credit impairment charges rose 62% due to the adverse economic climate; however, proactive credit risk management and collection measures mitigated the impact.

	30 June			31 December
Salient features	**2023**	2022	Change %	2022
Income (Rm)	**13 727**	12 608	9	26 434
Pre-provision profit (Rm)	**6 774**	5 803	17	12 518
Headline earnings (Rm)	**1 547**	1 968	(21)	4 087
Credit loss ratio (%)	**9.22**	5.97		6.45
Cost-to-income ratio (%)	**50.7**	54.0		52.6
RoRWA (%)	**2.81**	3.77		3.80
RoA (%)	**0.83**	1.12		1.13
RoRC (%)	**23.0**	31.9		31.9

Some of these numbers have been restated, refer to the reporting changes overview.

Business profile

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

The Everyday Banking product suite includes the following:

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

Everyday Banking

for the reporting period ended

Business performance

The Everyday Banking franchise maintained its strategy execution momentum through market-leading client offerings and quality customer service. The franchise made significant progress in its digital transformation journey and adjacent physical network modernisation resulting in further operational efficiencies.

The customer base grew by 2%, largely driven by strong growth momentum in the Young Adult and Retail Affluent segments. New-to-bank customer acquisition increased by 23% during the reporting period. The acquisition of young adults was largely supported by strong value propositions for this demographic that creates a future growth pipeline and will underpin the sustainability of revenue over time.

The focus on enhancing customer experience has led to consistent improvements in customer experience scores every year since 2019. In 2023, the score increased by a further 7 percentage points through enhancements in pricing and propositions that offered customers better value for money. The franchise provided a further R250m in value to primary banked customers through pricing reductions while addressing historic customer pain points, bringing the cumulative relief since 2020 to R750m. Key among these was making the Absa Rewards program free from the 1st of January 2023, enabling broader customer engagement through this platform, and allowing customers to enjoy cashback rewards on everyday spending. The number of program members grew 26% through a nearly 300% increase in new-to-program sign-ups with members earning over R400m in value during the reporting period, an increase of 72% year on year. The program has proven to be effective in driving primacy and activity, with the product holding for an average member approximately 3 times that of non-rewards customers.

The digital transformation journey continued to gain momentum and had the desired effect on the overall business model of a digital bank with an empathetic frontline. The Absa banking app has been pivotal in scaling digital adoption by expanding the franchise's digital capabilities, and it now offers a comprehensive suite of lending and deposit products, allowing customers to perform even more transactions on the platform. The banking app maintained a strong app store rating of 4.5 out of 5 stars. The number of app downloads, digital registrations, active users and volumes performed on the digital platform increased by double-digits. This had a significant impact on transforming customer engagement and distribution effectiveness. The digital channel sales contribution improved by 4 percentage points from 14% to 18%, with most products exceeding 20% contribution from the channel. The sales volumes through digital channels grew 57% with straight-through digital sales increasing 66% for the key products. Payments via digital devices such as ApplePay, Samsung Pay, FitBit Pay and Google Wallet increased 154% and improved the contribution of digital devices to 5% of total point-of-sale transactions while eCommerce transactions by retail customers grew 38%. The digital channels also demonstrated exceptional resilience, with availability sustained above 99%, providing customers with a consistent and uninterrupted digital banking experience. The franchise continued to balance innovation, best-in-class user experience and deepening financial inclusion and was amongst the first cohort of banks to deploy the Payshap solution, a new ground-breaking low-cost payment system, and captured approximately 40% of the market share.

The franchise continued to modernise and optimise the physical network during the reporting period, aligning with the overall distribution strategy whilst maintaining customer reach and coverage across markets. The number of outlets in the network remained broadly stable. However, retail branch designs with effective cash ecosystems were expanded. Sales & Service outlets increased by 62%, and traditional branches and floor space decreased by 6% and 5% respectively. The composition of the Sales & Service formats improved from 8.5% in the prior year to 13.7% in the current year. The number of ATMs and cash devices reduced by 20% following the conclusion of a 3rd party service provider exit in the second half of 2022; however, the ATM estate was stable through H123. Value-added services on ATMs increased by 91% through new innovative functionalities such as the Tap and Go capability as well as first-to-market UIF customer banking details certification. The physical network also made significant progress in scaling sustainable alternative power solutions, including renewable energy, to enhance branch and ATM resilience during loadshedding, ensuring accessibility levels remained above 95%.

The franchise, however, faced significant macroeconomic headwinds since the latter half of 2022, including rising interest rates, unprecedented load shedding, and high unemployment, notably impacting debt instalments and affordability. The franchise, thus, implemented new early warning triggers that focused on transactional flow data, allowing it to proactively effect risk management measures through adjusting its risk appetite and offset most of the additional risk caused by the adverse economic climate. The franchise also continued to focus on and invest in high-risk account management and collections capabilities, leading to improved early-stage collections in the latter part of H123, with monthly reductions in these portfolios during Q223.

Production momentum was sustained through H123, despite the effects of unfavourable economic conditions and credit risk management measures. Personal Loans production grew 7%, while new credit card sales increased by 23%, largely underpinned by the deployment of an additional digital channel in Q123, while credit limit production from the new credit card customers grew 36%. Cheque account sales grew 37%, with strong contributions across the Young Adults and Core portfolios, while Savings account sales increased 15%.

Transactional activity grew year on year, although it was moderated by the effect of the adverse economic climate. Card and digital activity remained resilient, growing 7% and 11%, respectively. However, ATM usage declined 8% over the same period as customers increasingly adopted digital alternatives to cash. From the channels perspective, over the counter transactions in branches declined 7%, while ATM transactions declined 15% largely due to the exit of a 3rd party service provider in H222.

Everyday Banking

for the reporting period ended

Financial performance

Gross loans and advances to customers grew **11%** to **R85.7bn** from R77.1bn, largely underpinned by a sustained production momentum despite the effect of proactive credit risk management measures.

Deposits due to customers grew **6%** to **R296.9bn** (30 June 2022: R279.1bn), primarily due to increased inflows into the investment portfolio. The portfolio grew 7% over the previous year given the rising interest rate environment and an effective marketing campaign deployed in Q223. The campaign led to increased monthly run rate flows into the investment deposit portfolio. Transactional deposits, however, contracted 3% year-on-year due to the adverse economic climate and its effect on the cost of living particularly in the entry-level segments. The affluent segments were relatively resilient. However, debt instalments rose significantly across this base given the elevated interest rates.

Pre-provision profit grew 17%, underpinned by strong growth in revenue and operational efficiencies. However, headline earnings declined **21%** to **R1 547m** (30 June 2022: R1 968m) due to elevated charges for credit impairments.

The charges for credit impairment rose **62%** to **R4 259m** (30 June 2022: R2 628m), largely due to pressure on the late delinquency cycles, with elevated roll rates given the impact of the adverse economic climate on debt instalments. The early-stage construct, however, performed relatively well due to the proactive credit risk management and collection measures. The credit loss ratio increased to **9.22%** (30 June 2022: 5.97%) from 6.45% at the end of 2022, while the coverage increased marginally to **18.97% (**30 June 2022: 17.11%) to provide for the effect of the adverse economic climate. The underlying book quality remained strong and in line with risk appetite.

Total revenue grew 9% relative to the previous year to **R13 727m** (30 June 2022: R12 608m), mainly driven by net interest income, which increased **14%** to **R7 791m** (30 June 2022: R6 822m), underpinned by growth across the loans and deposits, coupled with an expansion in margins across the portfolios.

- Net interest income on advances grew 18% through book growth and improved portfolio yields.
- Net interest income on deposits grew 10%, largely attributable to improved portfolio margins and book growth; however, this was slightly negated by the contraction in transactional deposits.

Non-interest revenue increase of **3%** to **R5 936** (30 June 2022: R5 786m) was largely a function of the growth in the customer base, and an increase in transactional activity. However, this was moderated by the continued migration from traditional to digital channels, the impact of pricing reductions and investments in the membership-free Absa Rewards program.

Operating expenses growth was contained at 2%, increasing at a rate below inflation to **R6 953m** (30 June 2022: R6 804m) resulting in a positive JAWS of 7% and an improvement in the cost-to-income ratio to **50.7%** (30 June 2022: 54.0%). This was achieved through good cost control measures, optimising the physical network and investments in digital capabilities. However, unprecedented load shedding led to increased diesel consumption necessary to strengthen the resilience of the physical network.

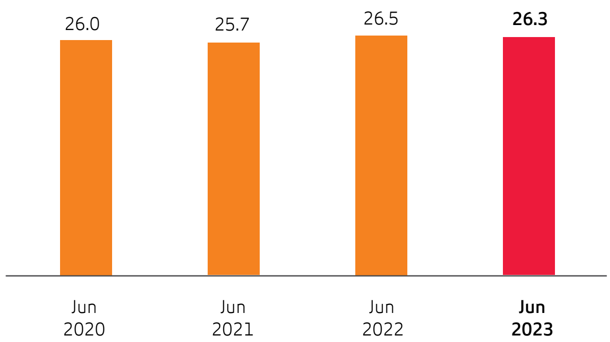
Looking ahead, the strategic focus for Everyday Banking will remain on the following:

- Continued investment in and rollout of market-leading propositions relevant to specific segments.
- Rejuvenating the customer franchise and enhancing customer experiences by improving customer journeys and standards.
- Fostering a robust innovation pipeline while maintaining the stability and security of the digital platforms, which remains paramount to sustaining the position as a digital bank with an empathetic frontline.
- Developing a personalised set of interactions, enhancing engagement, activity, and cross-selling through deep customer analytics.
- Enhancing efficiencies through robust cash strategies, enabling customer self-service, and driving digital transformation across the franchise.
- Continuing to focus on transforming and modernising the physical network through the digitisation and automation of business operations and services. This will create efficiencies, strengthen controls, and ultimately deliver a premium customer experience.
- Making concerted efforts and investments to sustain a best-in-class risk and collections capability.
- Unlocking the potential in the entry-level segment through scalable solutions to drive financial access and inclusion.
- Ensuring efficiency and efficacy in the front and middle office environment through the infusion of intelligent process automation to transform the productivity of operations, enabling the franchise to prioritise the needs of the customers.

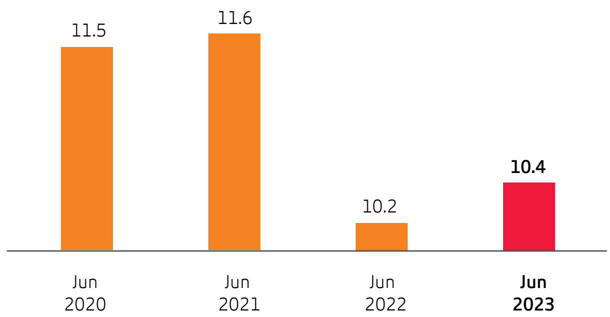
Everyday Banking

for the reporting period ended

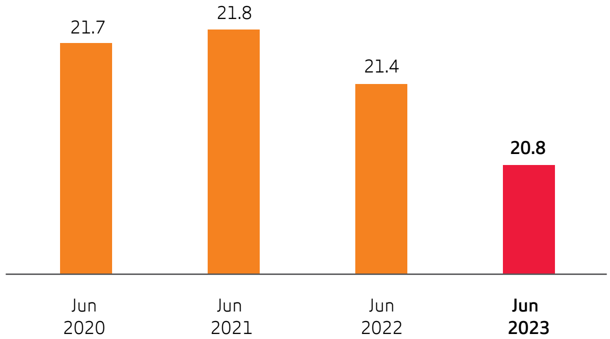
Card market share stock (%)



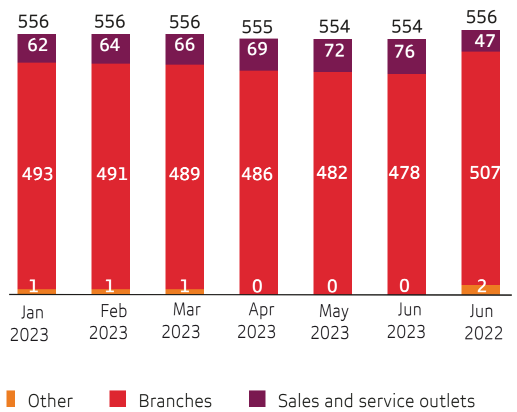
Personal loans market share (%)



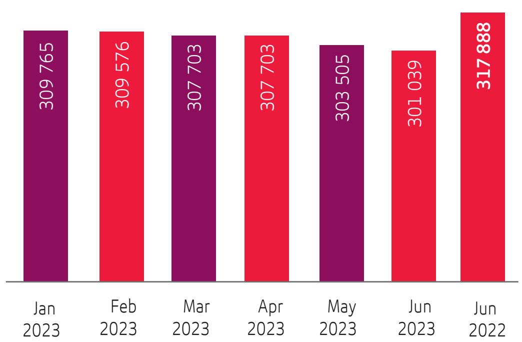
Deposits market share (%)



Branch network mix – number of branches



Branch network mix – square meters

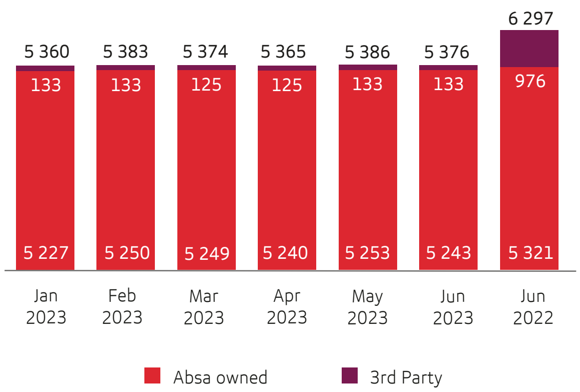


[1] Source SARB BA900.

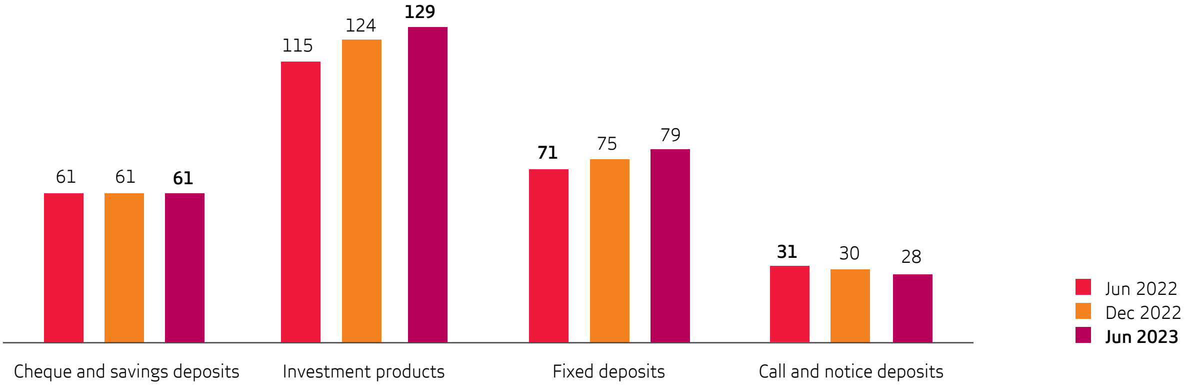
Everyday Banking

for the reporting period ended

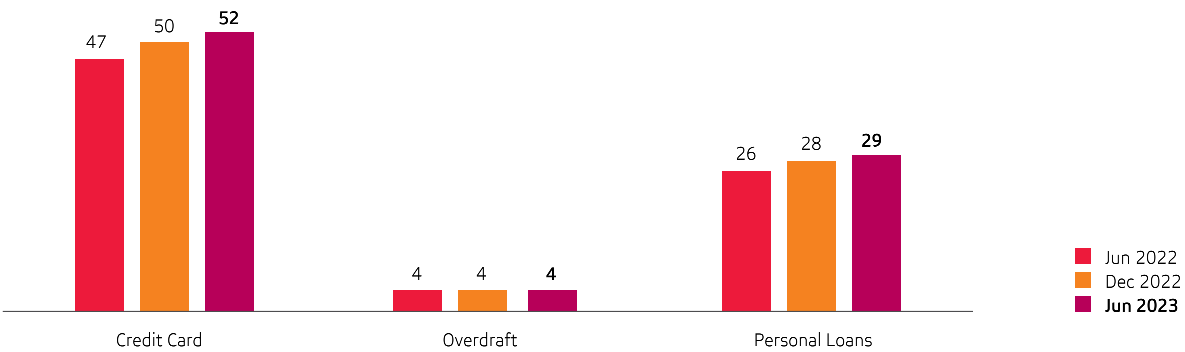
Physical Footprint – Number of ATMs and cash devices



Deposits (Rm)



Gross loans and advances (Rm)



Everyday Banking

for the reporting period ended

	Card				Personal Loans			
	30 June			31 December	30 June			31 December
	2023	2022	Change %	2022	2023	2022	Change %	2022
Statement of comprehensive income (Rm)								
Net interest income	**2 827**	2 381	19	5 005	**1 760**	1 494	18	3 240
Non-interest income	**1 472**	1 310	12	2 732	**219**	169	30	371
Total income	**4 299**	3 691	16	7 737	**1 979**	1 663	19	3 611
Credit impairment charges	**(2 367)**	(1 396)	70	(2 888)	**(1 526)**	(1 010)	51	(2 447)
Operating expenses	**(1 740)**	(1 664)	5	(3 335)	**(698)**	(675)	3	(1 226)
Other expenses	**(33)**	(19)	74	(54)	**(8)**	(6)	33	(16)
Operating profit before income tax	**159**	612	(74)	1 460	**(253)**	(28)	>100	(78)
Tax expenses	**(39)**	(170)	(77)	(445)	**73**	12	>100	10
Profit for the reporting period	**120**	442	(73)	1 015	**(180)**	(16)	>100	(68)
Profit attributable to:			—				—	
Ordinary equity holders	**52**	336	(85)	836	**(206)**	(36)	>100	(108)
Non-controlling interest – ordinary shares	**41**	86	(52)	138	**—**	—	—	—
Non-controlling interest – preference shares	**8**	6	33	12	**8**	6	33	12
Other equity – Additional Tier 1 capital	**19**	14	36	29	**18**	14	29	28
	120	442	(73)	1 015	**(180)**	(16)	>100	(68)
Headline earnings	**52**	336	(85)	836	**(206)**	(36)	>100	(108)
Operating performance (%)								
Credit loss ratio	**8.79**	5.73		5.75	**11.72**	8.80		10.20
Non-interest income as % of income	**34. 2**	35.5		35.3	**11. 1**	10.2		10.2
Income growth	**16**	9		11	**19**	11		18
Operating expenses growth	**5**	10		9	**3**	9		5
Cost-to-income ratio	**40.5**	45.1		43.1	**35.3**	40.6		34.0
Statement of financial position (Rm)								
Loans and advances	**45 647**	41 772	9	44 198	**20 611**	19 428	6	20 382
Loans and advances to customers	**45 523**	41 563	10	43 984	**20 611**	19 428	6	20 382
Loans and advances to banks	**124**	209	(41)	214	**—**	—	—	—
Investment securities	**2 335**	2 026	15	2 188	**1 064**	953	12	1 032
Other assets	**13 579**	11 839	15	12 958	**607**	450	35	530
Total assets	**61 561**	55 637	11	59 344	**22 282**	20 831	7	21 944
Deposits	**1 926**	1 969	(2)	2 037	**21**	21	—	26
Deposits due to customers	**1 926**	1 969	(2)	2 037	**21**	21	—	26
Deposits due to banks	**—**	—	—	—	**—**	—	—	—
Debt securities in issue	**—**	—	—	—	**—**	—	—	—
Other liabilities	**57 949**	51 750	12	54 903	**22 465**	20 811	8	22 024
Total liabilities	**59 875**	53 719	11	56 940	**22 486**	20 832	8	22 050
Financial performance (%)								
RoRWA	**0.21**	1.46		1.75	**(1.48)**	(0.27)		(0.39)
RoA	**0.18**	1.30		1.55	**(1.86)**	(0.36)		(0.51)

Everyday Banking

for the reporting period ended

Transactions and Deposits				Everyday Banking Other				Everyday Banking			
30 June			31 December	30 June			31 December	30 June			31 December
2023	2022	Change %	2022	2023	2022	Change %	2022	2023	2022	Change %	2022
3 372	3 148	7	6 511	**(168)**	(201)	(16)	(383)	**7 791**	6 822	14	14 373
3 873	3 913	(1)	8 024	**372**	394	(6)	934	**5 936**	5 786	3	12 061
7 245	7 061	3	14 535	**204**	193	6	551	**13 727**	12 608	9	26 434
(366)	(221)	66	(438)	**—**	(1)	(100)	(2)	**(4 259)**	(2 628)	62	(5 775)
(4 717)	(4 660)	1	(9 363)	**202**	195	4	8	**(6 953)**	(6 805)	2	(13 916)
(41)	(22)	86	(103)	**(157)**	(174)	(10)	(403)	**(239)**	(221)	8	(576)
2 121	2 158	(2)	4 631	**249**	212	17	154	**2 276**	2 954	(23)	6 167
(567)	(627)	(10)	(1 321)	**(61)**	(56)	9	(78)	**(594)**	(841)	(29)	(1 834)
1 554	1 531	2	3 310	**188**	156	21	76	**1 682**	2 113	(20)	4 333
		—				—				—	
1 524	1 513	1	3 271	**170**	151	13	59	**1 540**	1 964	(22)	4 058
—	—	—	—	**—**	—	—	—	**41**	86	(52)	138
9	5	80	12	**5**	1	>100	6	**30**	18	67	42
21	13	62	27	**13**	4	>100	11	**71**	45	58	95
1 554	1 531	2	3 310	**188**	156	21	76	**1 682**	2 113	(20)	4 333
1 525	1 513	1	3 306	**176**	155	14	53	**1 547**	1 968	(21)	4 087
6.08	2. 8		2. 94	**0.09**	0.22		0.26	**9.22**	5.97		6. 45
53.5	55.4		55.2	**182.4**	204.1		169.5	**43.2**	45.9		45.6
3	6		7	**6**	79		23	**9**	8		10
1	6		6	**4**	71		(102)	**2**	6		5
65. 1	66.0		64.4	**99.0**	(100.5)		(1.5)	**50.7**	54.0		52. 6
9 681	13 343	(27)	11 530	**417**	411	1	413	**76 356**	74 954	2	76 523
3 286	2 902	13	3 118	**—**	—	—	(1)	**69 420**	63 893	9	67 483
6 395	10 441	(39)	8 412	**417**	411	1	414	**6 936**	11 061	(37)	9 040
325	535	(39)	442	**227**	221	3	239	**3 951**	3 735	6	3 901
291 680	270 343	8	284 758	**10 087**	10 585	(5)	12 616	**315 953**	293 217	8	310 682
301 686	284 221	6	296 730	**10 731**	11 217	(4)	13 268	**396 260**	371 906	7	391 286
294 971	277 099	6	287 530	**13**	11	18	13	**296 931**	279 100	6	289 606
294 971	277 099	6	287 530	**13**	11	18	13	**296 931**	279 100	6	289 606
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
5 167	5 081	2	5 904	**10 499**	10 092	4	13 126	**96 080**	87 734	10	95 957
300 138	282 180	6	293 434	**10 512**	10 103	4	13 139	**393 011**	366 834	7	385 563
11.99	12.49		13.38	**n/a**	n/a			**2.81**	3.77		3.80
1. 07	1.11		1. 18	**4.28**	4.62		0.72	**0.83**	1.12		1.13

Relationship Banking

for the reporting period ended

Relationship Banking Cluster headline earnings declined by **9%** to **R1.8bn** (30 June 2022: R2.0bn), as pre-provision profit remained flat and impairment charges increased by **111%.**

Key performance highlights for the period include the following:

Advances balances grew by 7% with noted growth across all products.

Deposits balances grew by 11% reflective of the double-digit growth in savings and investments.

Solid net interest income increasing by 8% in line with average balance sheet growth.

Returns declined from 27.5% to 23.8% impacted by lower earnings offset by capital optimisation initiatives**.**

Credit loss ratio increased from 35bps in 2022 to **68bps** in 2023 due to higher impairment charges which include single names in distress.

Cost-to-income ratio increased slightly to **57.7%** from 55.2% reflective of the investment made in the SME business and the enhancement of customer enablement capability across Relationship Banking.

Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Income (Rm)	**7 433**	7 050	5	14 442
Pre-provision profit (Rm)	**3 145**	3 158	(0)	6 509
Headline earnings (Rm)	**1 833**	2 023	(9)	4 024
Credit loss ratio (%)	**0.68**	0.35		0.45
Cost-to-income ratio (%)	**57.7**	55.2		54.9
RoRWA (%)	**2.71**	3.11		3.08
RoA (%)	**1.39**	1.65		1.57
RoRC (%)	**23.8**	27.5		27.2

Some of these numbers have been restated, refer to report overview.

Business profile

Relationship Banking consists of the business units and associated products, where a named relationship exists and was formed to provide customers with a single relationship manager rather than multiple touch points within the Group.

Key business areas servicing in the business comprise:

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

These products cut across these segments:

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

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

Relationship Banking

for the reporting period ended

Business performance

Pressure on the economy as a result of high levels of inflation, rising interest rates, and ongoing loadshedding continued to negatively impact the operating environment in the first half of 2023. This has presented challenges to our clients' business operations, especially within the SME segment, impacting their ability to meet obligations, as business activity slowed down. Despite this backdrop, the business continued to deliver against its strategic objectives which were underpinned by key priorities including:

- Increasing the scale of the SME segment through expansion of the distribution network, tailored customer value propositions and improving ease of doing business;
- Stabilising the Private Wealth business by establishing service model of specialists to drive acquisitions and value propositions;
- Diversifying the Commercial segment by leveraging existing strengths to target opportunity sectors;
- Enhancing customer relationships and serving as a main partner to our clients;
- Accelerating digital adoption across segments and products; and
- Driving financial inclusion as well as diversity while ensuring that business impact is not harmful to the environment.

Key investment hires were made during the year to increase capacity, mainly in the frontline in the SME and Private Wealth segments in line with the strategic priorities. Business performance in the first half was as follows:

- Production momentum in the lending products was strong, with double digit growth in Commercial Asset Finance (CAF) (up 30%), Term Lending (up 19%) as well as Commercial and Property Finance (up 13%). CAF achieved production of cR11bn which is the highest in a six-month period. As a result, Absa's market share on instalment sale agreements in Commercial segment improved by 37bps to 24.93% (per BA900). The growth in Term loan production was across the customer segments.
- Transactional account sales grew by 47% mainly in the SME segment which delivered a strong growth of 56% reflective of the investments made.
- Card Acquiring turnover grew by 6% largely due to customers migrating from traditional channels into digital, whilst cash volumes declined by 9%. The acquiring business remains the market leader (per Nilson Report) by volume and value amidst ongoing efforts to further innovate in the SME segment. Absa Acquiring also sponsors and supports a number of fintech players in the market such as Yoco and Ikhoka to grow payments acceptance in the entrepreneurial space, as well as a host of digital and e-commerce providers to supply merchant services to the market. Card Issuing turnover grew by 19%.
- The business has also made progress in diversifying investments in the Commercial segment as reflected in the double-digit revenue growth in Transport and Logistics (up 15%), Wholesale, Retail and Franchise (up 16%) and Manufacturing (up 12%) while leveraging our strength in Agriculture. This was supported by the roll-out of targeted sector training interventions for the frontline and strategic hires.
- The business' relationship as a primary partner to customers has been resilient as reflected by the 1% improvement in active customers from the beginning of the year. Private Wealth customer experience has improved in line with investments made in this segment.
- The business made great strides in increasing digital adoption resulting in growth of 5% in digitally active customers. Card management self-service capability now enables for business card inter-account transfers, payment of beneficiaries as well as prepaid purchases. This capability has been extended to accommodate Business Evolve secondary card holders as well as making it easier for customers to do business seamlessly. The process of account opening for new-to-bank customers in the SME has improved significantly, with an 80% reduction in time spent. This faster turnaround times enable frontline to activate and digitise accounts swiftly.
- The business remains committed to building a winning and a diverse team with an improvement in the percentage of women in leadership by 60bps from the beginning of the year. This continues to be an area of focus by business and is expected to improve further.

Delivering on its ESG agenda continues to be important to the business. As at end June 2023, the business has financed over R1.3bn in renewable power, a good progress towards the R2.5bn target by 2025. A green asset finance solution was also launched, offering financing of solar installations, including batteries to keep businesses productive. Included in this offering, SME customers who have financed their property with Absa qualify for a grant equivalent to 10% of installation costs (up to a maximum of R50 000).

Financial performance

Headline earnings declined by **9%** to **R1 833m** (30 June 2022: R2 023m) driven by flat pre-provision profits and a 111% increase in credit impairment charges.

Gross loans and advances to customers grew by **7%** to **R147bn** (30 June 2022: R138bn) reflecting growth in CAF as well as sustained momentum in Term & Agri Loans. Commercial Asset Finance benefiting from higher production, specifically in Transport and Logistics as well as continued momentum in the Agri portfolio across segments.

Deposits due to customers increased by **11%** to **R211bn** (30 June 2022: R190bn) reflecting continued growth in investments deposits (up 20%).

Net interest income increased by **8%** to **R4 886m** (30 June 2022: R4 525m):

- Net interest income on advances increased by 8% driven by a 7% growth in average balances while margins were largely stable.
- Net interest income on deposits increased by 9% in line with balance sheet growth of 9%. Margins on deposits were largely flat as the benefit from higher interest rate was offset by the impact of faster growth in savings and investment products which are low margin.

Non-interest income increased by **1%** to **R2 547m** (30 June 2022: R2 525m) and was supported by 6% growth in digital volumes offset by the impact of lower cash volumes due to customers migrating to digital platforms and increased competition. Cash volumes decreased by 9% from prior year.

Relationship Banking

for the reporting period ended

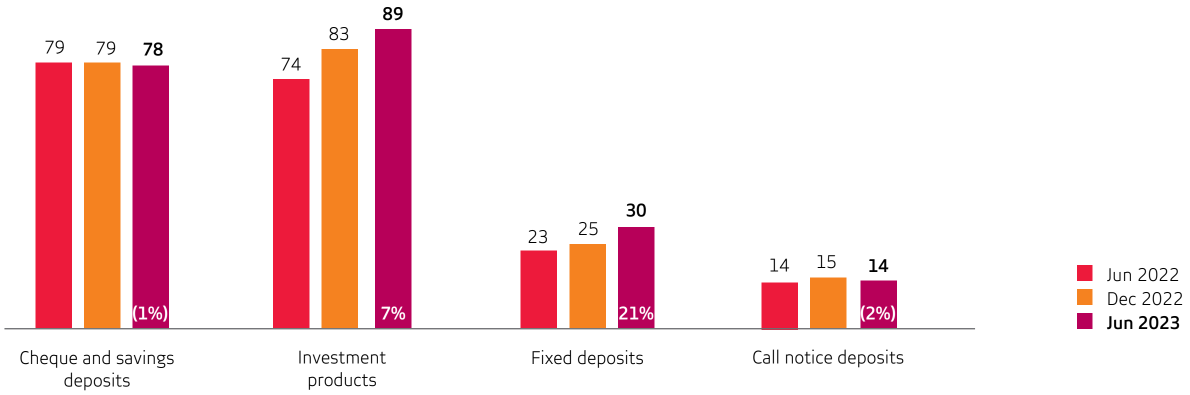
Financial performance (continued)

Impairments increased by >100% to **R488m** (30 June 2022: R231m) and the CLR increased to **68bps** (30 June 2022: 35bps). The increase is largely attributable to significant charges on a number of single-name entities in distress amid a persistently challenging economic environment and a decline in security value for stage 3 exposures linked to legacy matters. A refresh of the macro-economic parameters moreover resulted in higher impairment charges, while an offset was realised from the adoption of updated Regulatory and IFRS 9 models.

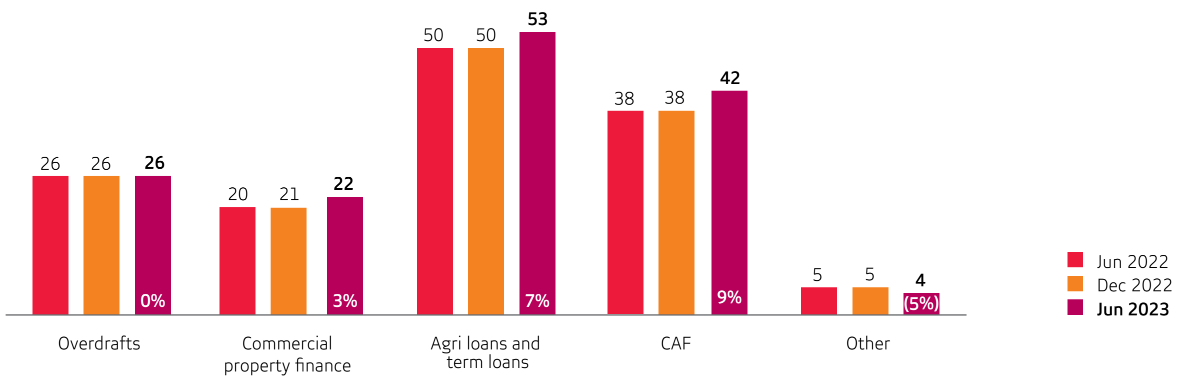
Operating expenses increased by 10% driven by investment spend on digital capabilities, key business enhancements, as well as investment hires in SME and Private Banking frontline.

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

Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



ARO RBB

for the reporting period ended

Absa Regional Operations – Retail and Business Banking (ARO RBB) headline earnings increased by **84%** to **R905m** (30 June 2022: R491m), driven by strong pre-provision profit growth of **44%** (constant currency (CCY): 42%) as credit impairment charges increased by **20%** (CCY: 19%).

Customer advances grew by **20%** (CCY: 16%) to **R79.6bn**, supported by increased production momentum in personal lending, mortgages and commercial lending.

Deposits due to customers grew by **21%** (CCY: 16%) to **R123.5bn** supported by both transactional (CCY: 14%) and investment products (CCY: 28%).

Credit loss ratio at **1.69%** (30 June 2022: 1.70%) remained unchanged reflecting similar quality of book construct and collection efforts.

Total income grew by **26%** (CCY: 21%) to **R8.2bn** driven by strong balance sheet growth, improved margins and transactional activity.

Non-interest income grew by **20%** (CCY: 15%) supported by a higher active client base and increased client activity.

Return on Regulatory Capital (RoRC) increased significantly to **13.9%** (30 June 2022: 10.0%) as a result of strong earnings growth but remained below the cost of equity (CoE).

Total active customers increased by **16%** to 2m supported by improved customer experience and enhanced customer value propositions.

Digitally active customers increased to **16%** to 720k in line with the business strategy to become a digitally led bank.

Cost-to-income ratio has improved to **65.0%** (30 June 2022: 69.4%) underpinned by stronger revenue performance resulting in positive JAWs of **8%**.

	30 June				31 December
Salient features	2023	2022	CCY %	Change %	2022
Income (Rm)	**8 176**	6 501	21	26	13 750
Pre-provision profit (Rm)	**2 861**	1 990	34	44	4 105
Headline earnings (Rm)	**905**	491	83	84	1 093
Credit loss ratio (%)	**1.69**	1.70			1.64
Cost-to-income ratio (%)	**65.0**	69.4			70.1
RoRWA (%)	**1.76**	1.14			1.18
RoA (%)[1]	**1.32**	0.86			0.90
RoRC (%)	**13.9**	10.0			10.5

Business profile

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

ARO RBB

for the reporting period ended

Key business areas

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

Business performance

ARO RBB's growth strategy continues to be focused on execution of key strategic objectives; driving a digital-first and customer-centric strategy aimed at improving the customer experience and strengthening customer relationships. The delivery of some key projects in 2023 ensured that we continue on our journey of creating an enhanced channel experience and connected payment platforms, while maximising the value of the Absa brand in Africa. The business continued to make strategic headway with the progress evident in the following performance metrics across the business:

- Digital adoption improved with an increase in digitally active customers of 16%;
- Launched the digital onboarding capability, a quick and efficient, channel agnostic onboarding solution which provides an enhanced customer experience in 6 of our markets;
- Launched the Mobile In-App Authentication, a major security update to digital platforms, allowing clients to bank more securely and minimising severity and possibility of data breaches;
- MobiTap a first to market innovation which allows merchants and SMMEs to use their smartphones in place of traditional Point of Sale (POS) devices to process contactless card transactions which is currently live in 3 markets;
- Digitised our credit card offerings in 8 markets enabling clients to activate their card, view their card details, freeze or unfreeze their cards, view or reset their pin on their app or internet banking;
- Launched a digital Buy Now Pay Later (BNPL) offering to provide more flexible payment options for our clients across 6 markets;
- Mobile lending targeting the previously under-banked and unbanked customers continued to accelerate with the value of disbursements increasing by **44%** to **R3.6bn** (30 June 2022: R2.5bn) in line with our strategy to drive financial inclusion and access to finance;
- Card-acquiring merchants increased by 5% with e-commerce turnover growing 38% while Credit and Debit card turnover increased by 32% and 11% respectively with a clear migration of spend from cash to card; and
- Active customers increased strongly to **2m** (30 June 2022: 1.7m) driven by customer re-activation campaigns as well as new to bank customer growth strategies.

The following accolades were received during the year:

Absa Bank Zambia

- Winner – Diversity & Inclusion Award for utilisation of technology and innovation to deliver services that propel our women in business at the 2023 Tech Trends Awards

Absa Bank Mauritius

- Winner – Best Transaction Banking Innovation Lab
- Highly Acclaimed – Outstanding use of technology by a Transaction Bank at the Middle East & Africa Innovation Awards 2022, sponsored by 'The Digital Banker'

Financial performance

FX impact on financial performance

The rand depreciated on average compared to the basket of ARO currencies in H1 2023 and on a year-on-year spot basis. This had a positive impact on earnings translation, revenue and closing balance sheet positions. The commentary below has been provided using CCY growth rates which better reflect the underlying performance.

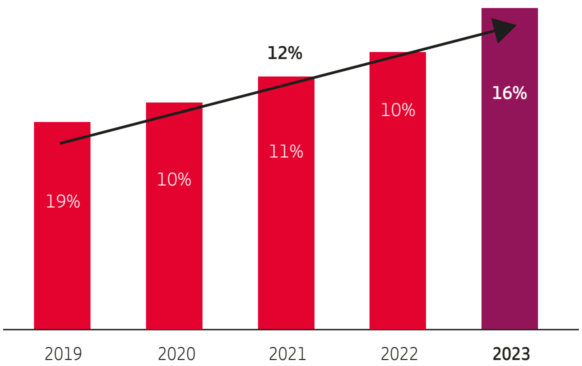
ARO RBB

for the reporting period ended

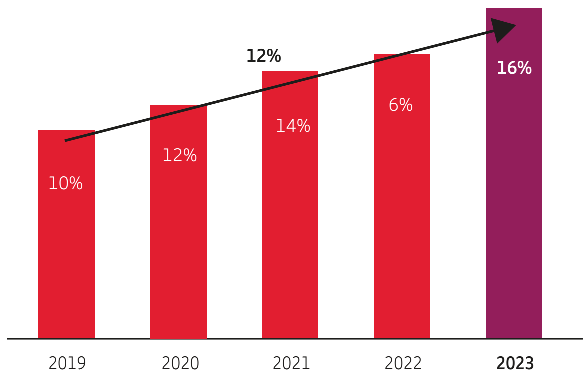
Financial performance (continued)

ARO Banking

Loans to customers growth trend CCY (CAGR)



Deposits to customers growth trend CCY (CAGR)



Loans and advances to customers increased by **16%** to **R79.5bn** driven by growth in the personal lending and mortgage lending portfolios of 14% and 10% respectively, while commercial loans grew by 17%.

Deposits due to customers increased by **16%** to **R123.5bn** driven by growth in investment (28%) and transactional products (14%).

Headline earnings increased by **154%** to **R774m** driven by revenue-led solid pre-provision profit growth of **53%**.

Net interest income increased by **24%** to **R5.8bn** driven by the strong balance sheet growth across the markets as well as margin expansion on the back of higher average interest rates noted in some key markets.

Non-interest income increased by **21%** to **R2.1bn** supported by a higher active client base, up 10% to 1.9m and an improved economic environment that supported increased client activity. FX revenues grew by 45% in the commercial segment while Retail noted a 19% improvement in the Cards' performance. This growth was however marginally moderated by continued shift in customer activity to our more cost-effective digital channels.

Credit impairment charges increased by **20%** to **R684m** (30 June 2022: R572m) while the credit loss ratio at **1.69%** (30 June 2022: 1.70%) remained unchanged, closing below the through-the-cycle range of 200 – 240bps. The stable credit loss ratio was primarily driven by Retail due to better portfolio construct, a tailored risk appetite and improved collection efforts. Business Bank had an increased credit loss ratio due to single name impairments, and the impact of sovereign downgrades on the portfolio. The NPL ratio reduced to **7.68%** (30 June 2022: 7.99%) mainly driven by Retail while Business Bank remained stable. The overall coverage ratio reduced to **7.39%** (30 June 2022: 7.57%) driven by an improvement in the portfolio construct.

Operating expenses increased by **12%** to **R5.2bn** and was above average inflation of 9% across the ARO markets mainly due to continued investment in staff and technology spend, partially offset by a focus on cost management initiatives. Cost-to-income ratio reduced to 66.1% from 71.7% in 30 June 2022 due to revenue growth exceeding cost growth.

ARO Insurance

The insurance businesses have applied the IFRS 17 Insurance Contracts standard from 1 January 2023 and have restated comparative numbers for 2022. The application of the standard has had minimal impact on business strategy, dividends, solvency, liquidity, capital positions and product pricing and management

ARO Insurance continues to progress in delivering on the integrated Bancassurance model. The business continues to focus on delivering against its strategic objectives of; sustainable growth, optimisation of the distribution model with the bank and improved customer centricity.

Total Insurance revenue decreased by **9%** to **R347m** (30 June 2022: R380m) driven by the Life Business.

Operating expenses grew by **6%** to **R156m** (30 June 2022: R147m) driven by increased transformational technology investments and marketing activities to launch bancassurance strategy coupled with increased staff costs. The cost-to-income ratio increased to **45.0%** (30 June 2022: 38.7%).

Headline earnings decreased by **28%** to **R131m** (30 June 2022: R183m) due to lower revenue and increased costs.

Life Insurance

Life Insurance revenue decreased by **14%** to **R184m** (30 June 2022: R215m) driven by a 16% increase in claims from group risk, education and group life products and a >100% increase in onerous business. This was partially offset by a 35% increase in insurance revenue from new business written on endowment and credit life policies coupled with a 56% increase in investment income.

Non-Life Insurance

Non-Life Insurance revenue at **R163m** (30 June 2022: R162m) was in line with prior year. Key performance drivers include an increase in insurance revenue on new business in the medical classes, coupled with increased investments income.

Looking ahead, ARO RBB will focus on:

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

CIB

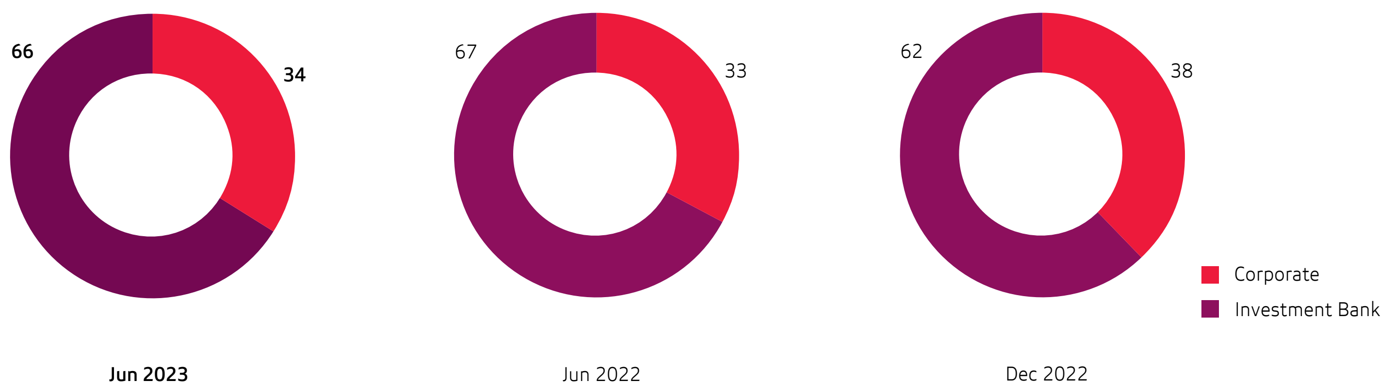
for the reporting period ended

Headline earnings increased by 32% to **R5 926m** (30 June 2022: R4 500m, up 30% in CCY), driven by strong income-led pre-provision profit growth of 25% (up 23% in CCY), partially offset by credit impairments, up 28% (40% in CCY).

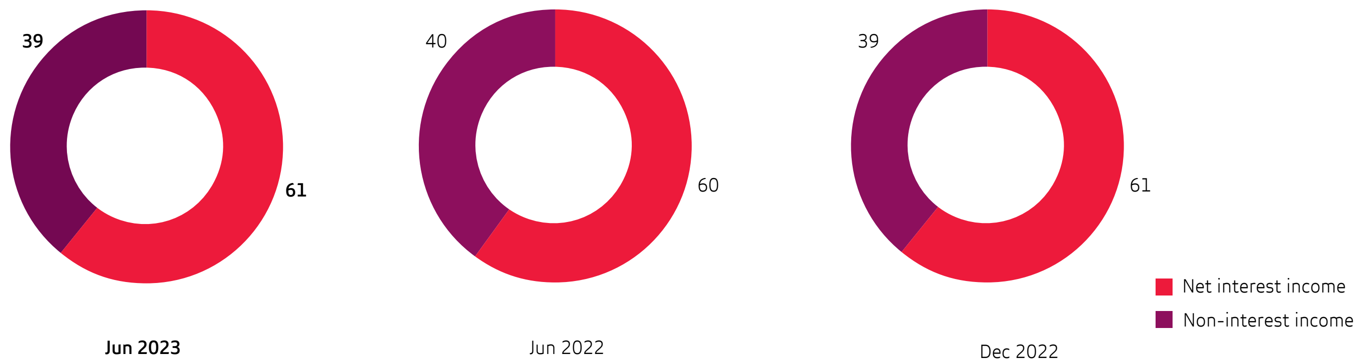
Key performance highlights for the period include the following:

- **Total income growth of 19%,** driven by client franchise growth of 18%, with all core business units achieving double-digit growth.
- **Net interest margin expansion** of 15bps from 2.50% to **2.65%**.
- **Customer advances,** excluding reverse repos, up 13%, driven by both term and short-term financing.
- **Customer deposits,** excluding repos, grew 11%, contributing to a loan-to-deposit ratio of **89.2%** (30 June 2022: 92.9%).
- **Return on regulatory capital (RoRC)** increased to **26.5%** from 22.4%.
- **Capital lite revenues up 24% to R9 715m** (30 June 2022: R7 866m, up 21% in CCY), supporting efforts to optimize returns.
- **Credit loss ratio** marginally up at **0.16%** (30 June 2022: 0.13%), albeit remaining below the through-the-cycle target range of 20 – 30bps.
- **Operating expenses increased by 11%** (up 9% in CCY) as a result of increased investment spend and inflationary pressure across key markets.

Headline earnings contribution (%)



Revenue mix (%)



CIB

for the reporting period ended

Salient features	30 June 2023	2022	CCY %	Change %	31 December 2022
Income (Rm)	**15 241**	12 835	17	19	26 783
Headline earnings (Rm)	**5 926**	4 500	30	32	8 977
Pre-provision profit (Rm)	**8 748**	7 001	23	25	14 275
Cost-to-income ratio (%)	**42.6**	45.5			46.7
Credit loss ratio (%)	**0.16**	0.13			0.27
RoRWA (%)	**3.12**	2.61			2.49
RoA (%)	**1.09**	0.94			0.88
RoA net of internal balances (%)	**1.19**	1.18			1.11
RoRC (%)	**26.5**	22.4			21.4

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

Return on assets metric utilising the impact of net internal assets within the total average assets balance.

Business profile

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

Key business areas

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

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

CIB

for the reporting period ended

	Corporate Bank				
	30 June				31 December
	2023	2022	CCY %	Change %	2022
Statement of comprehensive income (Rm)					
Net interest income	**5 256**	4 047	28	30	8 987
Non-interest income	**1 445**	1 240	15	17	2 866
Total income	**6 701**	5 287	25	27	11 853
Credit impairment charges	**(361)**	(111)	>100	>100	(441)
Operating expenses	**(3 236)**	(2 851)	11	14	(6 127)
Other expenses	**(37)**	(34)	(1)	9	(59)
Operating profit before income tax	**3 067**	2 291	32	34	5 226
Tax expenses	**(818)**	(680)	17	20	(1 466)
Profit for the reporting period	**2 249**	1 611	38	40	3 760
Profit attributable to:					
Ordinary equity holders	**2 028**	1 470	36	38	3 445
Non-controlling interest – ordinary shares	**158**	104	51	52	232
Non-controlling interest – preference shares	**18**	11	60	64	26
Other equity – Additional Tier 1 capital	**45**	26	72	73	57
	2 249	1 611	38	40	3 760
Headline earnings	**2 029**	1 469	36	38	3 451
Operating performance (%)					
Net interest margin on average interest-bearing assets	**2.69**	2.33			2.43
Credit loss ratio	**0.52**	0.24			0.40
Non-interest income as % of income	**21.6**	23.5			24.2
Income growth	**27**	11			20
Operating expenses growth	**14**	3			7
Cost-to-income ratio	**48.3**	53.9			51.7
Statement of financial position (Rm)					
Loans and advances	**108 182**	102 259	5	6	103 232
Loans and advances to customers	**85 124**	77 033	9	11	77 423
Loans and advances to banks	**23 058**	25 226	(10)	(9)	25 809
Investment securities	**4 213**	3 349	25	26	3 928
Other assets	**328 147**	282 799	14	16	287 700
Total assets	**440 542**	388 407	11	13	394 860
Deposits	**426 601**	373 563	12	14	380 839
Deposits due to customers	**390 172**	359 863	6	8	351 635
Deposits due to banks	**36 429**	13 700	>100	>100	29 204
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**11 734**	13 924	(16)	(16)	11 517
Total liabilities	**438 335**	387 487	11	13	392 356
Financial performance (%)					
Return on average risk-weighted assets	**3.46**	3.14			3.44
Return on average assets	**1.02**	0.82			0.91

CIB

for the reporting period ended

	Investment Bank					Total CIB				
	30 June				31 December	30 June				31 December
	2023	2022	CCY %	Change %	2022	2023	2022	CCY %	Change %	2022
	3 990	3 595	10	11	7 471	**9 246**	7 642	19	21	16 458
	4 550	3 953	13	15	7 459	**5 995**	5 193	13	15	10 325
	8 540	7 548	11	13	14 930	**15 241**	12 835	17	19	26 783
	(18)	(186)	(90)	(90)	(937)	**(379)**	(297)	40	28	(1 378)
	(3 257)	(2 983)	7	9	(6 381)	**(6 493)**	(5 834)	9	11	(12 508)
	(131)	(105)	25	25	(222)	**(168)**	(139)	19	21	(281)
	5 134	4 274	18	20	7 390	**8 201**	6 565	23	25	12 616
	(913)	(985)	(11)	(7)	(1 349)	**(1 731)**	(1 665)	1	4	(2 815)
	4 221	3 289	27	28	6 041	**6 470**	4 900	30	32	9 801
	3 897	3 031	27	29	5 520	**5 925**	4 501	30	32	8 965
	151	131	16	15	263	**309**	235	32	31	495
	50	37	37	35	77	**68**	48	42	42	103
	123	90	35	37	181	**168**	116	43	45	238
	4 221	3 289	27	28	6 041	**6 470**	4 900	30	32	9 801
	3 897	3 031	27	29	5 526	**5 926**	4 500	30	32	8 977
	2.60	2.73			2.64	**2.65**	2.50			2.52
	0.07	0.11			0.24	**0.16**	0.13			0.27
	53.3	52.4			50.0	**39.3**	40.5			38.6
	13	4			7	**19**	7			12
	9	14			16	**11**	8			12
	38.1	39.5			42.7	**42.6**	45.5			46.7
	395 135	379 767	3	4	410 710	**503 317**	482 026	4	4	513 942
	363 354	326 698	10	11	354 191	**448 478**	403 731	10	11	431 614
	31 781	53 069	(40)	(40)	56 519	**54 839**	78 295	(31)	(30)	82 328
	41 930	40 031	4	5	43 324	**46 143**	43 380	6	6	47 252
	242 711	254 493	(4)	(5)	225 709	**570 858**	537 292	5	6	513 409
	679 776	674 291	1	1	679 743	**1 120 318**	1 062 698	5	5	1 074 603
	121 353	128 233	(5)	(5)	118 770	**547 954**	501 796	8	9	499 609
	74 815	55 883	34	34	55 762	**464 987**	415 746	10	12	407 397
	46 538	72 350	(36)	(36)	63 008	**82 967**	86 050	(3)	(4)	92 212
	23 260	23 135	1	1	26 669	**23 260**	23 135	1	1	26 669
	528 454	518 580	2	2	528 714	**540 188**	532 504	1	1	540 231
	673 067	669 948	0	0	674 153	**1 111 402**	1 057 435	4	5	1 066 509
	2.56	2.67			2.30	**3.12**	2.61			2.49
	1.14	1.01			0.86	**1.09**	0.94			0.88

Total CIB

for the reporting period ended

	CIB SA			
	30 June			31 December
	2023	2022	Change %	2022
Statement of comprehensive income (Rm)				
Net interest income	**5 592**	4 922	14	10 269
Non-interest income	**3 176**	3 328	(5)	6 195
Total income	**8 768**	8 250	6	16 464
Credit impairment charges	**(464)**	(162)	>100	(424)
Operating expenses	**(4 072)**	(3 722)	9	(8 124)
Other expenses	**(113)**	(83)	36	(191)
Operating profit before income tax	**4 119**	4 283	(4)	7 725
Tax expenses	**(537)**	(922)	(42)	(1 315)
Profit for the reporting period	**3 582**	3 361	7	6 410
Profit attributable to:				
Ordinary equity holders	**3 346**	3 197	5	6 069
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**68**	48	42	103
Additional Tier 1	**168**	116	45	238
	3 582	3 361	7	6 410
Headline earnings	**3 347**	3 196	5	6 070
Operating performance (%)				
Net interest margin on average interest-bearing assets	**2.04**	2.02		1.97
Credit loss ratio	**0.23**	0.09		0.12
Non-interest income as % of income	**36.2**	40.3		37.6
Income growth	**6**	4		6
Operating expenses growth	**9**	6		11
Cost-to-income ratio	**46.4**	45.1		49.3
Statement of financial position (Rm)				
Loans and advances	**417 264**	413 605	1	433 560
Loans and advances to customers	**368 651**	340 859	8	362 816
Loans and advances to banks	**48 613**	72 746	(33)	70 744
Investment securities	**43 013**	42 066	2	44 694
Other assets	**476 431**	466 803	2	439 034
Total assets	**936 708**	922 474	2	917 288
Deposits	**440 728**	421 034	5	405 777
Deposits due to customers	**358 630**	335 712	7	318 883
Deposits due to banks	**82 097**	85 322	(4)	86 894
Debt securities in issue	**23 260**	23 135	1	26 669
Other liabilities	**466 037**	471 390	(1)	476 931
Total liabilities	**930 025**	915 559	2	909 377
Financial performance (%)				
RoRWA	**2.76**	2.78		2.56
RoA	**0.73**	0.79		0.69

Total CIB

for the reporting period ended

CIB ARO					Total CIB				
30 June				31 December	30 June				31 December
2023	2022	CCY %	Change %	2022	**2023**	2022	CCY %	Change %	2022
3 654	2 720	29	34	6 189	**9 246**	7 642	19	21	16 458
2 819	1 865	45	51	4 130	**5 995**	5 193	13	15	10 325
6 473	4 585	36	41	10 319	**15 241**	12 835	17	19	26 783
85	(135)	<(100)	<(100)	(954)	**(379)**	(297)	40	28	(1 378)
(2 421)	(2 112)	8	15	(4 384)	**(6 493)**	(5 834)	9	11	(12 508)
(55)	(56)	(7)	(2)	(90)	**(168)**	(139)	19	21	(281)
4 082	2 282	73	79	4 891	**8 201**	6 565	23	25	12 616
(1 194)	(743)	54	61	(1 500)	**(1 731)**	(1 665)	1	4	(2 815)
2 888	1 539	81	88	3 391	**6 470**	4 900	30	32	9 801
2 579	1 304	90	98	2 896	**5 925**	4 501	30	32	8 965
309	235	32	31	495	**309**	235	32	31	495
—	—	—	—	—	**68**	48	42	42	103
—	—	—	—	—	**168**	116	43	45	238
2 888	1 539	81	88	3 391	**6 470**	4 900	30	32	9 801
2 579	1 304	90	98	2 907	**5 926**	4 500	30	32	8 977
4.86	4.40			4.73	**2.65**	2.50			2.52
(0.15)	0.41			1.09	**0.16**	0.13			0.27
43.6	40.7			40.0	**39.3**	40.5			38.6
41	13			23	**19**	7			12
15	13			12	**11**	8			12
37.4	46.1			42.5	**42.6**	45.5			46.7
86 053	68 421	20	26	80 382	**503 317**	482 026	4	4	513 942
79 827	62 872	21	27	68 798	**448 478**	403 731	10	11	431 614
6 226	5 549	6	12	11 584	**54 839**	78 295	(31)	(30)	82 328
3 130	1 314	>100	>100	2 558	**46 143**	43 380	6	6	47 252
94 427	70 489	27	34	74 375	**570 858**	537 292	5	6	513 409
183 610	140 224	24	31	157 315	**1 120 318**	1 062 698	5	5	1 074 603
107 226	80 762	23	33	93 832	**547 954**	501 796	8	9	499 609
106 357	80 034	23	33	88 514	**464 987**	415 746	10	12	407 397
870	728	37	20	5 318	**82 967**	86 050	(3)	(4)	92 212
—	—	—	—	—	**23 260**	23 135	1	1	26 669
74 151	61 114	19	21	63 300	**540 188**	532 504	1	1	540 231
181 377	141 876	22	28	157 132	**1 111 402**	1 057 435	4	5	1 066 509
3.75	2.26			2.35	**3.12**	2.61			2.49
3.09	1.82			1.93	**1.09**	0.94			0.88

Total CIB

for the reporting period ended

Business performance

CIB continued to successfully execute on the business' strategic priorities in the first half of 2023. The financial performance showed a continuation of the underlying momentum in the business. This performance is noteworthy in light of the challenges in a number of our markets.

CIB's performance was underpinned by several achievements in H1 2023:

- A strong performance in new client acquisition in priority and growth sectors was achieved in both SA and ARO.
- Nearly 80% of the ARO client base is now active on the Absa Access platform.
- CIB remains committed to being an African leader in ESG insights, products and advice. Since 2021, the business has arranged R61bn of sustainable finance deals to date and is on track to meet the commitment of arranging R100bn by 2025.
- Our employees continue to contribute meaningfully to the societies in which the business operates, including supporting the following initiatives:
  - Finance and Banking Academy to increase finance and banking skills in societies across the continent.
  - Social Coding, a non-profit organisation that cultivates academic support for Science, Technology, Engineering and Maths learners.
  - Built4Biz Entrepreneurship training for SME's and start-ups owned by women and youth to grow sustainable businesses.

The following accolades were received during the year:

- The African Banker Award 2023 for Deal of the Year in the debt category, where CIB acted as Joint Global Co-ordinator, Bookrunner, Sustainability Co-ordinator, Mandated Lead Arranger, Facility Agent and Sustainability Agent for Harmony (R10.4bn).
- Best Bank in Trade Finance and Cash Management in Africa at the Middle East & Africa Innovation Awards 2023.
- Six accolades at the sixth annual South African Listed Tracker Awards (SALTA). The SALTA Awards recognise issuers for providing exceptional exchange-traded products to the South African markets.
- Best Research House at the 21st JSE Spire Awards for the sixth consecutive year. These awards serve as a benchmark for fixed income, currency, and commodities markets as well as recognising the best achievers in the South African Capital Markets.
- Excellence in Investment Banking award at the Connected Banking Summit Innovation & Excellence Awards 2023.
- Best Employer Brand on LinkedIn at the LinkedIn Talent Awards.

Financial performance

Headline earnings increased by **32%** to **R5 926m** (30 June 2022: R4 500m, up 30% in CCY) driven by pre-provision profit growth of **25%** to **R8 748m** (30 June 2022: R7 001m), with total income up **19%** to **R15 241m** (30 June 2022: R12 835m, up 17% in CCY) and operating expenses up **11%** to **R6 493m** (30 June 2022: R5 834m, up 9% in CCY). This was partially offset by credit impairments up **28%** to **R379m** (30 June 2022: R297m, up 40% in CCY). The overall headline earnings growth, in conjunction with efficient management of financial resources, resulted in an increase in RoRC from 22.4% to **26.5%**.

- ARO headline earnings increased by **98%** to **R2 579m** (30 June 2022: R1 304m, up 90% in CCY), driven by a combination of strong income-led pre-provision profit growth (up 64%) and a decline in impairments to a net release of **R85m** (30 June 2022: charge of R135m). Income increased by **41%** to **R6 473m** (30 June 2022: R4 585m, up 36% in CCY), while operating expenses increased by **15%** (8% in CCY), largely driven by inflationary pressure across most markets as well as continued investment in people and technology. The region's contribution to overall CIB's headline earnings increased to **44%** (30 June 2022: 29%).
- SA headline earnings were up 5%, largely supported by income growth of **6%** to **R8 768m** (30 June 2022: R8 250m) and lower taxes. Higher credit impairment charges (up more than 100% to **R464m**) and operating expenses (up 9%), however, had an adverse impact on the performance, as reflected in the 4% decline in operating profit before income tax.

Total income growth was underpinned by client franchise growth of 18% which benefitted from increased primary banked clients and improved acquisition of new to bank groups. Capital lite revenue increased by **24%** to **R9 715m** (30 June 2022: R7 866m, up 21% in CCY) driven by growth in non-interest income, which increased by 15% and growth in deposits net interest income of **39%** (36% in CCY). Additionally, all core operating business units achieved a double-digit growth rate, with the Corporate Bank up **27%** (up 25% in CCY) and the Investment Bank up 13% (Investment Banking Division up 12%, Global Markets up 16% and Commercial and Property Finance up 11%).

- Net interest income increased by **21%** to **R9 246m** (30 June 2022: R7 642m, up 19% in CCY), supported by higher average customer deposits balances, excluding repurchase agreements, up 13% across multiple jurisdictions, and average customer advances, excluding reverse repurchase agreements, up 18%. Net interest margin expanded by 15bps to **2.65%**, driven by higher deposit margins and endowment benefit resulting from the increasing interest rate environment
- Non-interest income grew by **15%** to **R5 995m** (30 June 2022: R5 193m, up 13% in CCY) driven mainly by a strong ARO Trading performance, underpinned by strong client franchise growth as well as monetisation of opportunities arising from increased volatility. Higher volumes in Transactions were supported by increased sales activity and the benefit of modernised digital channels rolled out across the continent. The performance was further supported by growth in Trade Finance, notably, documentary trade products in SA. This was slightly offset by a decline in Trading in SA.

The increase in credit impairments of 28% was largely driven by higher charges in SA, partially offset by net releases in ARO, particularly within the performing book. The credit loss ratio increased to **0.16%** (30 June 2022: 0.13%) but continues to track below the through-the-cycle target range of 20 – 30bps. This outcome reflects the success of the targeted growth strategy, which prioritises low-risk origination in specific sectors, products, and markets. The performing coverage ratio remains above pre-pandemic levels at 0.53%, as the portfolio remains susceptible to the macroeconomic environment.

Operating expenses growth of 11% was attributable to inflationary pressure across key markets, increased investment spend on people (to support the retention and attraction of the best talent), increased spend on items such as training, travel and marketing, which have continued to normalise post-Covid, as well as higher amortisation resulting from the improvement of platforms and technology as the business continues to invest in digitisation and automation.

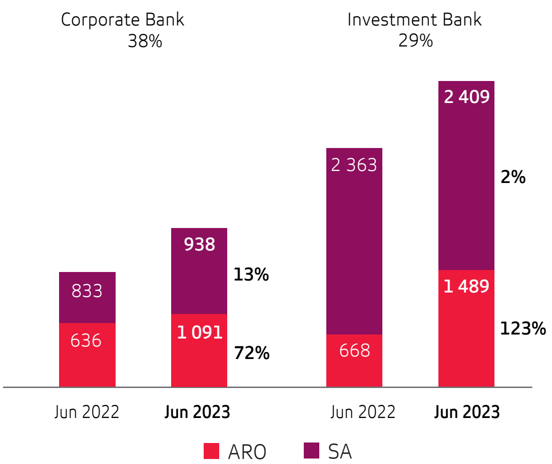
Total CIB

for the reporting period ended

Financial performance (continued)

CIB's liquidity position remained healthy, with a loan to deposit ratio of 89.2%, as total deposit balances grew faster than total loans and advances. Total deposits were up **9%** to **R548.0bn** (30 June 2022: R501.8bn), with core SA cheque deposits up 18%. Total loans and advances increased by **4%** to **R503.3bn** (30 June 2022: R482.0bn), benefitting from key deals that landed in the Investment Banking Division (IBD) in Q4 2022, growth in the Commercial Property Finance (CPF) business and increased demand for short term funding in the Corporate Bank. On an average basis, loans and advances increased by **15%** to **R502.9bn** (30 June 2022: R439.2bn) and deposits increased by **13%** to **R528.5bn** (30 June 2022: R466.9bn).

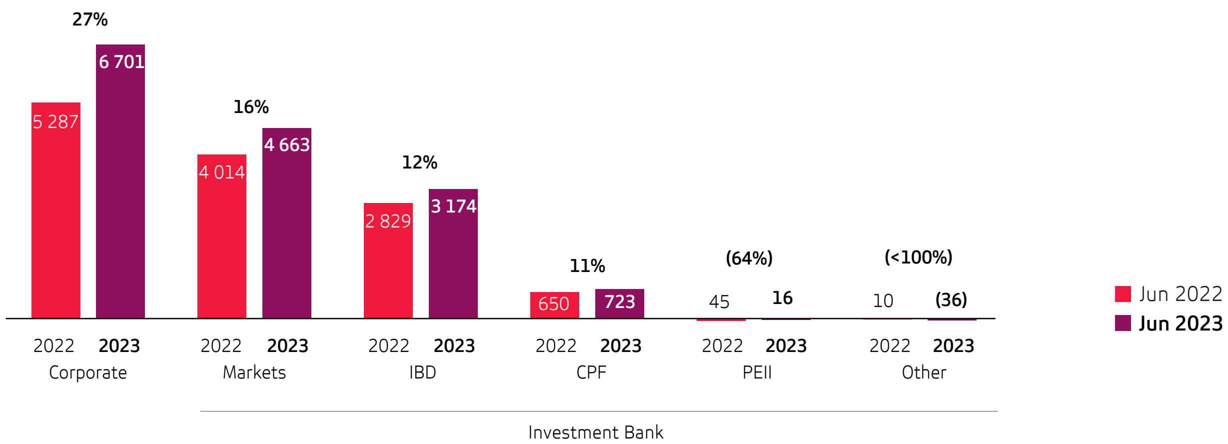
Headline earnings (Rm and change %)



Both the Corporate Bank and the Investment Bank delivered solid results, with headline earnings growth of 38% and 29% respectively.

- The Corporate Bank headline earnings increased by **38%** to **R2 029m** (30 June 2022: R1 469m, up 36% in CCY), underpinned by income-led pre-provision profit growth of 42% partially offset by higher impairments (up >100%).
  - Income increased by **27%** to **R6 701m** (30 June 2022: R5 287m, up 25% in CCY), benefitting from continued liquidity strength, increased demand for short term funding and improved Transactions volumes following the roll out of modernised channels across jurisdictions.
  - Credit impairments increased by **>100%** to **R361m** (30 June 2022: R111m) largely due to higher stage 3 charges, specifically in SA and Ghana.
  - Operating expenses increased by **14%** (11% in CCY), largely driven by inflationary pressure across key markets, people investment and higher amortisation and technology charges as the business continues to drive channel modernisation and digitisation.
- The Investment Bank headline earnings grew **29%** to **R3 897m** (30 June 2022: R3 031m, up 27% in CCY), benefitting from income growth of 13% and a reduction in impairments (down 90%), offset by growth in operating expenses of **9%** (7% in CCY).
  - Income increased by **13%** to **R8 540m** (30 June 2022: R7 548m, up 11% in CCY), with ARO growth of **44%** (up 38% in CCY) being marginally offset due to a difficult trading environment in Markets SA. From a business unit performance perspective, however, double-digit growth was noted across the IBD, CPF and Global Markets pan-African franchises.
  - Credit impairments decreased by **90%** to **R18m** (30 June 2022: R186m) due to a net release on the performing book, mainly in ARO, partially offset by higher stage 3 charges in SA.
  - Operating expenses growth was contained at **9%** (7% in CCY), despite inflationary pressure across key markets. This was achieved through close management of business as usual (BAU) costs whilst still investing in people and technology.

Gross income mix (Rm and change %)



Total CIB

for the reporting period ended

Business unit performance

Corporate Bank

The Corporate Bank franchise grew income by **27%** to **R6 701m** (30 June 2022: R5 287m, up 25% in CCY), supported by a strong performance across ARO and SA. ARO income increased by **39%** to **R3 088m** (30 June 2022: R2 229m, up 33% in CCY), while SA income increased by **18%** to **R3 613m** (30 June 2022: R3 058m).

Net interest income grew by **30%** to **R5 256m** (30 June 2022: R4 047m, up 28% in constant currency), underpinned by average customer deposits growth of 9%, with margins expanding as a result of the increasing interest rate environment. In addition, the business benefitted from improved demand for short-term funding, with average customer loan balances increasing by 20%.

Non-interest income was up **17%** to **R1 445m** (30 June 2022: R1 240m, up 15% in CCY) as growth momentum continued across the Transactions and Trade franchises.

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

- Cash Management income increased 33%, driven by deposit balances growth together with margin expansion and increased transactional volumes.
  - Deposits income increased 38%, due to higher margins in a number of jurisdictions as well as average customer balance sheet increasing 9%. SA Deposits income was up 20%, driven by favourable margins owing to increasing interest rates, with average customer deposits increasing 6% to R269bn (30 June 2022: R253bn). In ARO, deposits income increased by 59% year-on-year largely due to margin expansion attributable to changes in country contributions coupled with average customer deposits increasing by 19%.
  - Transactions income increased by 18% as a result of increased client primacy and higher transactional volumes, with SA and ARO increasing by 20% and 13% respectively. This is testament to the continued efforts to modernise channels and expand client propositions across the continent.
- Working Capital income increased by 10%, driven by higher customer advances. Strong momentum was noted in supply chain finance off the back of strong pipeline conversion.
- The strategic drive to become the Trade partner of choice on the continent yielded positive results, with Trade Finance income increasing 8%. This growth was driven by a combination of increased balances and an increase in documentary trade volumes.

	30 June				31 December
Salient features	**2023**	2022	CCY %	Change %	2022
Gross income (Rm)	**6 701**	5 287	25	27	11 853
Credit impairment charges (Rm)	**(361)**	(111)	>100	>100	(441)
Net income (Rm)	**6 340**	5 176	20	22	11 412
Average loans and advances to customers (Rbn)	**78.3**	65.3	18	20	69.1
Average deposits due to customers (Rbn)	**364.5**	333.9	8	9	344.7

Total CIB

for the reporting period ended

Business performance (continued)

Investment Bank

Investment Bank income increased by **13%** to **R8 540m** (30 June 2022: R7 548m, 11% in CCY), with a strong ARO performance partially offset by a marginal decline in SA. ARO was up **44%** to **R3 385m** (30 June 2022: R2 356m, up 38% in CCY) with all business units delivering double-digit growth on the prior year. SA was down **1%** to **R5 155m** (30 June 2022: R5 192m), impacted by a difficult trading environment in Markets SA.

Business units performed as follows:

Global Markets

Global Markets income increased by **16%** to **R4 663m** (30 June 2022: R4 014m, up 15% in CCY). Markets SA income decreased by **7%** to **R2 327m** (30 June 2022: R2 501m), while Markets ARO income increased by **54%** to **R2 336m** (30 June 2022: R1 512m, up 50% in CCY).

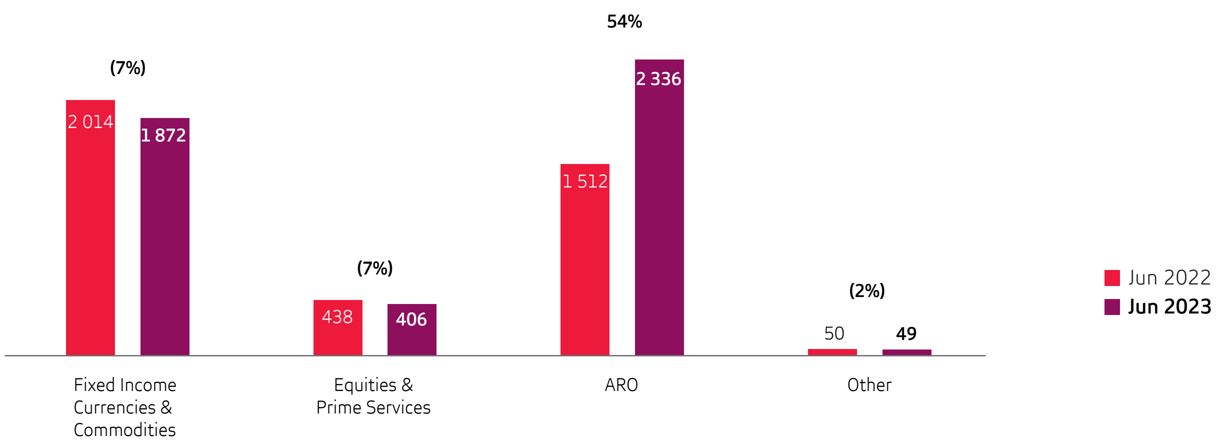
The **Markets SA** performance was driven by:

- **Fixed Income, Currencies and Commodities** declining by 7%, with mixed performances across the FICC franchise as macro challenges made it difficult to monetise client flows in foreign exchange and margins in structured products reduced in a benign credit spread environment. This was partially offset by favourable risk management in Fixed Income products, increased offshore client activity and event deal flow in the Financial Institutions, Energy and Real Estate sectors.
- **Equities and Prime** declining by 7% amidst a tough trading environment with reduced revenue opportunities due to more extensive global rate hikes than expected, impacting margins in the equity financing business. This was partly offset by Prime Services as a result of continued strong franchise growth in prime broking and the derivatives business.

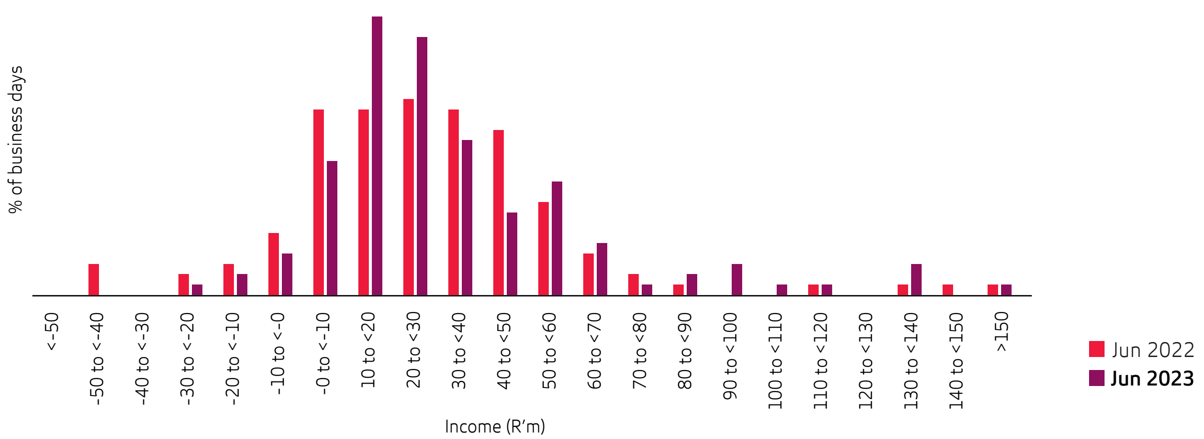
Markets ARO performance was driven by:

- Markets ARO income growing 54% year-on-year (50% in CCY), underpinned by wider margins and increased client flows in the midst of broadly constrained liquidity across various markets. FX penetration in line with the business' FX diversification strategy remained a continued area of focus, complemented by new product offerings. Trading income increased across most markets as the business monetised opportunities while navigating often dislocated markets.

Global Markets gross income split (Rm and change %)



Daily markets income distribution (Rm)



Total CIB

for the reporting period ended

Business performance (continued)

Investment Bank (continued)

Investment Banking Division

Income increased by **12%** to **R3 174m** (30 June 2022: R2 829m, up 10% in CCY).

Net interest income growth of 13% was supported by average customer loans and advances growth (up 18%), with key deals closed in the Financing business. However, margin compression was experienced in selected product lines in a competitive market.

Non-interest income was up 8%, despite a more subdued half year in the Advisory business as certain projects took longer than expected to execute while Equity Capital opportunities remained under pressure due to lower domestic and regional market activity.

The first half of 2023 saw a 95% decrease (down more than 100% in CCY) in impairments year-on-year as the quality of the portfolio construct improved.

Salient features	30 June 2023	30 June 2022	CCY %	Change %	31 December 2022
Gross income (Rm)	**3 174**	2 829	10	12	5 914
Credit impairment charges (Rm)	**(8)**	(157)	(>100)	(95)	(737)
Net income (Rm)	**3 166**	2 672	16	18	5 177
Average loans and advances to customers (Rbn)	**225.0**	191.4	17.0	18	206.0

Commercial Property Finance (CPF)

The CPF business increased income by **11%** to **R723m** (30 June 2022: R650m, up 11% in CCY), aligned with the strategy to become a leading provider of property finance across the African continent.

Net interest income increased by 11% supported by asset growth of 15% as well as expansion of the product offering across presence countries in priority sectors.

The business continues to attract good quality business as reflected by low credit impairments.

Salient features	30 June 2023	30 June 2022	CCY %	Change %	31 December 2022
Gross income (Rm)	**723**	650	11	11	1 370
Credit impairment charges (Rm)	**(14)**	(28)	(68)	(50)	(186)
Net income (Rm)	**709**	622	14	14	1 184
Average net portfolio assets (Rbn)	**72.5**	62.8	15	15	64.7

Private Equity and Infrastructure Investments SA (PEII)

Non-core Private Equity and Infrastructure Investments reported net income of **R16m** (30 June 2022: R45m income), mainly due to dividends and interest.

Salient features	30 June 2023	30 June 2022	Change %	31 December 2022
Revaluations (Rm)	**—**	—	—	(13)
Realisations, dividends, interest and fees (Rm)	**33**	44	(25)	67
Funding (Rm)	**(16)**	1	>100	(7)
Net income (Rm)	**16**	45	(64)	47
Total portfolio size (Rbn)	**1.7**	1.6	4	1.6

Total CIB

for the reporting period ended

Looking ahead

The CIB strategy remains resilient in an increasingly challenging external environment. The business has an experienced and deep leadership team with a proven track record of delivering growth and returns. This stands CIB in good stead as the business strives to continue the current momentum in the year ahead.

Key focus areas for the remainder of the year:

- Driving client migrations and activations on our pan-African digital channels to better serve clients, while decommissioning legacy platforms.
- Winning client primacy and delivering a superior experience as the go-to partner for clients.
- Increasing our market share in ARO.
- Building connectivity for global clients by leveraging our International Offices.
- Building on our market-leading credentials in the power, renewables and infrastructure sectors as the business seeks to lead in ESG across the continent.
- Attracting and retaining critical talent to achieve the successful delivery of the strategy.
- Building a diverse and inclusive CIB that is representative of the markets that the business serves and seeks to serve.
- Continuing to build and nurture a purpose-led culture that drives excellence, learning and collaboration.

Head Office, Treasury and other operations

for the reporting period ended

Financial performance

Headline earnings within Head office, Treasury and other operations reflects a loss of R176m for the period (HY'22: R617m profit). The main drivers of the year-on-year decrease in earnings were:

- Increased funding costs and lower investment returns in SA Treasury (R538m), partially offset by higher yields in ARO Treasuries (c.R300m benefit) resulted in lower NII;
- Non-interest revenue was adversely affected by the fair value movements on the ineffective portion of the structural interest rate hedge in SA Treasury (R371m impact);
- Impairment charges (R162m) increased on sovereign exposures in the ARO portfolios;
- Operating costs increased as a result of additional diesel costs associated with managing business resilience during elevated levels of loadshedding; and
- The results of the investment management business were included in Head Office for the full six months in the prior year but was disposed during the second half of the year. The result of the new joint venture with Sanlam created through this transaction is reflected under Product Solutions Cluster. The year-on-year decline on headline earnings in the Head Office cluster is R103m.

IFRS Group performance

Consolidated IFRS salient features

for the reporting period ended

		30 June			Restated 31 December
		2023	2022	Change %	2022
Statement of financial position					
Net asset value (NAV) (Rm)		**141 144**	130 445	8	134 416
Total assets (Rm)		**1 898 340**	1 774 529	7	1 806 961
Statement of comprehensive income (Rm)					
Income		**52 354**	46 394	13	97 596
Operating expenses		**26 690**	24 254	10	51 233
Pre-provision profit		**25 664**	22 140	16	46 363
Credit impairment charges		**8 280**	5 176	60	13 703
Profit attributable to ordinary equity holders		**10 792**	10 385	4	20 265
Headline earnings	1	**10 715**	10 532	2	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
Operating performance (%)					
Net interest margin on average interest-bearing assets		**4.61**	4.54		4.56
Non-interest income as percentage of total income		**36.8**	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 ordinary 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	4	2 443.3
Diluted basic earnings per ordinary share (DEPS)		**1 298.5**	1 244.3	4	2 430.1
Headline earnings per ordinary share (HEPS)	1	**1 293.1**	1 268.6	2	2 408.4
Diluted headline earnings per ordinary share (DHEPS)	1	**1 289.1**	1 261.9	2	2 395.4
NAV per ordinary share		**17 009**	15 705	8	16 246
Tangible NAV per ordinary share		**15 407**	14 235	8	14 682
Dividend per ordinary share relating to income for the reporting period		**685**	650	5	1 300
Dividend payout ratio (%)		**53**	52	3	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.

Income and operating expenses have been restated. Refer to the reporting changes overview in note 15.

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	Note	30 June 2023 Rm	30 June 2022 Rm	Change %	Restated 31 December 2022 Rm
Net interest income	2	**33 069**	28 583	16	60 498
Interest and similar income		**75 330**	50 889	48	112 232
Effective interest income		**73 928**	49 853	48	110 314
Other interest income		**1 402**	1 036	35	1 918
Interest expense and similar charges		**(42 261)**	(22 306)	89	(51 734)
Non-interest income	3	**19 285**	17 810	8	37 098
Net fee and commission income		**12 508**	12 092	3	24 853
Fee and commission income	3.1	**13 746**	13 511	2	27 547
Fee and commission expense	3.1	**(1 238)**	(1 419)	(13)	(2 694)
Insurance service result		**1 375**	1 204	14	2 278
Insurance revenue		**5 831**	5 177	13	10 334
Insurance service expenses		**(3 935)**	(3 725)	6	(7 315)
Net expense from reinsurance contracts		**(521)**	(248)	>100	741
Net finance income/(expense) from insurance contracts		**18**	102	(82)	77
Net finance income/(expense) from reinsurance contracts		**1**	(10)	<(100)	(6)
Changes in investment contract liabilities	3.4	**(1 057)**	1 729	<(100)	1 148
Gains and losses from banking and trading activities	3.5	**4 386**	4 043	8	7 728
Gains and losses from investment activities	3.6	**1 618**	(1 586)	<(100)	(532)
Other operating income	3.7	**436**	237	85	1 552
Total income		**52 354**	46 394	13	97 596
Credit impairment charges	4	**(8 280)**	(5 176)	60	(13 703)
Operating income before operating expenditure		**44 074**	41 217	7	83 893
Operating expenditure	5	**(26 690)**	(24 254)	10	(51 233)
Other expenses		**(1 166)**	(1 165)	(0)	(2 440)
Other impairments		**(96)**	(233)	(59)	(591)
Indirect taxation	6	**(1 070)**	(932)	15	(1 849)
Share of post-tax results of associates and joint ventures		**82**	42	95	137
Operating profit before income tax		**16 300**	15 841	3	30 357
Taxation expense	7	**(4 174)**	(4 412)	(5)	(7 953)
Profit for the reporting period		**12 126**	11 430	6	22 404
Profit attributable to:					
Ordinary equity holders		**10 792**	10 385	4	20 265
Non-controlling interest – ordinary shares		**734**	617	19	1 264
Non-controlling interest – preference shares		**174**	123	41	266
Other equity: Additional Tier 1 capital		**426**	305	40	609
		12 126	11 430	6	22 404
Earnings per share:					
Basic earnings per share (cents)	1	**1 302.6**	1 250.9	4	2 443.3
Diluted earnings per share (cents)	1	**1 298.5**	1 244.3	4	2 430.1

Statement of comprehensive income has been restated.

Consolidated IFRS 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

Consolidated IFRS statement of financial position

as at

	Note	30 June 2023 Rm	30 June 2022 Rm	Change %	Restated 31 December 2022 Rm
Assets					
Cash, cash balances and balances with central banks		**86 795**	61 353	41	67 179
Investment securities		**230 223**	206 609	11	215 637
Trading portfolio assets		**214 153**	212 199	1	206 436
Hedging portfolio assets		**6 856**	5 695	20	4 973
Other assets		**33 913**	52 841	(36)	24 921
Current tax assets		**639**	633	1	658
Non-current assets held for sale		**182**	5 150	(96)	212
Loans and advances	8	**1 250 562**	1 160 281	8	1 213 399
Insurance contract assets		**10 794**	10 768	0	11 212
Reinsurance contract assets		**4 048**	3 374	20	3 544
Investments linked to investment contracts		**20 307**	18 930	7	19 288
Investments in associates and joint ventures		**2 527**	1 635	55	2 409
Investment property		**399**	419	(5)	397
Property and equipment		**15 527**	15 206	2	15 325
Goodwill and intangible assets		**13 334**	12 217	9	12 924
Deferred tax assets		**8 081**	7 219	12	8 447
Total assets		**1 898 340**	1 774 529	7	1 806 961
Liabilities					
Trading portfolio liabilities		**79 952**	101 813	(21)	94 895
Hedging portfolio liabilities		**2 499**	2 900	(14)	2 237
Other liabilities		**52 912**	60 959	(13)	36 138
Provisions		**3 877**	3 913	(1)	5 860
Current tax liabilities		**1 027**	1 151	(11)	971
Non-current liabilities held for sale		**18**	3 333	(99)	26
Deposits	9	**1 323 746**	1 213 509	9	1 241 918
Debt securities in issue	10	**213 133**	174 871	22	205 519
Liabilities under investment contracts		**20 484**	19 825	3	20 023
Insurance contract liabilities		**17 035**	16 117	6	16 953
Reinsurance contract liabilities		**2 850**	2 438	17	2 821
Borrowed funds	11	**20 585**	25 240	(18)	26 420
Deferred tax liabilities		**217**	401	(46)	185
Total liabilities		**1 738 335**	1 626 470	7	1 653 966
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 676**	1 661	1	1 654
Share premium	11	**10 611**	10 722	(1)	10 191
Retained earnings		**126 108**	117 592	7	121 943
Other reserves		**2 749**	470	>100	628
		141 144	130 445	8	134 416
Non-controlling interest – ordinary shares		**6 714**	5 966	13	6 432
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Other equity: Additional Tier 1 capital		**7 503**	7 004	7	7 503
Total equity		**160 005**	148 059	8	152 995
Total liabilities and equity		**1 898 340**	1 774 529	7	1 806 961

Statement of financial position has been restated. Refer to Report overview.

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	121 943	628	809	(992)
Total comprehensive income	—	—	—	10 570	2 116	—	88
Profit for the period	—	—	—	10 792	—	—	—
Other comprehensive income	—	—	—	(222)	2 116	—	88
Dividends paid during the reporting period	—	—	—	(5 402)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(538)	(699)	—	—	—
Elimination of the movement in treasury shares held by Group entities	2 140	22	420	—	—	—	—
Movement in share-based payment reserve	—	—	538	—	(299)	—	—
Transfer from share-based payment reserve	—	—	538	—	(538)	—	—
Value of employee services	—	—	—	—	421	—	—
Deferred tax	—	—	—	—	(182)	—	—
Movement in general credit risk reserve	—	—	—	(169)	169	169	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(53)	53	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(82)	82	—	—
Balance at the end of the reporting period	829 566	1 676	10 611	126 108	2 749	978	(904)

Consolidated IFRS statement of changes in equity

for the reporting period ended

30 June 2023

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
(3 215)	1 394	57	(263)	1 102	1 736	134 416	6 431	4 644	7 503	152 994
(197)	2 219	—	6	—	—	12 686	809	174	426	14 095
—	—	—	—	—	—	10 792	734	174	426	12 126
(197)	2 219	—	6	—	—	1 894	75	—	—	1 969
—	—	—	—	—	—	(5 402)	(526)	(174)	—	(6 102)
—	—	—	—	—	—	—	—	—	(426)	(426)
—	—	—	—	—	—	(1 237)	—	—	—	(1 237)
—	—	—	—	—	—	442	—	—	—	442
—	—	—	—	(299)	—	239	—	—	—	239
—	—	—	—	(538)	—	—	—	—	—	—
—	—	—	—	421	—	421	—	—	—	421
—	—	—	—	(182)	—	(182)	—	—	—	(182)
—	—	—	—	—	—	—	—	—	—	—
—	—	53	—	—	—	—	—	—	—	—
—	—	—	—	—	82	—	—	—	—	—
(3 412)	3 613	3 613	110	803	1 818	141 144	6 714	4 644	7 503	160 005

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance as reported at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 330	7 024	825	(845)
Total comprehensive income	—	—	—	10 374	(6 756)	—	(718)
Profit for the period	—	—	—	10 385	—	—	—
Other comprehensive income	—	—	—	(11)	(6 756)	—	(718)
Dividends paid during the reporting period	—	—	—	(3 951)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(196)	(135)	—	—	—
Elimination of the movement in treasury shares held by Group entities	282	1	78	—	—	—	—
Movement in share-based payment reserve	—	—	196	—	176	—	—
Transfer from share-based payment reserve	—	—	196	—	(196)	—	—
Value of employee services	—	—	—	—	348	—	—
Deferred tax	—	—	—	—	24	—	—
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—
Share of post-tax results of associates and joint ventures	—	—	—	(42)	42	—	—
Balance at the end of the reporting period	830 567	1 661	10 722	117 592	470	809	(1 563)

Consolidated IFRS statement of changes in equity

for the reporting period ended

Restated
30 June 2022

	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
	1 262	3 123	57	—	679	1 599	129 863	5 798	4 644	7 004	147 309
	—	(3)	—	327	—	—	795	94	—	—	889
	1 262	3 120	57	327	679	1 599	130 658	5 892	4 644	7 004	148 198
	(4 535)	(1 109)	—	(394)	—	—	3 618	514	123	305	4 560
	—	—	—	—	—	—	10 385	617	123	305	11 430
	(4 535)	(1 109)	—	(394)	—	—	(6 767)	(103)	—	—	(6 870)
	—	—	—	—	—	—	(3 951)	(440)	(123)	—	(4 514)
	—	—	—	—	—	—	—	—	—	(305)	(305)
	—	—	—	—	—	—	(331)	—	—	—	(331)
	—	—	—	—	—	—	79	—	—	—	79
	—	—	—	—	176	—	372	—	—	—	372
	—	—	—	—	(196)	—	—	—	—	—	—
	—	—	—	—	348	—	348	—	—	—	348
	—	—	—	—	24	—	24	—	—	—	24
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	42	—	—	—	—	—
	(3 273)	2 011	57	(67)	855	1 641	130 445	5 966	4 644	7 004	148 059

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	471	324	—	—
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 330	7 024	825	(845)
Total comprehensive income	—	—	—	20 238	(6 940)	—	(147)
Profit for the period	—	—	—	20 265	—	—	—
Other comprehensive income	—	—	—	(27)	(6 940)	—	(147)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(161)	—	—	—
Elimination of the movement in treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—
Movement in share-based payment reserve	—	—	357	—	423	—	—
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—
Value of employee services	—	—	—	—	652	—	—
Deferred tax	—	—	—	—	128	—	—
Movement in general credit risk reserve	—	—	—	16	(16)	(16)	—
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—
Stated balance at the end of the reporting period	827 426	1 654	10 191	121 943	628	809	(992)

Consolidated IFRS statement of changes in equity

for the reporting period ended

Restated
31 December 2022

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
1 262	3 123	57	—	679	1 599	129 863	5 798	4 644	7 004	147 309
—	(3)	—	327	—	—	795	94	—	—	889
1 262	3 120	57	327	679	1 599	130 658	5 892	4 644	7 004	148 198
(4 477)	(1726)	—	(590)	—	—	13 298	1 071	266	609	15 244
—	—	—	—	—	—	20 265	1 264	266	609	22 404
(4 477)	(1726)	—	(590)	—	—	(6 967)	(193)	—	—	(7 160)
—	—	—	—	—	—	(9 343)	(531)	(266)	—	(10 140)
—	—	—	—	—	—	—	—	—	(609)	(609)
—	—	—	—	—	—	—	—	—	499	499
—	—	—	—	—	—	(518)	—	—	—	(518)
—	—	—	—	—	—	(459)	—	—	—	(459)
—	—	—	—	423	—	780	—	—	—	780
—	—	—	—	(357)	—	—	—	—	—	—
—	—	—	—	652	—	652	—	—	—	652
—	—	—	—	128	—	128	—	—	—	128
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	137	—	—	—	—	—
(3 215)	1 394	57	(263)	1 102	1 736	134 416	6 432	4 644	7 503	152 995

Consolidated IFRS statement of cash flows

for the reporting period ended

	Note	30 June 2023 Rm	30 June Restated 2022 Rm	31 December 2022 Rm
Cash generated from/(utilised in) operating activities		**35 809**	14 497	24 323
Income taxes paid		**(4 123)**	(5 806)	(10 220)
Net cash generated from (utilised in) other operating activities		**39 933**	20 303	35 278
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)/generated from 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)	(10 141)
Net cash utilised in other financing activities		**(2 005)**	(1 305)	(2 687)
Net (decrease)/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 condensed consolidated statement of cash flows

	30 June 2023 Rm	30 June Restated 2022 Rm	31 December 2022 Rm
1. Cash and cash equivalents at the beginning of the reporting period			
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			
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.

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

IFRS notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per share

Headline earnings	30 June 2023 Gross Rm	30 June 2023 Net Rm	30 June 2022 Gross Rm	30 June 2022 Net Rm	Change %	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	4		20 265
Total headline earnings adjustment:		(77)		147	<(100)		(290)
IFRS 5 – Profit on disposal of non-current assets held for sale	(112)	(141)	(20)	(15)	>100	(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	(61)	354	254
IAS 36 – Impairment of intangible assets	7	5	—	—	>100	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
		10 715		10 532	2		19 975

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

	30 June 2023 Rm	30 June 2022 Rm	Change value/ %	31 December 2022 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	10 792	10 385	4	20 265
Weighted average number of ordinary shares in issue (million)	828.6	830.2	(1.6)	829.4
Issued shares at the beginning of the reporting period (million)	847.8	847.8	—	847.8
Treasury shares held by Group entities (million)	(19.2)	(17.6)	(1.6)	(18.4)
Basic earnings per ordinary share (cents)	1 302.4	1 250.9	4	2 443.3
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	10 792	10 385	4	20 265
Diluted weighted average number of ordinary shares in issue (million)	831.2	834.6	(3.4)	833.9
Weighted average number of ordinary shares in issue (million)	828.6	830.2	(1.6)	829.4
Adjustments for share options issued at no value (million)	2.6	4.4	(1.8)	4.5
Diluted basic earnings per ordinary share (cents)	1 298.4	1 244.3	4	2 430.1
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	10 715	10 532	2	19 975
Weighted average number of ordinary shares in issue (million)	828.6	830.2	(1.6)	829.4
Headline earnings per ordinary share (cents)	1 293.2	1 268.6	2	2 408.4
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	10 715	10 532	2	19 975
Diluted weighted average number of ordinary shares in issue (million)	831.2	834.6	(3.4)	833.9
Diluted headline earnings per ordinary share (cents)	1 289.1	1 261.9	2	2 395.3

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.7 Other operating income

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Property-related income	**28**	27	4	155
Income from investment properties	**1**	1	11	(19)
Change in fair value	**—**	—	—	(21)
Rentals	**1**	1	11	2
Property-related income arising from contracts with customers	**27**	26	4	48
Profit on disposal of property and equipment	**6**	7	(14)	10
Profit on sale of developed properties	**4**	8	(50)	11
Rental income	**17**	11	55	27
Insurance proceeds received related to property and equipment	**—**	—	—	126
Other operating income	**408**	209	95	1 397
Foreign exchange differences, including recycle from other comprehensive income	**21**	(38)	<(100)	(136)
Income from maintenance contracts	**12**	19	(36)	27
Loss on disposal of intangible assets	**—**	—	—	(1)
Sundry income	**375**	228	64	1 508
	436	236	87	1 552
Segment split				
Property-related income	**28**	27	4	155
Product Solutions Cluster	**1**	(0)	<(100)	1
Relationship Banking	**3**	9	(65)	4
Everyday Banking	**11**	7	59	137
ARO RBB	**11**	10	11	12
CIB	**—**	—	—	—
Head Office, Treasury and other operations	**2**	1	>100	1
Barclays separation effects	**—**	—	—	—
Other operating income	**408**	209	95	1 397
Product Solutions Cluster	**36**	18	100	45
Relationship Banking	**196**	102	91	183
Everyday Banking	**82**	10	>100	87
ARO RBB	**5**	107	(95)	121
CIB	**(3)**	13	<(100)	349
Head Office, Treasury and other operations	**102**	(31)	<(100)	626
Barclays separation effects	**(10)**	(10)	8	(14)
	436	236	84	1 552

Insurance proceeds of R126m was received during the previous financial year for the damaged sustained to property and equipment due to the KZN riots that took place.

Sundry income includes profit on disposal of non-core assets.

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

Sundry income has been restated due to implementation of IFRS 17.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Breakdown of operating expenses	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Amortisation of intangible assets	**1 283**	1 140	13	2 578
Auditors' remuneration	**309**	201	54	493
Cash transportation	**580**	574	1	1 123
Depreciation	**1 566**	1 631	(4)	3 268
Equipment costs	**313**	184	70	441
Information technology	**2 915**	2 645	10	5 543
Marketing costs	**938**	771	22	1 720
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 044**	893	17	1 761
Printing and stationery	**185**	150	23	319
Professional fees	**1 221**	1 335	(9)	2 914
Property costs	**930**	895	4	1 862
Staff costs	**14 710**	13 166	12	27 823
Bonuses	**1 282**	1 315	(3)	3 256
Deferred cash and share-based payments	**438**	397	10	773
Other	**455**	432	5	895
Salaries and current service costs on post-retirement benefit funds	**12 264**	10 855	13	22 309
Training costs	**271**	167	62	590
Straight-line lease expenses on short-term leases and low value assets	**103**	99	4	221
Telephone and postage	**593**	570	4	1 167
	26 690	24 254	10	51 233
Barclays separation effects	**627**	493	27	1 102
Professional fees	**6**	2	>100	30
Other	**621**	491	26	1 072

Total operating costs include costs incurred in relation to the separation from Barclays PLC of **R627m** (30 June 2022: R493m) which have increased by **27%** (CCY 25%) year-on-year and mainly comprise amortisation of intangible assets of **R542m** (30 June 2022: R404m) and depreciation of **R57m** (30 June 2022: R68m) in relation to assets created under separation.

'Other' includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

'Other' under Barclays separation effects mainly includes amortisation and depreciation costs.

Other operating costs and Salaries have been restated as part of the IFRS 4 insurance restatements for June and December 2022.

6. Indirect taxation

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Training levy	**165**	127	30	232
Value-added tax net of input credits	**905**	805	12	1 617
	1 070	932	15	1 849

Value-added tax net of input credits has been restated due to the implementation of IFRS 17.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**16 300**	15 842	3	30 357
Share of post-tax results of associates and joint ventures	**(82)**	(42)	95	(137)
	16 218	15 800	3	30 220
Tax calculated at a tax rate of 27%	**4 379**	4 424	(1)	8 462
Effect of different tax rates in other countries	**179**	159	13	392
Expenses not deductible for tax purposes	**576**	329	75	374
Assessed losses	**23**	11	>100	126
Dividend income	**(602)**	(349)	72	(952)
Non-taxable interest	**(488)**	(319)	53	(672)
Other income not subject to tax	**(6)**	(34)	(82)	(35)
Other	**111**	144	(23)	207
Effect of tax rate changes	**—**	37	(100)	128
Items of a capital nature	**2**	10	(80)	(77)
	4 174	4 412	(5)	7 953

Expenses not deductible for tax purposes include additional tax levies and general non-deductible expenses due to the application of in country tax legislation.

Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.

During the budget speech presented on 23 February 2022, the finance minister announced that the South African corporate tax rate will be reduced from 28% to 27%, effective for tax assessment years ending after 31 March 2023. This change was substantively enacted at the balance sheet date and has therefore been reflected in the measurement of the Group's deferred tax balances at 31 December 2022.

11. Equity

	30 June 2023 Rm	30 June 2022 Rm	Change %	31 December 2022 Rm
Authorised				
891 774 054 (30 June 2022: 891 774 054; 31 December 2022: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—	1 784
Issued				
847 750 679 (30 June 2022: 847 750 679; 31 December 2022: 847 750 679) ordinary shares of R2.00 each	**1 712**	1 696	1	1 696
18 184 809 (30 June 2022: 17 183 416; 31 December 2022: 20 324 498) treasury shares held by Group entities	**(36)**	(35)	3	(42)
	1 676	1 661	1	1 654
Total issued capital				
Share capital	**1 676**	1 661	1	1 654
Share premium	**10 611**	10 722	(1)	10 191
	12 287	12 383	(1)	11 845

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2023 Number of shares (million)	30 June 2022 Number of shares (million)	Change %	31 December 2022 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(18.0)**	(17.2)	5	(20.3)
	829.8	830.6	(0)	827.5

This page has been left blank intentionally

IFRS reconciliation

for the reporting period ended

	Total Group normalised performance			
	30 June			31 December
	2023	2022	Change %	2022
Statement of comprehensive income (Rm)				
Net interest income	**33 011**	28 560	16	60 440
Non-interest income	**19 296**	17 820	8	37 111
Total income	**52 307**	46 380	13	97 551
Credit impairment charges	**(8 280)**	(5 176)	60	(13 703)
Operating expenses	**(26 063)**	(23 761)	10	(50 131)
Other expenses	**(1 073)**	(1 111)	(3)	(2 303)
Operating profit/(loss) before income tax	**16 891**	16 332	3	31 414
Tax expenses	**(4 299)**	(4 539)	(5)	(8 241)
Profit/(loss) for the reporting period	**12 592**	11 793	7	23 173
Profit attributable to:				
Ordinary equity holders	**11 237**	10 740	5	21 016
Non-controlling interest – ordinary shares	**755**	625	21	1 282
Non-controlling interest – preference shares	**174**	123	41	266
Other equity: Additional Tier 1 capital	**426**	305	40	609
	12 592	11 793	7	23 173
Headline earnings	**11 159**	10 888	2	20 727
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.61**	4.54		4.56
Credit loss ratio	**1.27**	0.91		0.96
Non-interest income as % of income	**36.9**	38.4		38.0
Income growth	**13**	13		14
Operating expenses growth	**10**	5		6
Cost-to-income ratio	**49.8**	51.2		51.4
Statement of financial position (Rm)				
Loans and advances	**1 250 562**	1 160 281	(12)	1 213 399
Loans and advances to customers	**1 154 820**	1 051 308	10	1 109 829
Loans and advances to banks	**95 742**	108 973	(12)	103 570
Investment securities	**230 223**	206 609	11	215 637
Other assets	**415 779**	404 659	3	375 627
Total assets	**1 896 564**	1 771 549	7	1 804 663
Deposits	**1 323 746**	1 213 509	(6)	1 241 918
Deposits due to customers	**1 202 639**	1 085 155	11	1 113 281
Deposits due to banks	**121 107**	128 354	(6)	128 637
Debt securities in issue	**213 133**	174 871	22	205 519
Other liabilities	**201 456**	238 552	(15)	207 268
Total liabilities	**1 738 335**	1 626 932	7	1 654 705
Financial performance (%)				
RoRWA	**2.21**	2.36		2.16
RoA	**1.20**	1.34		1.20

IFRS reconciliation

for the reporting period ended

Barclays separation effects				IFRS Group			
30 June			31 December	30 June			31 December
2023	2022	Change %	2022	**2023**	2022	Change %	2022
58	23	>100	58	**33 069**	28 583	16	60 498
(11)	(9)	22	(13)	**19 285**	17 811	8	37 098
47	14	>100	45	**52 354**	46 394	13	97 596
—	—	(100)	—	**(8 280)**	(5 176)	60	(13 703)
(627)	(493)	28	(1 102)	**(26 690)**	(24 254)	10	(51 233)
(11)	(12)	(8)	—	**(1 084)**	(1 123)	(3)	(2 303)
(591)	(490)	21	(1 057)	**16 300**	15 841	3	30 357
125	127	(2)	288	**(4 174)**	(4 412)	(5)	(7 953)
(466)	(363)	28	(769)	**12 126**	11 430	6	22 404
(445)	(355)	25	(751)	**10 792**	10 385	4	20 265
(21)	(8)	>100	(18)	**734**	617	19	1 264
—	—	—	—	**174**	123	41	266
—	—	—	—	**426**	305	40	609
(466)	(363)	28	(769)	**12 126**	11 430	6	22 404
(444)	(356)	25	(752)	**10 715**	10 532	2	19 975
n/a	n/a		n/a	**4.61**	4.54		4.56
n/a	n/a		n/a	**1.27**	0.91		0.96
n/a	n/a		n/a	**36.8**	38.4		38.0
n/a	n/a		n/a	**13**	14		15
n/a	n/a		n/a	**10**	6		7
n/a	n/a		n/a	**51.0**	52.3		52.5
—	—	—	—	**1 250 562**	1 160 281	8	1 213 399
—	—	—	—	**1 154 820**	1 051 308	10	1 109 829
—	—	—	—	**95 742**	108 973	(12)	103 570
—	—	—	—	**230 223**	206 609	11	215 637
1 776	2 980	(40)	2 298	**417 555**	407 639	2	377 925
1 776	2 980	(40)	2 298	**1 898 340**	1 774 529	7	1 806 961
—	—	—	—	**1 323 746**	1 213 509	9	1 241 918
—	—	—	—	**1 202 639**	1 085 155	11	1 113 281
—	—	—	—	**121 107**	128 354	(6)	128 637
—	—	—	—	**213 133**	174 871	22	205 519
(846)	(462)	83	(739)	**201 456**	238 090	(15)	206 529
(846)	(462)	83	(739)	**1 738 335**	1 626 470	7	1 653 966
n/a	n/a		n/a	**2.12**	1.96		1.96
n/a	n/a		n/a	**1.15**	1.29		1.15

Barclays separation effects

Update on programme

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

	Barclays separation effects			
	30 June			31 December
	2023	2022	Change %	2022
Statement of comprehensive income (Rm)				
Net interest income	**58**	23	>100	58
Non-interest income	**(11)**	(9)	22	(13)
Total income	**47**	14	>100	45
Operating expenses	**(627)**	(493)	27	(1 057)
Other operating expenses	**(11)**	(12)	(8)	—
Operating profit before income tax	**(591)**	(490)	21	(1 057)
Tax expenses	**125**	127	(2)	288
Profit for the reporting period	**(466)**	(363)	28	(769)
Profit attributable to:				
Ordinary equity holders	**(445)**	(355)	25	(751)
Non-controlling interest – ordinary shares	**(21)**	(8)	>100	(18)
Non-controlling interest – preference shares	**—**	—	—	—
	(466)	(363)	28	(769)
Headline earnings	**(444)**	(356)	25	(752)
Statement of financial position (Rm)				
Intangible assets	**1 443**	2 491	(42)	1 985
Property, plant and equipment	**288**	381	(24)	309
Other assets	**45**	108	(58)	4
Total assets	**1 776**	2 980	(40)	2 298
Other liabilities	**(846)**	(462)	<(100)	(739)
Total equity	**2 622**	3 442	(24)	3 037
Total equity and liabilities	**1 776**	2 980	(40)	2 298

Barclays separation effects

Statement of comprehensive income

Net interest income: **R58m** (30 June 2022: R23m) was earned on the remaining capital invested after successfully completing the separation programme. Non-interest income of **R11m** (30 June 2022: R9m) reflects foreign currency revaluation gains.

Operating expenses of **R627m** (30 June 2022: R492m) include **R542m** (30 June 2022: R404m) that relates to the amortisation of intangible assets that were created under Separation. Other operating expenses of **R11m** (30 June 2022: R12m) reflects indirect taxation.

Statement of financial position

Total assets

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

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

Total equity and liabilities

Total equity of **R2.6bn** (30 June 2022: R3.4bn) relates to the R12.1bn contribution received from Barclays and income earned on the contribution less separation expenditure incurred to date. Separation will still incur the amortisation and depreciation expenditure on the assets capitalised in the upcoming financial years.

Reporting changes

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.

A. 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.

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

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

Statement of comprehensive income for the reporting period ended

	30 June 2022			31 December 2022		
	Group			Group		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Net interest income	28 583	28 583	—	60 498	60 498	—
Non-interest income	17 811	18 375	(564)	37 098	38 420	(1 322)
Net fee and commission income	12 092	11 550	542	24 853	23 710	1 143
Fee and commission income	13 511	13 556	(45)	27 547	27 595	(48)
Fee and commission expense	(1 419)	(2 006)	587	(2 694)	(3 885)	1 191
Net insurance premium income	—	4 576	(4 576)	—	9 453	(9 453)
Net claims and benefits incurred on insurance contracts	—	(2 373)	2 373	—	(4 854)	4 854
Insurance service result	1 204	—	1 204	2 278	—	2 278
Insurance revenue	5 177	—	5 177	10 334	—	10 334
Insurance service expense	(3 725)	—	(3 725)	(7 315)	—	(7 315)
Net expense from reinsurance contracts	(248)	—	(248)	(741)	—	(741)
Net finance income from insurance contracts	102	—	102	77	—	77
Net finance expense from reinsurance contracts	(10)	—	(10)	(6)	—	(6)
Changes in insurance and investment contract liabilities	1 729	1 995	(266)	1 148	1 428	(280)
Gains and losses from banking and trading activities	4 043	4 043	—	7 728	7 728	—
Gains and losses from investment activities	(1 586)	(1 586)	—	(532)	(532)	—
Other operating income	237	170	67	1 552	1 487	65
Total income	46 394	46 958	(564)	97 596	98 918	(1 322)
Credit impairment charges	(5 176)	(5 176)	—	(13 703)	(13 703)	—
Operating income before operating expenditure	41 218	41 782	(564)	83 893	85 215	(1 322)
Operating expenditure	(24 253)	(24 625)	372	(51 233)	(52 009)	776
Staff costs	(13 166)	(13 190)	24	(27 823)	(27 873)	50
Other operating costs	(190)	(537)	347	(311)	(1 037)	726
Remaining operating expenses	(10 898)	(10 898)	—	(23 099)	(23 099)	—
Other expenses	(1 165)	(1 216)	51	(2 440)	(2 541)	101
Other impairment	(233)	(233)	—	(591)	(591)	—
Indirect taxation	(932)	(983)	51	(1 849)	(1 950)	101
Share of post-tax results of associates and joint ventures	42	42	—	137	137	—
Operating profit before income tax	15 842	15 983	(141)	30 357	30 802	(445)
Taxation expense	(4 412)	(4 480)	68	(7 953)	(8 091)	138
Profit for the reporting period	11 430	11 503	(73)	22 404	22 711	(307)
Other comprehensive income	(6 870)	(6 437)	(433)	(7 160)	(6 522)	(638)
Total comprehensive income for the reporting period	4 560	5 066	(506)	15 244	16 189	(945)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

IFRS 17 Impact on the Income Statement

Fee and commission

Fee and commission income and expenses previously included all fees and commissions relating to insurance contracts. Under IFRS 17 all directly attributable expenses should be presented under insurance service expenses. Insurance commission income decreased by R45m (31 December 2022: R48m) and fee and commission expenses increased by R587m (31 December 2022: R1.2bn).

Insurance revenue

Under IFRS 4, Life Contracts recognised insurance revenue as premiums became payable, whereas non-life contracts recognise insurance revenue proportionally over the risk period. Insurance service expenses were recognised for Life Contracts when claims were expected to be incurred or when incurred for non-life contracts. IFRS 17 requires insurance revenue to be recognised over the life of the contract. Previously IFRS 4 premium income of R4.6bn (31 December 2022: R9.5bn) was disclosed on the Statement of Profit and Loss however this has been replaced with insurance revenue of R5.2bn (31 December 2022: R10.3bn) which consists of the release of the contractual service margin (CSM), release of the risk adjustment, expected incurred claims and other insurance service expenses for contracts not measured under the Premium Allocation Approach (PAA). The insurance revenue also includes revenue for contracts measured under the PAA.

Insurance service expenses

IFRS 17 requires the Group to incorporate in its measurement of its insurance and reinsurance contracts, a portion of directly attributable expenses incurred, such as fixed and variable overheads, to fulfil insurance and reinsurance contracts. As a result, a portion of these expenses now form part of non-interest revenue within insurance service result. The net claims and benefits incurred on insurance contracts of R2.4bn (31 December 2022: R4.9bn) are now included in Insurance service expense. In addition, there are also directly attributable expenses of R314m (31 December 2022: R793m) reclassified from operating expenses to the insurance service expense and losses on onerous insurance contracts of R57m (31 December 2022: (R17m)).

Net finance income/expenses on insurance and reinsurance contracts

The financing component recognised for insurance and reinsurance contracts is to reflect changes in the carrying amounts of such contracts due to the passing of time and changes in financial assumptions. This resulted in the recognition of net finance income on insurance contracts of R102m (31 December 2022: R77m) and net finance expenses on reinsurance contracts of R10m (31 December 2022: R6m).

Changes in investment and insurance contract liabilities

Previously under IFRS 4 changes in insurance contract liabilities were included in the changes in investment and insurance contract liabilities line. Under IFRS 17 these changes are now incorporated into the insurance service result. The changes in investment and insurance contract liabilities line decreased by R266m (31 December 2022: R280m) and now only includes the changes in the investment contracts.

Reporting changes

Statement of financial position as at

	30 June 2022 Group Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	31 December 2022 Group Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Assets						
Cash, cash balances and balances with central banks	61 353	61 353	—	67 179	67 179	—
Investment securities	206 609	206 609	—	215 637	215 637	—
Trading portfolio assets	212 199	212 199	—	206 436	206 436	—
Hedging portfolio assets	5 695	5 695	—	4 973	4 973	—
Other assets	52 841	53 052	(211)	24 921	25 190	(269)
Current tax assets	633	632	1	658	657	1
Non-current assets held for sale	5 150	5 150	—	212	212	—
Loans and advances	1 160 281	1 160 281	—	1 213 399	1 213 399	—
Reinsurance assets	—	1 025	(1 025)	—	663	(663)
Insurance contract assets	10 768	—	10 768	11 212	—	11 212
Reinsurance contract assets	3 374	—	3 374	3 544	—	3 544
Investments linked to investment contracts	18 930	18 930	—	19 288	19 288	—
Investments in associates and joint ventures	1 635	1 635	—	2 409	2 409	—
Investment properties	419	419	—	397	397	—
Property and equipment	15 206	15 206	—	15 325	15 325	—
Goodwill and intangible assets	12 217	12 200	17	12 924	12 901	23
Deferred tax assets	7 219	7 310	(91)	8 447	8 535	(88)
Total assets	1 774 529	1 761 696	12 833	1 806 961	1 793 201	13 760
Liabilities						
Trading portfolio liabilities	101 813	101 813	—	94 895	94 895	—
Hedging portfolio liabilities	2 900	2 900	—	2 237	2 237	—
Other liabilities	60 959	61 207	(248)	36 138	36 521	(383)
Provisions	3 913	3 960	(47)	5 860	5 912	(52)
Current tax liabilities	1 151	1 151	—	971	971	—
Non-current liabilities held for sale	3 333	3 333	—	26	26	—
Deposits	1 213 509	1 213 509	—	1 241 918	1 241 918	—
Debt securities in issue	174 871	174 871	—	205 519	205 519	—
Liabilities under investment contracts	19 825	19 830	(5)	20 023	19 999	24
Policyholder liabilities under insurance contracts	—	5 776	(5 776)	-	5 384	(5 384)
Insurance contract liabilities	16 117	—	16 117	16 953	—	16 953
Reinsurance contract liabilities	2 438	—	2 438	2 821	—	2 821
Borrowed funds	25 240	25 240	—	26 420	26 420	—
Deferred tax liabilities	401	434	(33)	185	351	(166)
Total liabilities	1 626 470	1 614 024	12 440	1 653 966	1 640 153	13 813
Equity						
Attributable to ordinary equity holders:						
Share capital	1 661	1 661	—	1 654	1 654	—
Share premium	10 722	10 722	—	10 191	10 191	—
Retained earnings	117 592	117 218	374	121 943	121 764	179
Other reserves	470	534	(64)	628	887	(259)
	130 445	130 135	310	134 416	134 496	(80)
Non-controlling interest – ordinary shares	5 966	5 889	77	6 432	6 405	27
Non-controlling interest – preference shares	4 644	4 644	—	4 644	4 644	—
Other equity – Additional Tier 1 capital	7 004	7 004	—	7 503	7 503	—
Total equity	148 059	147 672	387	152 995	153 048	(53)
Total liabilities and equity	1 774 529	1 761 696	12 833	1 806 961	1 793 201	13 760

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

IFRS 17 Impact on the statement of financial position

Reinsurance assets

Previously under IFRS 4 a net reinsurance asset of R1bn (31 December 2022: R663m) was disclosed on the face of the statement of financial position. IFRS 17 requires portfolios of reinsurance contracts to be classified separately as reinsurance contract assets or reinsurance contract liabilities unlike IFRS 4 where netting was allowed. In addition, IFRS 17 reinsurance contract assets or reinsurance contract liabilities also includes a remaining coverage and an incurred claims component. The reinsurance asset disclosed for IFRS 17 is R3.4bn (31 December: R3.5bn) and the reinsurance liability is R2.4bn (31 December 2022 R2.8bn).

Policyholder liabilities under insurance contracts

Previously under IFRS 4 a net policyholder liability of R5.8bn (31 December 2022: R5.4bn) was shown on the face of the statement of financial position. Similarly to reinsurance contract assets and liabilities, IFRS 17 requires portfolios of insurance contracts to be classified separately as either insurance contract assets or insurance contract liabilities. The IFRS 17 insurance contract liability disclosed is R16.1bn (31 December 2022: R17bn) and the insurance contract assets is R10.8bn (31 December 2022: R11.2bn). These balances include the liability for remaining coverage and the liability for incurred claims.

Liabilities under investment contracts

The liabilities under investment contracts decreased by R5m (31 December 2022: increased by R24m) due to the remeasurement of the cell holder liabilities under IFRS 17.

IFRS 17 segment impact on the Statement of comprehensive income for the reporting period ended 30 June 2022

	Product Solutions Cluster		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Net interest income	4 374	4 374	—
Non-interest income	1 865	2 469	(604)
Total income	6 239	6 843	(604)
Credit impairment charges	(1 447)	(1 447)	—
Operating expenditure	(2 834)	(3 149)	315
Other expenses	(43)	(94)	51
Operating profit before income tax	1 915	2 153	(238)
Taxation expense	(520)	(584)	64
Profit for the reporting period	1 395	1 569	(174)

IFRS 17 segment impact on the Statement of comprehensive income for the reporting period ended 31 December 2022

	Product Solutions Cluster		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Net interest income	9 154	9 154	—
Non-interest income	4 033	5 202	(1 169)
Total income	13 187	14 356	(1 169)
Credit impairment charges	(2 586)	(2 586)	—
Operating expenditure	(5 794)	(6 436)	642
Other expenses	(119)	(218)	99
Operating profit before income tax	4 688	5 116	(428)
Taxation expense	(1 269)	(1 396)	127
Profit for the reporting period	3 419	3 720	(301)

Everyday Banking			ARO RBB			Head office, Treasury and other operations		
Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
6 822	6 822	—	4 484	4 484	—	713	713	—
5 786	5 803	(17)	2 017	1 966	51	434	428	6
12 608	12 625	(17)	6 501	6 450	51	1 147	1 141	6
(2 628)	(2 628)	—	(572)	(572)	—	(1)	(1)	—
(6 805)	(6 804)	(1)	(4 511)	(4 569)	58	115	115	—
(221)	(222)	1	(241)	(241)	—	(465)	(465)	—
2 954	2 971	(17)	1 177	1 068	109	796	790	6
(841)	(845)	4	(370)	(370)	—	(334)	(334)	—
2 113	2 126	(13)	807	698	109	462	456	6

Everyday Banking			ARO RBB			Head office, Treasury and other operations		
Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
14 373	14 373	—	9 713	9 713	—	1 405	1 405	—
12 061	12 113	(52)	4 037	4 141	(104)	1 550	1 548	2
26 434	26 486	(52)	13 750	13 854	(104)	2 955	2 953	2
(5 775)	(5 775)	—	(1 182)	(1 182)	—	(2 164)	(2 164)	—
(13 916)	(13 916)	—	(9 645)	(9 777)	132	(335)	(337)	2
(576)	(576)	—	(425)	(425)	—	(872)	(872)	—
6 167	6 219	(52)	2 498	2 470	28	(416)	(420)	4
(1 834)	(1 846)	12	(814)	(814)	—	152	153	(1)
4 333	4 373	(40)	1 684	1 656	28	(264)	(267)	3

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

IFRS 17 segment impact on the Statement of financial position as at 30 June 2022

	Product Solutions Cluster		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Assets			
Loans and advances	385 099	385 099	—
Loans and advances to customers	383 459	383 459	—
Loans and advances to banks	1 640	1 640	—
Investment securities	23 551	23 551	—
Other assets	71 588	59 931	11 657
Total assets	480 238	468 581	11 657
Liabilities			
Deposits	1 908	1 908	—
Deposits due to customers	1 908	1 908	—
Deposits due to banks	—	—	—
Debt securities in issue	—	—	—
Other liabilities	471 705	460 088	11 617
Total liabilities	473 613	461 996	11 617

IFRS 17 segment impact on the Statement of financial position as at 31 December 2022

	Product Solutions Cluster		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Assets			
Loans and advances	402 351	402 351	—
Loans and advances to customers	400 354	400 354	—
Loans and advances to banks	1 997	1 997	—
Investment securities	26 718	26 718	—
Other assets	71 701	59 248	12 453
Total assets	500 770	488 317	12 453
Liabilities			
Deposits	1 863	1 863	—
Deposits due to customers	1 863	1 863	—
Deposits due to banks	—	—	—
Debt securities in issue	—	—	—
Other liabilities	489 319	476 612	12 707
Total liabilities	491 182	478 475	12 707

	Everyday Banking			ARO RBB			Head office, Treasury and other operations		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
	74 954	74 954	—	66 631	66 631	—	17 672	17 672	—
	63 893	63 893	—	66 271	66 271	—	1 036	1 036	—
	11 061	11 061	—	360	360	—	16 636	16 636	—
	3 735	3 735	—	1 364	1 364	—	128 287	128 287	—
	293 217	292 036	1 181	52 639	52 800	(161)	(658 869)	(659 025)	156
	371 906	370 725	1 181	120 634	120 795	(161)	(512 910)	(513 066)	156
	279 100	279 100	—	102 346	102 346	—	138 640	138 640	—
	279 100	279 100	—	102 316	102 316	—	96 371	96 371	—
	—	—	—	30	30	—	42 269	42 269	—
	—	—	—	85	85	—	151 651	151 651	—
	87 734	86 616	1 118	18 340	18 777	(437)	(928 020)	(928 168)	148
	366 834	365 716	1 118	120 771	121 208	(437)	(637 729)	(637 877)	148

	Everyday Banking			ARO RBB			Head office, Treasury and other operations		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
	76 523	76 523	—	72 476	72 476	—	12 016	12 016	—
	67 483	67 483	—	72 117	72 117	—	3 483	3 483	—
	9 040	9 040	—	359	359	—	8 533	8 533	—
	3 901	3 901	—	1 518	1 518	—	129 658	129 658	—
	310 862	309 590	1 272	56 992	57 096	(104)	(701 453)	(701 592)	139
	391 286	390 014	1 272	130 986	131 090	(104)	(559 779)	(559 918)	139
	289 606	289 606	—	110 714	110 714	—	138 935	138 935	—
	289 606	289 606	—	110 439	110 439	—	102 791	102 791	—
	—	—	—	275	275	—	36 144	36 144	—
	—	—	—	88	88	—	178 762	178 762	—
	95 957	94 699	1 258	19 605	19 887	(282)	(999 054)	(999 184)	130
	385 563	384 305	1 258	130 407	130 689	(282)	(681 357)	(681 487)	130

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

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

	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 01 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 01 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

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

	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 01 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 01 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)	(532)	(266)	(110)	(10 447)
Restated balance as at 01 January 2023	121 943	(263)	12 736	134 416	6 431	4 644	7 503	152 995

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

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 6 years and 3 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 judgments 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.

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

B. Transitional disclosures

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			30 June 2022		
	Contracts under fair value approach Rm	Other Rm	Total Rm	Contracts under fair value approach Rm	Other Rm	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

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

B. Transitional disclosures (continued)

Reinsurance contracts: Net income/(expense)

	30 June					
	2023			2022		
	Contracts under fair value approach Rm	Other Rm	Total Rm	Contracts under fair value approach Rm	Other Rm	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)

Risk management overview

Capital management and RWA

Risk management overview

for the reporting period ended

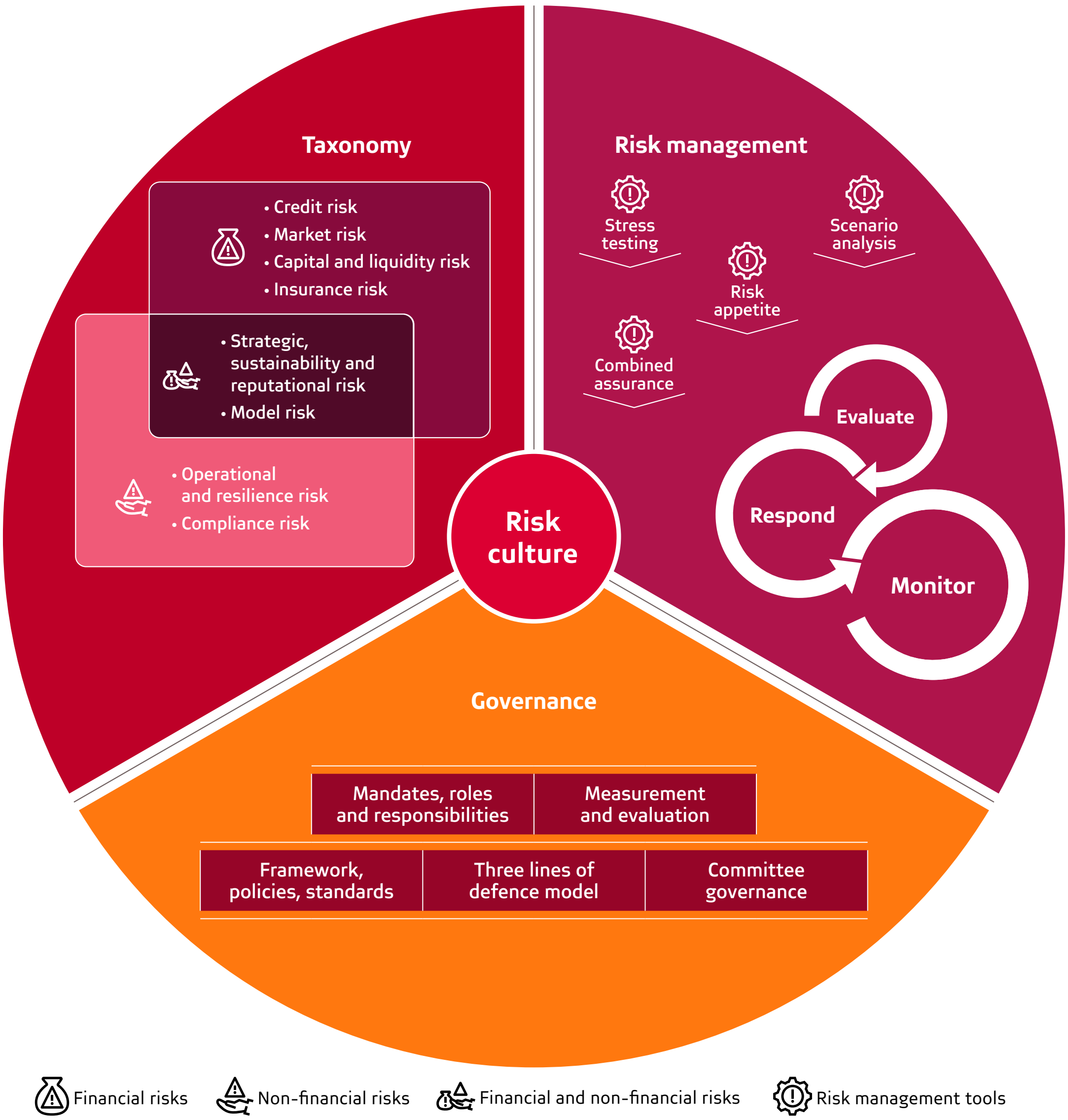
The Enterprise Risk Management Framework

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

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

- Recognise the importance of a strong risk culture, which is integral to the Group's culture.
- Consider key (principal) risks, clear ownership and accountability, and Group-wide risk coverage.
- Support the realisation of the Group's strategy with a coherent risk management operating model and appropriate risk practices, tools and techniques.
- Uphold the risk governance structure at Group, country, business unit and Group functions, with clear Board escalation and oversight.
- Follow comprehensive and structured processes for evaluating, responding to and monitoring risks.
- Oversee and manage Group-wide assurance through a robust combined assurance model with clear accountability across the three lines of defence[1].

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



[1] The Group applies a three lines of defence model in support of the combined assurance model to govern risk across all businesses and functions. The first line of defence is the business and group functions who are responsible for risk ownership and management. The second lines of defence are the risk and compliance functions overseeing the first line, responsible for establishing rules and constraints, defining risk tolerances and performing independent challenge. The third line of defence is internal and external audit and provides independent assurance of the first two lines.

Risk management overview

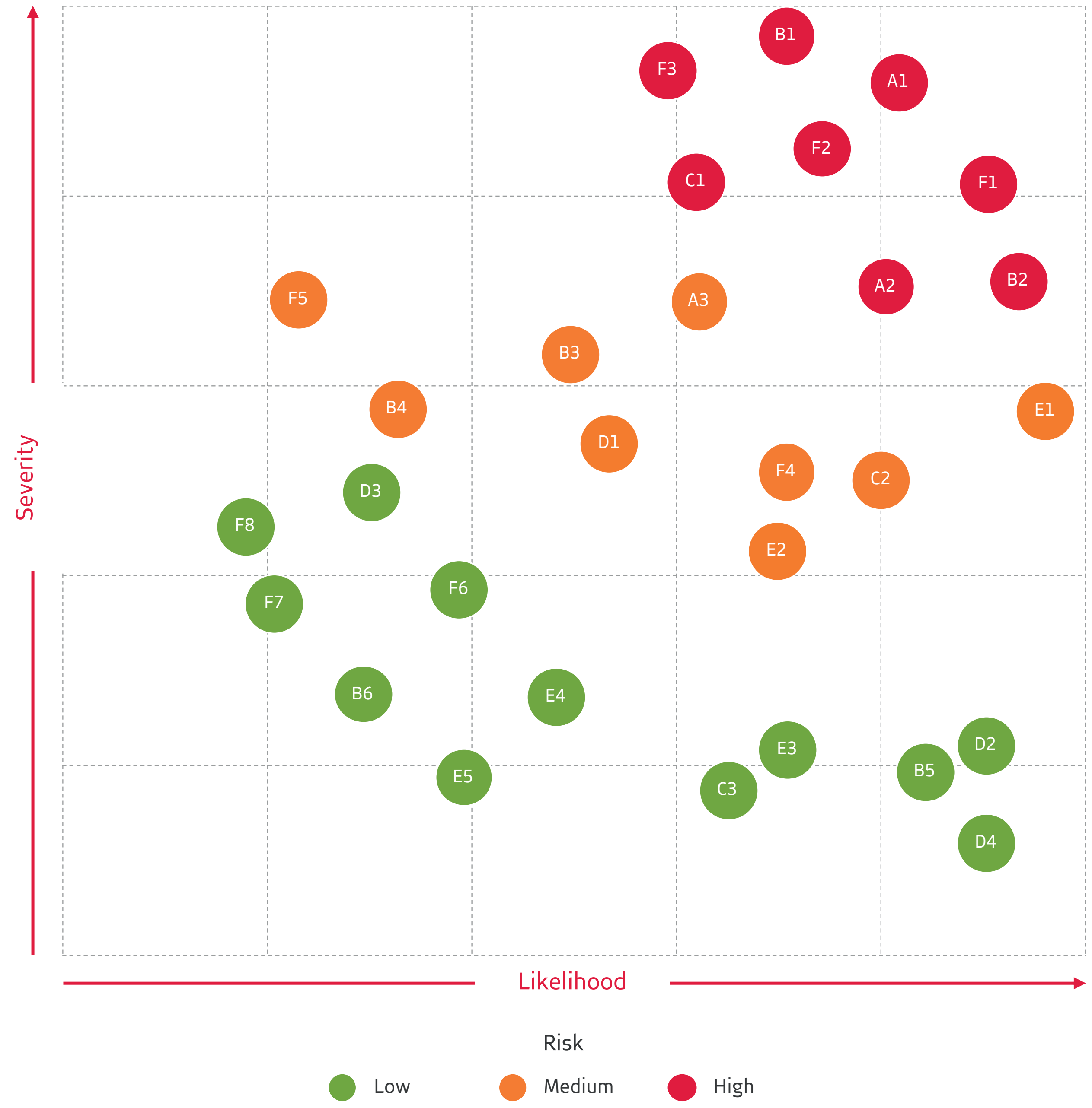
for the reporting period ended

Risks arising from the operating environment

Macroeconomic risks remain heightened and are expected to continue impacting global markets and the outlook of the markets in which the Group operates. The Group's focus remains on proactive risk and capital management to positively position itself for changes in the operating environment. Risks are actively identified and prioritised, and our consolidated response is monitored to ensure effective implementation achieves the targeted result.

In an uncertain macro environment, stress testing and scenario analysis are critical tools in safeguarding financial stability and enhancing risk management practices. As the markets the Group operates in are facing volatility, these methodologies are deployed by the organisation to assess its resilience and susceptibility to adverse conditions. The knowledge gained from these exercises allows management to optimise capital and liquidity, adapt strategies, and ensure the Group is better equipped to navigate the ever-changing economic landscape.

Current and emerging risks are plotted below:



Risk management overview

for the reporting period ended

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks
Global and local economic uncertainty *(Macroeconomic factors globally are putting pressure on sovereigns, companies and individuals)*	• High sovereign debt levels, along with reduced debt and interest servicing capacity, cause increased possibility of sovereign restructures or downgrades and defaults (Ghana, Kenya, and to a slightly lesser extent Mozambique and Zambia). (A1) • Persistently high global inflation driving monetary policy tightening, with the resultant high interest rates affecting growth and economic activity: (A2) ◦ Sustained supply-side inflation into economies already under pressure, increasing the risk of recession. ◦ Stress is evident in global banks and consumers. ◦ Asset values are negatively impacted. • Potential risk of sovereigns prematurely anticipating inflationary cycles to have peaked, resulting in heightened volatility. (A3) **Management's response** • Protect the Group's liquidity and balance sheet. • Manage margins through considered hedging strategies and impairments by applying careful credit risk solutions. • Monitor downside risk presented by uncertainty. • Approach risk modelling where data may not reflect economic reality pragmatically. • Maintain strong collections processes and consider strategic capabilities, including heightened collateral monitoring.
Strategic, execution and business risks are heightened *(These arise from external and internal drivers)*	• Global uncertainty arising from geopolitical instability and conflict, resulting in increased pressure on emerging markets. [B1] • Infrastructure failures, including logistical and power supply (including secondary impacts), negatively impact stakeholders and increase the cost of doing business. [B2] • Actions taken to limit economic distress may be insufficient or ineffective and result in economic hardship, higher unemployment, increased inequality, or lower business and consumer confidence. [B3] • South Africa's deteriorating global profile as a result of the economic environment and perceived geopolitical positions may impact the Group's strategy as South Africa may be perceived less as a gateway to Africa. [B4] • Disruption driven by a constantly changing operating and technology environment and evolving client needs. [B5] • Potential adverse impact of large strategic change projects on strategy risk, change risk and people risk. [B6] **Management's response** • Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise, while supporting customers. • Maintain focus on operational resilience and business continuity management. • Continue investing in delivering scalable digital solutions. • Ensure change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.

Risk management overview

for the reporting period ended

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks
Global and local liquidity and cash flow stresses *(Cheap and plentiful liquidity is drying up)*	• Global liquidity and credit are drying up, as evidenced in the weak global demand for sovereign issuances including in South Africa. Areas of heightened risk resulting from this include: [C1] ◦ Heightened concentration risk, especially to sovereigns as downgrades can have significant impacts. ◦ Counterparty contagion risk from liquidity and credit risk perspectives. ◦ Inconsistent availability of hard currency in ARO, which impacts trade and repatriation (and value) of dividends, particularly in Nigeria, Kenya and Ghana. ◦ Certain sovereigns, as seen in Mozambique, are reducing local currency liquidity which may impact profitability as margins on bonds decrease • Assumptions for business decisions and hedging may fail, together with correlations in modelling. [C2] • Prolonged greylisting by FATF may impact hard currency funding and liquidity in South Africa. [C3] **Management's response** • Protect the Group's liquidity and balance sheet. • Continuously scan and prepare for possible illiquidity. • Challenge assumptions made for business decisions, hedging and modelling. • Assess for and build in flexibility regarding hedging and other liquidity and interest rate risk strategies. • Assess key counterparties to understand their potential cash flow or liquidity weaknesses. • Improve client knowledge and develop strategies to support clients with liquidity issues.
Increased compliance risk due to new and emerging regulations and oversight *(Rapid change and increasing complexity requires close monitoring)*	• Tightening margins and pricing restrictions (ARO). [D1] • Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact the current business model. [D2] • Potential long-term impact of regulatory changes on business strategy and Group performance. [D3] • Pace of change in cryptocurrency and fintech, including regulation thereof. [D4] **Management's response** • Maintain a forward-looking approach to evaluate, respond to and monitor change. • Engage with regulators and other stakeholders on regulatory developments. • Build a robust control environment of compliance. • Develop systems with the agility to accommodate change. • Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Risk management overview

for the reporting period ended

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks

Environmental and social risks impact the Group, its customers and operating environment
 	
(The developing nature of both these risks and their monitoring yields high uncertainty)
	• Integrating sustainability risk management practices with business activities: [E1]
	  ◦ Change risk remains heightened as processes, metrics and monitoring is embedded.
	  ◦ Stakeholders need clarity on the cost and required participation in the Just Transition.
	  ◦ Green targets on owned assets need to be met.
	• Adverse impact of climate and social change (including the developing El Nino pattern): [E2]
	  ◦ Will negatively impact communities and sharply heighten the Group's credit and insurance risks.
	  ◦ May cause increased migration and thus tension.
	  ◦ Trade inequalities may increase as developed nations impose carbon tax on goods produced in carbon-intensive economies.
	• Complexities in managing the evolving social trends and political environments (including upcoming elections) in which the Group operates may cause social unrest. [E3]
	• Skills needed to meet new regulatory requirements for ESG risk disclosure, digital assets regulation and operational resilience assessments require development. [E4]
	• Evolving risks arising from greenwashing as it relates to investors, suppliers and clients. [E5]
	
	Management's response
	• Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan.
	• Embed processes to encourage customers to adopt business strategies and practices that align with the sustainability policy.
	• Embed existing financing standards.
	• Continuously enhance credit and insurance risk data, models and scenario analyses to assess the impact of climate change risk.
	• Continue to engage with civil societies, shareholder activists and development finance institutions.

Heightened resilience, fraud, financial crime, people and cyber-risks expected for the foreseeable future *(Preparing for systemic wildcard events requires resilience)*	• Heightened risk of social unrest due to high inflation levels impacting cost of living, weak economic environments, infrastructure failures (including secondary impacts) and poor service delivery. [F1]. • Fraud and security risks arising from economic pressure. [F2] • Increasing opportunistic financial and cybercrime and harm (such as ransomware attacks) and rising criminal sophistication, particularly in corruption and money laundering. [F3] • Evolving risks arising from unethical use of artificial intelligence (AI) tools relating to internal and external fraud and cyber-crime. [F4] • Increasing exposure to potential data leaks arising both internally and from third-party suppliers. [F5] • Heightened risk to employee wellness from evolving social and economic environments. [F6] • Unsuccessful retention and acquisition of certain scarce critical skills may result in delayed recruitment and increased pressure on existing staff. [F7] • Adverse impact of the current economic and operating environment may impact the resilience of suppliers resulting in interrupted services. [F8] **Management's response** • Maintain focus on operational resilience and proactively identify and mitigate risks. • Maintain the technology estate's high stability. • Invest in security platforms, including external intelligence, customer awareness campaigns and industry collaboration. • Embed a strong and resilient risk culture across the Group. • Enhance due diligence performed on third-party suppliers. • Monitor and manage the impact on employees.

Risk management overview

for the reporting period ended

Key performance metrics

Common equity tier 1 (CET1) ratio[1]	
13.0%	June 2022: 13.1%
Economic capital (EC) coverage	
1.5%	June 2022: 1.6%
Leverage ratio[1]	
7.7%	June 2022: 7.7%
Liquidity coverage ratio (LCR)[2]	
140.8%	June 2022: 121.1%
Net stable funding ratio (NSFR)	
118.0%	June 2022: 113.0%
Credit loss ratio (CLR)	
1.27%	June 2022: 0.91%
Stage 3 ratio on gross loans and advances	
5.8%	June 2022: 5.3%
Stage 1 and stage 2 coverage ratio	
1.3%	June 2022: 1.4%
Stage 3 coverage ratio	
45.9%	June 2022: 45.4%
Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates (Rm)	
R1 293m	June 2022: R993m
Operational risk losses	
R295m	June 2022: R245m

Review of current reporting period

- Capital ratios remained robust, above minimum regulatory requirements and internal capital targets, while supporting balance sheet growth.
- The liquidity position remained healthy and liquidity metrics were within risk appetite.
- The CLR tracked above the Group's through-the-cycle range of 0.75% to 1.00% as ongoing macroeconomic stresses and seasonal pressures continued to place strain on consumers.
- Although the Group's stage 1 and stage 2 coverage ratio has gradually decreased since the coverage built during 2020, it remained above pre-pandemic levels.
- The Group proactively managed interest rate risk sensitivity in the banking book and remained positively geared to higher policy rates post risk management discipline. The increase in NII sensitivity is mainly due to long-term government bond exposures being reduced in favour of short-term investments in treasury bills in ARO.
- Operational risk losses for the period were commensurate with transactional and business activity.
- The Group continued to invest in process re-engineering, employee development and technology to deliver improved operational resilience.

Priorities

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

- Creating sustainable value for shareholders while maintaining sufficient capital supply for growth.
- Ensuring capital ratios are maintained within or above the upper end of the Board risk appetite and above minimum levels of regulatory capital through various economic and business cycles.
- Continuing to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Monitoring growth to ensure a well-diversified credit portfolio in line with the Group's strategy and risk appetite.
- Positioning and managing the credit portfolio proactively to mitigate the impact of heightened country and sovereign risks.
- Improving controls, efficiency and operational resilience, through enhanced platforms and digital capabilities, across critical processes.
- Engaging and collaborating with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy.
- Identifying and sourcing, internal and external, sustainability and climate risk data to assist emissions baselining and climate risk analytics.
- Continuous evaluation and testing on the implications of implementing Basel III finalisation, including the Fundamental Review of the Trading Book (FRTB) and the proposed amendments to bank-related regulations which is expected to go live on 1 July 2025 for market risk.

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

Risk management overview

for the reporting period ended

Credit risk

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

Key metrics	30 June 2023	30 June 2022	31 December 2022[1]
CLR (%)	**1.27**	0.91	0.96
Stage 3 ratio on gross loans and advances (%)	**5.8**	5.3	5.3
Stage 3 coverage ratio (%)	**45.9**	45.4	46.1
Stage 1 and stage 2 coverage ratio (%)	**1.3**	1.4	1.3
Total coverage ratio (%)	**4.1**	4.0	3.9
Performing book weighted average probability of default (PD) (%)[2]	**2.3**	2.2	2.2
Weighted average loss given default (LGD) (%)[2]	**27.6**	29.1	27.8
Credit risk economic capital (EC) (Rbn)[3]	**72.2**	66.4	70.0
Total credit RWA (Rbn)	**779.7**	725.7	775.0
Primary credit risk RWA (Rbn)[4]	**742.7**	686.7	740.6
Counterparty credit risk (CCR) RWA (Rbn)[5]	**25.5**	26.5	22.8
Equity risk RWA (Rbn)	**11.5**	12.5	11.6

Review of current reporting period

- Gross loans and advances increased to R1 300bn (30 June 2022: R1 203bn) due to well-diversified growth across the retail portfolios and increased demand from small and medium-sized enterprises. This was further supported by loan book growth within Corporate and Investment Banking (CIB), that prioritised high quality origination to specific counterparties and sectors, and increased reverse repurchase activity and nostro placements within the treasury portfolios.
- The credit loss ratio (CLR) has risen to **1.27%** (30 June 2022: 0.91%) and tracked above the Group's through the cycle range of 0.75% to 1.00% as ongoing macroeconomic stresses and seasonal pressures continued to place strain on consumers across the South African retail portfolio. This was further exacerbated by additional single name charges within CIB SA and the emergence of stress in the Relationship Banking portfolio due to intensifying power cuts and macroeconomic headwinds that have adversely affected corporates and small and medium-sized enterprises. Stage 3 impairments recognised on investment securities issued by the Ghana government do not impact the reported CLR, as the CLR is calculated on loans and advances and excludes investment securities. With the inclusion of these charges, the overall CLR would amount to 1.29%.
- The stage 3 ratio on gross loans and advances increased to **5.8%** (30 June 2022: 5.3%) due to elevated inflows into arrears since the second half of 2022:, across the South Africa retail portfolio. These inflows continued to roll into more advanced delinquency buckets and ultimately into default due to the persistent consumer strain from a challenging economic environment. Collection initiatives executed through forward flow and spot debt sales during the year within Everyday Banking aided in reducing the extent of legal book growth.
- Stage 3 coverage increased to **45.9%** (30 June 2022: 45.4%) due to additional single name impairments recognised in Relationship Banking SA and ARO Business Banking.
- The stage 1 and stage 2 coverage ratio remained broadly stable with a marginal decrease to **1.3%** (30 June 2022: 1.4%). This was further supplemented by loan book growth in CIB, which was focused on high quality credit origination. Improved model parameters stemming from book mix shifts within the ARO Retail portfolio, further contributed to the reduced coverage. Although the Group's coverage ratio gradually decreased since the coverage built during 2020, coverage still remains above pre-pandemic levels.
- Performing book weighted average PD increased to **2.3%** (30 June 2022: 2.2%), due to credit rating downgrades facing single name corporates as well as the implementation of enhanced regulatory PD models within the Relationship Banking portfolio.
- Weighted average LGD decreased to **27.6%** (30 June 2022: 29.1%), mainly attributable to model enhancements across the wholesale portfolio to enrich risk measurement at a customer level.
- Credit risk EC increased to **R72.2bn** (30 June 2022: R66.4bn) due to book growth and changes in portfolio construct.
- Primary credit risk RWA increased to **R742.7bn** (30 June 2022: R686.7bn) due to growth in advances and investment securities, and adverse exchange rate movements. This was offset by RWA reductions arising from the implementation of new regulatory models.
- CCR RWA decreased to **R25.5bn** (30 June 2022: R26.5bn) due to reduced trading book positions in Ghana, following risk cutbacks and derivative maturities.
- Equity risk RWA decreased to **R11.5bn** (30 June 2022: R12.5bn) due to reduced listed equity exposures following the sale of the Group's investment management business during December 2022: to Sanlam Investment Holdings (Pty) Limited. The private equity portfolio continues to reduce in line with the Group's strategy to exit non-core businesses.

[1] The December 2022 figures were revised to align with final regulatory submissions
[2] The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
[3] Credit risk EC includes equity risk, CCR, credit valuation adjustment (CVA) and securitisation.
[4] Primary credit risk RWA includes credit risk (excluding CCR) and securitisation exposures in the banking book.
[5] CCR RWA includes CVA

Risk management overview

for the reporting period ended

Credit risk (continued)

Priorities

- Monitor growth to ensure a well-diversified credit portfolio in line with the Group's strategy and risk appetite.
- Monitor changes in the global macro-economic, political and regulatory environments to identify and manage risks at an early stage. Model and consider the potential impact of these and other events in a comprehensive stress testing framework.
- Position and manage the credit portfolio to mitigate the impact of heightened country and sovereign risks.
- Manage distressed names to maximise recovery rates.
- Enhance collections capabilities to effectively manage credit risk through the cycle.
- Focus on talent development and succession planning, ensuring a fully capacitated and well-skilled credit team.
- Keep abreast of regulatory changes, specifically Basel III finalisation for capital rules for credit risk.
- Focus on addressing the credit risk financial implications of the Basel Committee on Banking Supervision (BCBS)'s "Principles for effective management and supervision of climate-related financial risks" in conjunction with the sustainability risk and stress testing teams.

Market risk

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

Trading book risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Average traded market risk – 99% value at risk (VaR) (Rm)	**70.6**	49.6	56.5
Traded market risk EC (Rbn)	**6.2**	4.7	5.1
Traded market risk RWA (Rbn)	**44.2**	36.6	38.9

Review of current reporting period

- The increase in average VaR arose primarily from the positioning of the portfolio, increased volatility in the recent time series and reduced market liquidity, rather than an increase in open exposures.
- The Group EC increased largely as a result of the ARO default risk charge (DRC) which increased due to a decline in the credit conditions in Ghana and Kenya impacting the probability of default of the portfolio.
- RWAs increased due to a larger sovereign bond portfolio in ARO, which are capitalised under the standardised approach.

Priorities

- Increased monitoring of trading book position sizing against market liquidity and the management of loss threshold.
- Ongoing engagement with business to ensure capital demand is effectively managed within the Group's risk appetite.
- Parallel reporting and impact assessments on the Basel Standard: Minimum Capital Requirements for market risk (also known as the FRTB) along with industry engagement with the PA on draft regulations.
- Migration of the VaR engine to strategic architecture, which currently entails parallel reporting pending PA approval of the new internal model. IMA RWA is not expected to change materially.

Risk management overview

for the reporting period ended

Market risk (continued)

Banking book risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Banking book net interest income (NII) sensitivity for a 2% increase shock in interest rates (Rm)	**1 293**	993	1 099
South Africa	**411**	431	629
ARO	**882**	562	470
Banking book NII sensitivity for a 2% downward shock in interest rates (Rm)	**(1 857)**	(1 493)	(1 527)
South Africa	**(408)**	(505)	(614)
ARO	**(1 449)**	(988)	(913)
Banking book risk EC (Rbn)	**8.5**	7.2	7.8

Review of current reporting period

- The Group maintained its through the cycle interest rate risk management discipline of proactively hedging structural and fixed interest rate risk to reduce earnings volatility, the Group remains geared towards an increase in policy rates.
- The Group's interest rate risk sensitivity for a 200bps rate hike on 30 June 2022 was **R1.3bn** (30 June 2022: R1.0bn). The increase in NII sensitivity is mainly due to long-term government bond exposures being reduced in favour of short-term investments in treasury bills in ARO.
- EC increased due to an enhancement of the calculation methodology in ARO using an extended data history consistent with the traded market portfolio EC calculation.

Priorities

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

Capital and liquidity risk

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

Capital risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Total EC (Rbn)	**114.2**	103.3	108.7
Total RWA (Rbn)	**1 018.7**	948.7	1 007.4[1]
CET1 capital adequacy ratio (%)[2]	**13.0**	13.1	12.8
EC coverage	**1.5**	1.6	1.6
Leverage ratio (%)[2]	**7.7**	7.7	7.8
Cost of equity (CoE) (%)[3]	**14.5**	14.5	14.5

[1] The December 2022 figures were revised to align with final regulatory submissions.
[2] Includes unappropriated profits.
[3] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended

Capital and liquidity risk (continued)

Capital risk (continued)

Review of current reporting period

- The Group's capital position remained strong, with CET1 above the upper end of the Board target range of 11.0% to 12.5%, and well above minimum regulatory requirements.
- The Group increased its dividend pay-out ratio to manage surplus capital which arose as a result of increased profitability.
- Robust balance sheet and earnings growth resulted in credit and operational and resilience risk RWAs increasing by R54.0bn and R14.7bn respectively.
- Additional tier 1 capital increased from the issuance of qualifying capital instruments amounting to R2.0bn, offset by a R1.5bn redemption, both in 2022.
- Tier 2 capital was impacted by the redemption amounting to R1.1bn and subsequent replacement with a tier 2 qualifying green bond amounting to R1.9bn both in September 2022, and a further redemption amounting to USD400m (R7.2bn) in April 2023.
- ARO entities were adequately capitalised and remained above local minimum regulatory requirements.
- The leverage ratio remained above minimum regulatory requirements and an increase in tier 1 capital supported year-on-year leverage exposure growth in the balance sheet.
- Following an assessment of the financial market landscape, the Group's cost of equity remained unchanged at 14.5%.
- The adoption of IFRS 17 has not had an impact on capital ratios as post-acquisition profits related to insurance entities are not included in CET1 capital.

Priorities

- Generate sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board-approved risk appetite and above minimum levels of regulatory capital under normal and stressed business conditions.
- Remain above the minimum Board capital targets and maintain a sustainable dividend pay-out ratio.
- Monitor and evaluate upcoming regulatory developments that may affect the capital position, including Basel III finalisation, along with FRTB; the proposed amendments to the regulations relating to banks expected to be implemented in 2025; the Resolution Framework in 2024; and the Financial Conglomerate Supervisory Framework in South Africa in 2023.
- Prioritise the issuance of first loss after capital instruments following the promulgation of the Financial Sector Laws Amendment Bill.
- Appropriately deploy and repatriate subsidiaries' capital.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in domestic and/or international markets to optimise the level and mix of capital resources.

Liquidity risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Sources of liquidity (Rbn)	**333.5**	276.5	292.8
NSFR (%)	**118.0**	113.0	113.4
LCR (%)[1]	**140.8**	121.1	124.6
Loan-to-deposit ratio (%)[2]	**83.6**	84.1	84.2
Loans and advances to customers and banks (Rbn)	**1 242.8**	1 102.6	1 156.4
South Africa	**1 062.6**	957.3	1 000.6
ARO	**180.2**	145.3	155.8
Deposits from customers and banks (including debt securities) (Rbn)	**1 487.4**	1 310.3	1 373.9
South Africa	**1 229.7**	1 108.0	1 156.4
ARO	**257.7**	202.3	217.5

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

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

Risk management overview

for the reporting period ended

Capital and liquidity risk (continued)

Liquidity risk (continued)

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position remained healthy and key liquidity metrics were within risk appetite and above the minimum regulatory requirements.
  - The Group maintained a high-quality liquid asset (HQLA) buffer in excess of the minimum regulatory requirements, based on stress testing performed.
  - Asset growth continued to strengthen, supported by core deposit growth which remained a key focus area, to maintain the strong liquidity position.
  - The Group's foreign currency liquidity position remained robust, with adequate diversified United States dollar (USD) funding available to support the USD asset base and planned asset growth.
  - All banking subsidiaries remained self-sufficient in terms of local currency liquidity, with limited reliance on USD working capital support from the Group.
- **Short-term balance sheet structure and liquidity buffers:**
  - The Group's sources of liquidity of **R333.5bn** (June 2022: R276.5bn) amounted to 27.7% (June 2022: 25.5%) of deposits from customers. The Group continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at R259.3bn (June 2022: R220.1bn).
  - Loan growth was funded by growth in customer deposits and supported by raising wholesale funding, of appropriate tenor, ensuring a sustainable and diverse funding base.
  - The overall reliance on wholesale funding was managed appropriately to support asset growth and to further strengthen the net stable funding ratio (NSFR) over the five-year phase out of the national discretion, which came into effect from 1 June 2023.
  - The Group consistently maintained an LCR buffer above 100% and used its Internal Liquidity Stress Metric Framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
- **Long-term balance sheet structure:**
  - The Group continued to strengthen and diversify its funding sources to maintain a sustainable funding structure.
  - Investor demand for bond issuances was robust in H1 2023 with Absa Bank raising R7.9bn of senior debt. In addition, Absa Bank entered into a five-year R4.5bn Green Loan Agreement with the IFC. The proceeds to be used to support the expansion of Absa's Green Commercial Property Finance and Green Affordable Home Loans portfolios. USD term funding in H1 2023 included a three-year $200 million working capital facility with China Development Bank (CDB).
  - The cost of wholesale funding in domestic markets remained at lower levels in H1 2023, following the full phase in of the Monetary Policy Implementation Framework, which introduced additional liquidity into the market and resulted in a reduction in liquidity premiums. Cost of funding is expected to increase in future; as shorter dated wholesale funding becomes less valuable from a regulatory perspective.
- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within internal and regulatory guidelines.
  - The Group managed funding sources to maintain a wide diversity of depositors, products, tenors and currencies.

Priorities

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

Risk management overview

for the reporting period ended

Insurance risk

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

Key risk metrics[1]	30 June 2023	30 June 2022	31 December 2022
Profit before tax (Rm)	**1 172**	870	2 363
Capital adequacy cover (regulatory basis) (times)	**1.25**[2]	1.25	1.26
Insurance risk EC (Rbn)	**6.1**	5.5	5.7

Review of current reporting period

- Earnings were favourable, particularly for life insurance entities. Non-life earnings continued to observe strain as a result of severe weather events, albeit not to the same extent as 2022. Profitability normalised compared to December 2022, which was inflated by the additional inflow of profits upon the conclusion of the sale of the main components of the investment cluster to Sanlam.
- Absa Financial Services (AFS) and the solo licensed insurance entities remained adequately capitalised. Absa Life capital adequacy cover at 30 June 2023 is 1.42[2] and Absa Insurance Company capital adequacy cover at 30 June 2023 is 1.62[2]. The AFS solvency position was calculated using the deduction and aggregation method, incorporating the solvency positions of the underlying entities that comprise the Group. This included insurance operations in South Africa and ARO, along with non-banking financial services. It remained resilient due to adequate capital buffers.
- International Financial Reporting Standard (IFRS) 17 came into effect on 1 January 2023 and has been implemented. The return and profitability profiles remained stable in the context of IFRS 17. The impact on the business has been quantified, with the relevant assurance providers assessing the impact of the accounting standard as required. Further process refinements will continue to be identified and implemented as required.
- The emerging risks assessment process was embedded to ensure proactive identification, quantification and management of emerging risks through a structured process with frequent horizon scanning.
- The impact of climate change on the business and operating environment continued to be investigated.
- Reinsurance markets continue to harden as risk appetite of reinsurers have reduced because of weather related events and social unrest and cybersecurity concerns in South Africa.

Priorities

- Continue analysing the actuarial data processes for insurance entities within AFS, with Absa Life prioritised for H2 2023.
- Implement the new non-life policyholder administration system.
- Continue to investigate the impact of climate change on AFS.
- Refine capital allocation and forecasting methodologies.
- Embed processes to strengthen the South Africa non-life entities' data environment, and controls around actuarial processes that extract and transform data from core systems.
- Continue to refine key business processes with IFRS 17 requirements.
- Continue improvements to the Own Risk Self Assessment (ORSA) process in line with market best practices and independent review findings.
- Drive intelligent business decision making through the use of the emerging risk management process.
- Continue to refine risk appetite setting to align with best practice.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group controlling company. Comparative figures were restated on an IFRS 17 basis.

[2] Draft capital position, considering foreseeable dividends.

Risk management overview

for the reporting period ended

Strategic, sustainability and reputational risk

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

Strategic risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Strategic risk EC (Rbn)	**7.9**	6.9	7.0

Review of current reporting period

- The risks in the operating environment detailed previously remain key focus areas in scenario analysis and stress testing activities.
- Relevance of strategic priorities remained a key focus area in the context of the shifting landscape, considering business delivery models, market trends and changing customer preferences.
- The increase in strategic risk EC reflected increases in the Group's interest income as a result of the interest rate cycle, coupled with the increased cost of interbank liabilities. The combination of these factors affected the Group's projected earnings and increased variability in outer years.

Priorities

- Strengthen with policies to enhance strategic risk assessments in the integrated planning processes.
- Enhance the Group's strategic risk measurement capabilities across business units and legal entities with additional data sources and modelling approaches to enhance economic capital calculations.
- Use scenario analysis to evaluate the Group's strategic positioning, the continued relevance of its business model, strategic choices and associated risks including those climate-risk related.
- Monitor strategy execution and performance against the Group's medium-term plans.

Sustainability risk

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

Review of current reporting period

- The Environmental and Social Management System (ESMS) automation, which replaced a manual interim solution, was implemented in January 2023 and utilisation is growing.
- Improvements to data and reporting standards are being made to facilitate annual reporting for environmental social governance (ESG), Task Force on Climate-related Disclosures (TCFD), and the principles for responsible banking (PRB).
- Sustainability risk metrics were developed with reporting beginning in the second quarter of 2023, with future enhancement being evaluated.
- The Basel Regulatory Climate Risk Programme was established. The multi-year programme was organised into workstreams aligned to key risk types to address the Basel principles most relevant to the Group.

Priorities

- Continue develop approaches to embed natural capital risk considerations into analyses and decision-making.
- Continue climate change physical and transition risk assessments on key climate-sensitive sectors.
- Improve the automation of sustainability risk and environment and social risk assessment (ESRA) tools, and the development of an interactive portal for physical climate risk and an emission dashboard for transition risk.
- Identify and source, internal and external, sustainability and climate risk data to assist emissions baselining and climate risk analytics.
- Execute the Basel Regulatory Climate Risk Programme objectives and deliverables together with ongoing assessment of guidance from the SARB PA.

Risk management overview

for the reporting period ended

Strategic and sustainability risk (continued)

Reputational risk

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

Review of current reporting period

- Reputational risk remained within target risk range during the period with no major adverse reputational matters experienced.
- Examined the outcomes of the internal Globescan 2022 Reputation Tracker Survey presented in May 2023 which signals the Group's 'Thick Trust Composite Index'. This measures the degree of trust that stakeholders have in the Group, which has improved across all four metrics, namely:
  - overall impression of the Group.
  - levels of trust in the Group.
  - affinity with the Group.
  - how much participants would advocate for the Group.
- The metrics across all markets continue to trend positively.

Priorities

- Demonstrate to stakeholders how the Group delivers value beyond business imperatives to promote trust and advocacy.
- Respond to media and other stakeholders on matters pertaining to the Group, or potentially impacting the Group's reputation.
- Collaborate, align, and integrate reputational risk management efforts with the newly appointed Group Marketing and Corporate Affairs Executive Leadership Team.
- Demonstrate proactiveness on chosen narratives externally, including the Group's Environmental, Social and Governance (ESG) posture.

Model risk

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

	30 June		31 December
Key risk metrics	**2023**	2022	2022
Model risk EC (Rbn)	**1.7**	1.6	1.6

Review of current reporting period

- Ongoing improvement in the accuracy and robustness of models, focusing on regulatory credit capital models.
- Enhanced the model risk control environment through:
  - Embedment of the refined model risk appetite assessment and the model risk EC methodology.
  - Enhancement of the model performance tests used in model monitoring and independent model validation.
  - Automation of the model performance monitoring on the South Africa retail portfolio for regulatory credit capital and credit impairment models.
  - Deployment of improved model development methodologies and standardising currently used methodologies.
  - Enhancement of the model risk management workflow system.

Priorities

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

Risk management overview

for the reporting period ended

Operational and resilience risk

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

Key risk metrics	30 June 2023	30 June 2022	31 December 2022
Total operational risk losses as a percentage of gross income (%)	**0.56**	0.52	(0.02)
Total operational risk losses (Rm)	**295**	245	(18)
Operational risk EC (Rbn)[1]	**11.6**	11.1	11.4
Total operational risk RWA (Rbn)	**168.3**	157.4	159.1[2]
Operational risk (Rbn)	**141.2**	126.5	132.0
Non-customer assets (Rbn)	**27.1**	30.9	27.1

Review of current reporting period

- The Group maintained its operational resilience, delivering substantially uninterrupted services to its customers, against the backdrop of a number of interconnected and dynamic risk drivers. This included energy constraints, macroeconomic volatility, organised crime, the cost-of-living crisis and the effects of climate change.
- The Group's operational resilience was the result of the continuous adaptation, enhancement and optimisation of controls in response to the risks experienced. Key areas of focus, over the period, included:
  - Enhancing business continuity protocols considering the impact of loadshedding in South Africa.
  - Information security and cyber controls, within the Group and its third parties, considering the increasing sophistication of threats.
  - Fraud prevention and detection capabilities in response to the increasing level of fraud attempts, while minimising disruption to authentic customers and transactions.
- Progressed the implementation of the New Standardised Approach requirements per Basel III Finalisation reforms.
- Operational risk losses of **R295m** for the period (June 2022: R245m) are commensurate with transactional and business activity.
- RWA increased to **R168.3bn** (June 2022: R157.4bn) due to the growth in revenue and changes in the foreign exchange rates of the ARO countries.
- EC increased to **R11.6bn** (June 2022: R11.1bn) reflective of the combined effect of an improved risk profile and growth in revenue.

Priorities

- Maintain a satisfactory and robust control environment that continues to deliver operational resilience through:
  - Ongoing refinement of business continuity responses and scenario planning.
  - Continuous enhancement and optimisation of fraud and information security and cyber controls.
  - Ensuring the continuity of services from third parties.
  - Improving the understanding of interdependencies between processes.
- Automate the testing and monitoring of key controls to enable combined assurance in a seamless fashion.
- Progress the implementation of the New Standardised Approach per Basel III Finalisation reforms, which is expected to come into effect on 1 July 2025.
- Deepen the Group's understanding of the effects of climate change and continue to develop appropriate responses.

[1] Operational risk RWA and EC includes fixed asset risk, non-customer assets and compliance risk.
[2] The December 2022 figures were revised to align with final regulatory submissions.

Risk management overview

for the reporting period ended

Compliance risk

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

Conduct risk

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

Review of current reporting period

- Continued to improve on internal practices to achieve fair outcomes for customers. This has been achieved through the continuous monitoring of conduct risk policies, standards, as well as processes and through the provision of employee training.
- Continued to support distressed customers impacted by interest rate hikes and unemployment, through debt restructuring arrangements, assistance with insurance policy claims and various empathic collections strategies.
- Conducted the second Group ethics risk assessment, which will inform the 2023/24 Group ethics management plan and focus areas.
- Intensified the protection and drive for responsible use of customer and employee data, particularly data held by suppliers and other third parties against data leakage.
- Encouraged the use of whistle-blower channels to report any risks or misconduct noted, through communicating the anonymity safeguards in place to employees.

Priorities

- Maintain treating customers fairly principles in the face of ongoing digitisation of customer processes and propositions.
- Continue instilling corporate values that promote compliance and ethical conduct.
- Continue communicating, training and raising awareness on ethics, data privacy and protection, and conduct risk for Board members, employees and business partners.
- Embed conduct risk into business strategies, processes, procedures and practices through our policies, training and awareness raising initiatives to customers, colleagues, Boards, and third parties.
- Conduct frequent assurance checks to ensure that all known and emerging conduct risks have been identified and mitigated or managed.

Risk management overview

for the reporting period ended

Compliance risk (continued)

Financial crime risk

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

Review of current reporting period

- Continued to be a key contributor to regulatory and industry initiatives aimed at removing South Africa from the Financial Action Task Force (FATF) grey list through responding to requests and participating in comments on FATF guidance papers.
- Mitigated possible impacts to the Group from South Africa's FATF grey listing by continuing to follow and embed internationally accepted standards and by further strengthening our relationships with key clearing banks and other international service providers. The impact to the Group of South Africa's grey listing, at this time, has been very limited.
- Actively contributed to various South African Anti-Money Laundering Integrated Task Force (SAMLIT) initiatives, including leading the corruption working group and actively contributing to the human trafficking working group.
- Led the establishment of a Terrorist Financing/Proliferation Financing (TF/PF) working group with representation from all major and small banks as a subcommittee of the Banking Association of South Africa (BASA) anti-financial crime committee
- Attended and participated in Wolfsberg Group Annual Forum providing input and taking part in global initiatives across the banking sector.
- Deployed automated reporting for International Funds Transfer Reporting (IFTR) in South Africa within regulatory timelines and commitments.
- Optimised the Group's financial crime risk management capability through enhanced behavioural segmentation, enhanced and digitised risk detection and monitoring, further deployment of threat-based models and integration of intelligence across the financial crime ecosystem.
- Leveraged relationships with regulators and industry partners which has led to improved detection of illicit wildlife trafficking (IWT) across ARO and advancement of our typology-based detection and monitoring.

Priorities

- Leverage relationships with regulators and industry partners, and industry organisations to further enhance the effectiveness of risk management.
- Continue to play a prominent role in advocating and lobbying changes in legislation and participate in industry initiatives aimed at removing South Africa from the Financial Action Task Force (FATF) grey list.
- Through industry forums for TF/PF, corruption and IWT, influence and drive thought leadership with the aim to advance threat detection and awareness of these threats both across pan-Africa and globally.
- Optimise risk management capabilities that will enable the Group to effectively manage and mitigate financial crime risk by leveraging and digitising core risk, control, and governance processes.
- Expand deployment of artificial intelligence (AI) capabilities and predictive models to improve analytical detection and increase the effectiveness of risk management.
- Increase deployment of typology-based detection and risk monitoring.
- Focus on end-to-end economic crime data (including financial crime, fraud, and cyber-related crime) by integrating additional intelligence data.

Capital management and RWA

for the reporting period ended

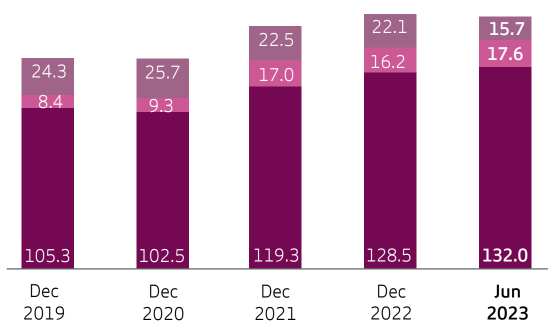
Capital adequacy

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

	Board target ranges[1]	Minimum RC requirements[2]	Group performance			Bank performance		
			30 June		31 December	30 June		31 December
	%	%	**2023**	2022	2022	**2023**	2022	2022
Statutory capital ratios (include unappropriated profits) (%)								
CET1	11.0 – 12.5		**13.0**	13.1	12.8	**13.0**	13.1	12.5
Tier 1	>12.0		**14.7**	14.8	14.4	**15.5**	15.5	14.8
Total capital adequacy requirement (CAR)	>14.5		**16.2**	17.0	16.6	**17.3**	18.1	17.6
Leverage	5.5 – 7.5		**7.7**	7.7	7.8	**6.2**	6.3	6.3
Regulatory capital ratios (exclude unappropriated profits) (%)								
CET1		8.5	**12.3**	11.9	12.0[3]	**12.3**	12.0	12.0
Tier 1		10.3	**14.0**	13.6	13.6	**14.8**	14.5	14.2
Total CAR		12.5	**15.5**	15.8	15.8	**16.7**	17.0	17.0
Leverage		4.0	**7.3**	7.1	7.4	**5.9**	5.9	6.1

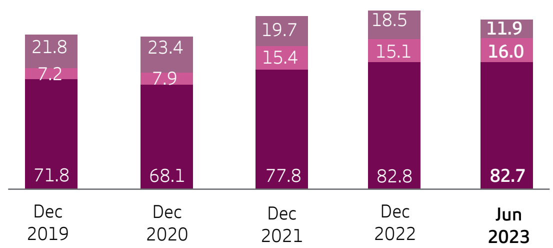
Qualifying capital (including unappropriated profits)

Group



CET 1 (Rbn) Additional Tier 1 (Rbn) Tier 2 (Rbn)

Bank



CET 1 (Rbn) Additional Tier 1 (Rbn) Tier 2 (Rbn)

Group[4]						Bank				
31 December				30 June		31 December				30 June
2019	2020	2021	2022	**2023**		2019	2020	2021	2022	**2023**
12.1	11.2	12.8	12.8	**13.0**	CET1 ratio (%)	11.9	10.6	12.4	12.5	**13.0**
15.8	15.0	17.0	16.6	**16.2**	Total CAR (%)	16.7	15.6	17.9	17.6	**17.3**

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Absa Bank Limited CET1 Board target range is 10.5% to 12.0%.
[2] The 2023 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[3] The December 2022 figures were revised to align with final regulatory submissions.
[4] The historical normalised Group CET1 ratios were 11.8% in December 2019, and the historical normalised Bank CET1 ratios were 11.4% in December 2019.

Capital management and RWA

for the reporting period ended

Overview of risk weighted assets

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

Group	30 June 2023 RWA Rm	30 June 2022 RWA Rm	31 December 2022[1] RWA Rm	30 June 2023 Minimum capital requirement[2] Rm
Credit risk[3]	**779 721**	725 746	774 988	**97 465**
Market risk	**44 209**	36 562	38 882	**5 527**
Operational risk[4]	**168 342**	157 393	159 138	**21 043**
Threshold items	**26 454**	28 969	34 379	**3 307**
Total	**1 018 726**	948 670	1 007 387	**127 342**

Absa Bank[5]	30 June 2023 RWA Rm	30 June 2022 RWA Rm	31 December 2022[1] RWA Rm	30 June 2023 Minimum capital requirement[2] Rm
Credit risk[3]	**484 712**	487 019	513 337	**60 589**
Market risk	**31 067**	26 194	28 250	**3 884**
Operational risk[4]	**107 276**	101 137	105 388	**13 410**
Threshold items	**14 622**	13 878	15 118	**1 828**
Total	**637 677**	628 228	662 093	**79 711**

[1] The December 2022 figures were revised to align with final regulatory submissions.
[2] The 2023 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A which was reinstated at 1% and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[3] Credit risk includes equity positions in the banking book, CCR, CVA and securitisation.
[4] Includes floor adjustment, settlement risk and non-customer assets.
[5] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates, and offshore holdings.

Capital management and RWA

for the reporting period ended

Capital supply

Breakdown of qualifying capital

Group	30 June 2023 Rm	30 June 2023 %[2]	30 June 2022 Rm	30 June 2022 %[2]	31 December 2022[1] Rm	31 December 2022[1] %[2]
CET1	**125 138**	**12.3**	112 630	11.9	120 390	12.0
Additional Tier 1 capital	**17 567**	**1.7**	16 830	1.7	16 245	1.6
Tier 1 capital	**142 705**	**14.0**	129 460	13.6	136 635	13.6
Tier 2 capital	**15 683**	**1.5**	20 116	2.2	22 084	2.2
Total qualifying capital (excluding unappropriated profits)	**158 388**	**15.5**	149 576	15.8	158 719	15.8
Qualifying capital (including unappropriated profits)						
CET1 including unappropriated profits	**131 981**	**13.0**	124 010	13.1	128 528	12.8
CET1	**125 138**	**12.3**	112 630	11.9	120 390	12.0
Unappropriated profits	**6 843**	**0.7**	11 380	1.2	8 138	0.8
Additional Tier 1 capital	**17 567**	**1.7**	16 830	1.7	16 245	1.6
Tier 1 capital	**149 548**	**14.7**	140 840	14.8	144 773	14.4
Tier 2 capital	**15 683**	**1.5**	20 116	2.2	22 084	2.2
Total qualifying capital (including unappropriated profits)	**165 231**	**16.2**	160 956	17.0	166 857	16.6

Absa Bank[3]	30 June 2023 Rm	30 June 2023 %[2]	30 June 2022 Rm	30 June 2022 %[2]	31 December 2022[1] Rm	31 December 2022[1] %[2]
CET1	**78 350**	**12.3**	75 582	12.0	79 249	12.0
Additional Tier 1 capital	**15 974**	**2.5**	15 215	2.5	15 085	2.3
Tier 1 capital	**94 324**	**14.8**	90 797	14.5	94 334	14.2
Tier 2 capital	**11 911**	**1.9**	16 009	2.5	18 553	2.8
Total qualifying capital (excluding unappropriated profits)	**106 235**	**16.7**	106 806	17.0	112 835	17.0
Qualifying capital (including unappropriated profits)						
CET1 including unappropriated profits	**82 749**	**13.0**	82 312	13.1	82 795	12.5
CET1	**78 350**	**12.3**	75 582	12.0	79 249	12.0
Unappropriated profits	**4 399**	**0.7**	6 730	1.1	3 546	0.5
Additional Tier 1 capital	**15 974**	**2.5**	15 215	2.4	15 085	2.3
Tier 1 capital	**98 723**	**15.5**	97 527	15.5	97 880	14.8
Tier 2 capital	**11 911**	**1.9**	16 009	2.5	18 501	2.8
Total qualifying capital (including unappropriated profits)	**110 634**	**17.3**	113 536	18.1	116 381	17.6

1 The December 2022 figures were revised to align with final regulatory submissions.
2 Percentage of capital to RWAs.
3 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended

Economic capital

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

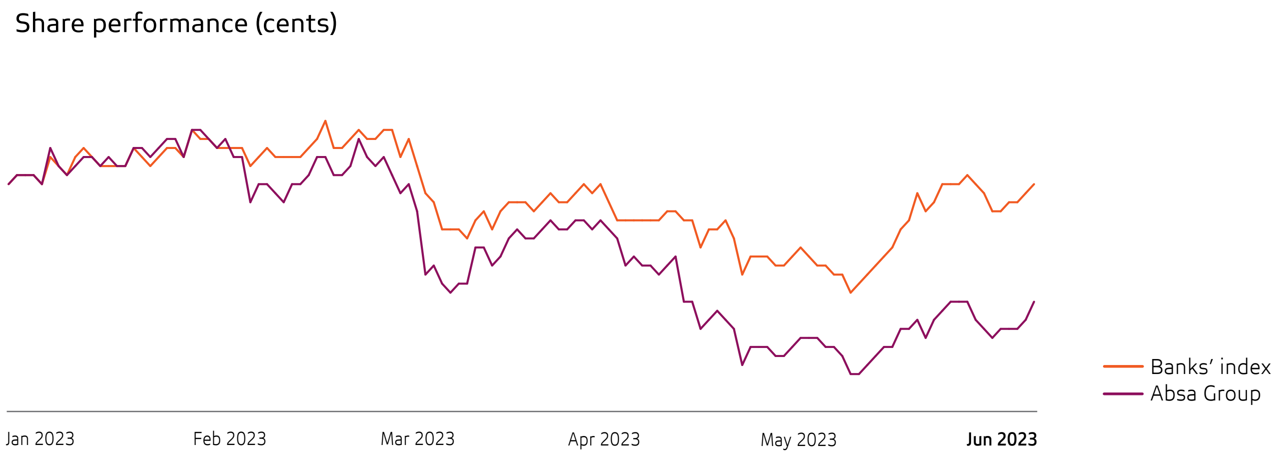
In the table below, EC demand is presented at a 99.90% confidence level, aligned with the ERMF principal risks. EC demand is compared with the available financial resources (AFR) – also referred to as EC supply – to evaluate the total EC surplus. The Group ensures there is sufficient AFR to meet this minimum demand requirement under severe yet plausible stress conditions.

	30 June		31 December
Economic capital	**2023 Rm**	2022 Rm	2022 Rm
Credit risk[1]	**72 208**	66 374	69 982
Market risk	**14 706**	11 880	12 934
Trading book risk	**6 168**	4 676	5 138
Banking book risk	**8 538**	7 204	7 796
Insurance risk	**6 084**	5 532	5 709
Strategic and sustainability risk	**7 912**	6 868	7 039
Model risk	**1 678**	1 567	1 644
Operational and resilience risk[2]	**11 631**	11 058	11 413
Total EC requirement	**114 219**	103 279	108 721
IFRS total EC AFR[3]	**169 199**	162 297	168 848
IFRS total EC surplus[3]	**54 980**	59 018	60 127
IFRS EC coverage ratio	**1.5**	1.6	1.6

1 Credit risk includes equity risk, CCR, CVA and securitisation.
2 Operational and resilience risk includes operational risk and physical asset risk which includes property and equipment.
3 AFR restated due to the adoption of IFRS 17, however no material impact on the EC coverage for June 2022 and December 2022.

Appendices

Share performance



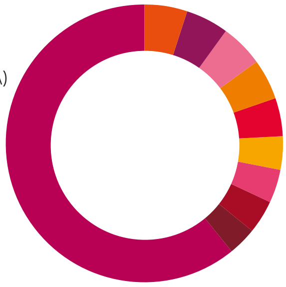
Share performance on the JSE	30 June 2023	30 June 2022	Change %	31 December 2022
Number of shares in issue, which includes 2023: 2 204 654 (2022: 1 203 261) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**16 791**	15 460	9	19 390
high	**20 574**	19 236	7	15 205
low	**15 318**	15 460	(1)	20 908
average	**18 061**	17 114	6	17 796
Closing price/Normalised NAV per share (excluding preference shares) (%)	**1,03**	1.04	—	1.25
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**6.78**	6.30	8	7.80
Volumes of shares traded (million)	**397.0**	482.0	(18)	1 027.0
Value of shares traded (million)	**70 608.0**	81 800.0	(14)	181 805.0
Market capitalisation (Rm)	**142 346.0**	131 062.0	9	164 379.0
Annual total return (%)	**(10.0)**	19.7	<(100)	34.0

Normalised price-to-earnings has been restated, to align with the updated glossary.

Shareholder information and diary

Major ordinary shareholders (%)

June 2023	2022	
5.15	(5.39)	Public Investment Corporation (SA)
4.98	(4.46)	Black Rock Incorporated (US, UK, JP, AU, CA)
4.96	(4.90)	M&G (SA, UK)
4.68	(5.83)	Ninety One (SA)
4.40	(5.44)	Old Mutual (SA, NA)
4.02	(4.02)	Citigroup Global Markets (SA)
3.94	(3.51)	The Vanguard Group (US, AU)
3.89	(3.21)	Investec Securities (SA)
3.32	(2.13)	Sanlam Investment Management (SA)
60.66	(52.17)	Other



Major shareholding by geography (%)

June 2023	2022	
7.52	(12.95)	United Kingdom
61.66	(58.08)	South Africa
19.32	(14.81)	United States and Canada
11.50	(14.15)	Other countries

Shareholder diary

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

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Final[1]	14 August 2023	Tuesday, 18 April 2023	Wednesday, 19 April 2023	Friday, 21 April 2023	Monday, 24 April 2023

[1] Subject to change.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET1; and
- Regulatory adjustments applied in the calculation of CET1.

Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in CET1);
- Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of Additional Tier 1 capital.

Capital – Common Equity Tier 1 capital adequacy ratio

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

Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

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

Capital – Tier 2 ratio

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

Claims ratio

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

Combined ratio

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

Conduct risk

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

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Africa regions market segment disclosed on pages 78 and 79 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

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

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

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

Cost-efficiency ratio

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

Cost of equity

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

Cost-to-income ratio

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

Coverage ratio

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

Credit loss ratio

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

Debt securities in issue

Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposit.

Diluted headline earnings per share

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

Distribution force

Number of active advisers.

Dividend payout ratio

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

Dividend per ordinary share relating to income for the reporting period

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

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

Earnings per share

Basic earnings per share

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

Diluted basic earnings per share

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

Economic capital

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

Embedded value

The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

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

Exchange differences

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

Expected credit loss (ECL) coverage ratio

ECL allowance as a proportion of gross loans and advances to customers and banks.

Financial Markets Act

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

Foreign currency translation

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

Gains and losses from banking and trading activities

Banking and trading portfolios include:

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

Gains and losses from investment activities

Insurance and strategic investment portfolios including:

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

Gross credit extended

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

Group

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

Headline earnings

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

Headline earnings per share

Headline earnings per share

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

Diluted headline earnings per share

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

Income statement

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

Indirect taxation

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

Income/total income

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

Insurance income

Insurance income includes the following lines in the Statement of Comprehensive Income: Net insurance results, Net finance income/(expense) from insurance contracts, Net finance income/(expense) from reinsurance contracts, Changes in investment contract liabilities, as well as Net gains from insurance activities reported in Gains and losses from investment activities.

JAWS

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

Leverage

Average assets as a proportion of average equity.

Life new business margin

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

Loan coverage ratio

Total expected credit losses allowance as a percentage of total amortised loans and advances to customers and banks.

Gross loans-to-deposits and debt securities ratio

Gross loans and advances as a percentage of deposits and debt securities in issue.

Long-term funding ratio

Funding with a term in excess of six months.

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

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

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

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

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

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

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

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

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

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

Pre-provision profit
Total income less operating expenses.

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

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

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

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

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

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

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

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Solvency margin

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

Stage 1

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

Stage 2

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

Stage 3

Credit exposures are classified within stage 3, when they are regarded as being credit impaired, which aligns to the bank's regulatory definition of default.

Stage 3 loans ratio on gross loans and advances

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

Tangible net asset value per share

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

Underwriting margin

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

Value-at-risk model

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

Value of new business

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

Weighted average number of shares

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

Abbreviations and acronyms

A

AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine

B

Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

Abbreviations and acronyms

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

M

MC	Group Model Committee
MR	market risk

N

NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	total loss absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Administration and contact details

Absa Group Limited

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

Registered office

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

Switchboard: +27 11 350 4000
www.absa.africa

Head of Investor Relations

Alan Hartdegen
Telephone: +27 11 350 2598

Company Secretary

Nadine Drutman
Telephone: +27 11 350 5347

Head of Financial Control

John Annandale
Telephone: +27 11 350 3496

Queries

Please direct investor relations queries to
IR@absa.africa

Please direct media queries to
groupmedia@absa.africa

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

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

Transfer secretary

Computershare Investor Services Proprietary Limited
Telephone: +27 11 370 5000
computershare.com/za/

Sponsors

Lead independent sponsor
J.P. Morgan Equities South Africa Proprietary Limited
Telephone: +27 11 507 0300

Joint sponsor
Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6843
equitysponsor@absacapital.com

Auditors

KPMG Inc.
Telephone: +27 11 647 7111
home.kpmg/za/en/home.html

PricewaterhouseCoopers Inc.
Telephone: +27 11 797 4000
https://www.pwc.co.za/

www.absa.africa