Absa Group Pillar 3 risk management report

31 December 2023

Absa is more than a bank; it is a united Pan-African team that is inspired by a shared purpose: *"Empowering Africa's tomorrow, together ... one story at a time"*. And it's this purpose that guides Absa Group Limited (the Group) every day, helps create value, run and grow the business, partner with clients to help them achieve their aspirations, and impact the communities and environments in which it operates.

One of the pillars of the Growth Strategy focuses on what it means to be "an active force for good in everything that we do". The Group's commitment to be an active force for good includes continued sponsorship of the Absa L'Atelier art competition. This longstanding and prestigious competition gives aspiring artists a global stage. In celebration of these breakthrough artists, the Group is using the corporate reports as a vehicle to showcase this continental shift towards creativity.

Collin Gandor Mensah

2022 Absa L'Atelier

Ambassador Ghana

Scan to view the artist full portfolio

Collins Gandor Mensah (born 1993). Gandor's practice explores the homology between the human body and technological entities in relation to post-human aesthetics. His work questions the boundaries between humans and machines, examining the potential consequences of blurring the lines in terms of ethics, identity and societal values.

Featured Artwork

Black Arabian 2021

The Pillar 3 risk management report for the reporting period ended 31 December 2023 provides the prescribed annual view of Absa Group Limited (the Group) regulatory capital and risk exposures. It complies with:

- The Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements (Pillar 3 Standard).
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements.

The report is supplemented with the Group's Pillar 3 risk management additional disclosures.

Management and the Group Risk and Capital Management Committee (GRCMC) have reviewed the report. The Board is satisfied that the Group's risk and capital management processes operated effectively for the period under review, and the Group is adequately capitalised and funded to support the execution of its strategy.

The information in this report is unaudited.

Contents

BCBS Pillar 3 disclosure requirements of sections and tables

References to disclosure requirements have been designated by [|

A Not applicable to the Group

BCBS Pillar 3 disclosure requirements of sections and tables

A Not applicable to the Group

1. Summary of risk profile and RWA

1. Summary of risk profile and RWA

1.1 Key performance metrics

Common equity tier 1 (CET1) ratio[1]
12.5%
2022: 12.8%
Economic capital (EC) coverage
1.5%
2022: 1.6%
Leverage ratio[1]
7.7%
2022: 7.8%
Liquidity coverage ratio (LCR)[2]
124.0%
2022: 124.6%
Net stable funding ratio (NSFR)
118.1%
2022: 113.4%
Credit loss ratio (CLR)
1.18%
2022: 0.96%
Stage 3 ratio on gross loans and advances
6.1%
2022: 5.3%
Stage 1 and stage 2 coverage ratio
1.2%
2022: 1.3%
Stage 3 coverage ratio
45.0%
2022: 46.1%
Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates (Rm)
R1 200m
2022: R1 099m
Operational risk losses
R524m
2022: (R18m)

Review of current reporting period

- Capital ratios remained at the top end of the internal capital targets supporting client lending. The ratios are well above minimum regulatory requirements.
- The liquidity position remained healthy and liquidity metrics were comfortably within risk appetite.
- The CLR tracked above the Group's through-the-cycle range of 0.75% to 1.00% as ongoing macroeconomic stresses continued to place strain on consumers.
- The Group's stage 1 and stage 2 coverage ratio decreased due to higher quality credit origination and reduced risk appetite to high-risk territories in the Corporate and Investment Banking (CIB) portfolio. The stage 3 coverage ratio has also reduced due to the volume of new inflows.
- The Group proactively managed interest rate risk sensitivity in the banking book and remained positively positioned for an increase in policy rates. The increase in NII sensitivity is mainly due to continued non-rate sensitive customer deposit growth and changes in the profile of investments in Absa Regional Operations (ARO).
- Operational risk losses for the period returned to normalised levels mainly as a result of reduced insurance recoveries.

Priorities

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

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth.
- Ensure capital ratios are maintained within the Board target range and above minimum levels of regulatory capital while supporting business growth.
- Monitor growth to ensure a well-diversified credit portfolio in line with the Group's strategy and risk appetite.
- Proactively position and manage the credit portfolio to mitigate the impact of heightened country and sovereign risks.
- Continue to improve controls, efficiency and operational resilience, through enhanced platforms and digital capabilities, across critical processes.
- Engage and collaborate with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy.
- Continue establishing the baseline emissions for other key sectors that are affected by climate change.
- Develop and embed climate change initiatives to assess and respond to the risk of continued adverse weather conditions comprehensively as part of broader environmental, social and governance (ESG) efforts.
- Monitor, evaluate and test the implications of the upcoming regulatory developments, including Basel III finalisation (along with the fundamental review of the trading book (FRTB)), the proposed amendments to the regulations relating to banks, the Basel Committee on Banking Supervision (BCBS) principles for the effective management and supervision of climate-related financial risks, the Resolution Framework and the Financial Conglomerate Supervisory Framework in South Africa among others.

[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.

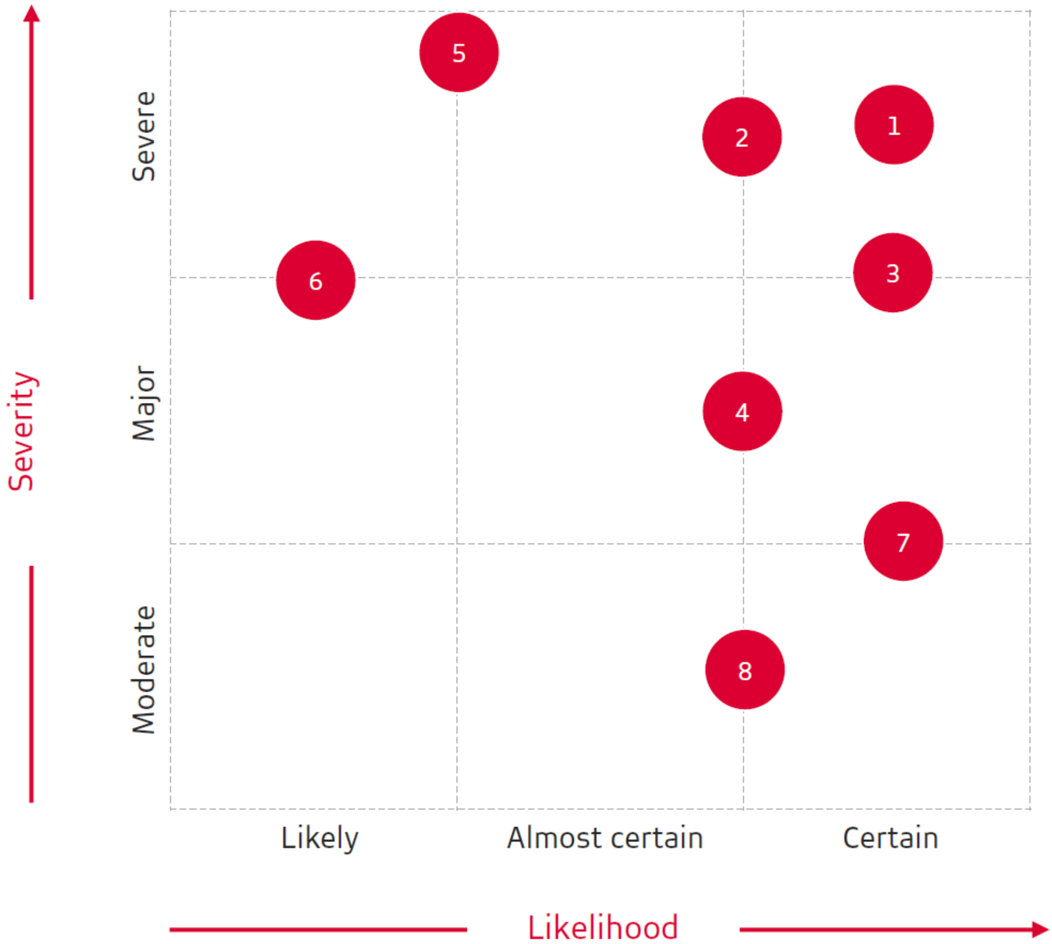
1. Summary of risk profile and RWA

1.2 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 optimize 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[1]:



[1] These risks have a material impact on the Group and have been identified through a prioritisation exercise, considering estimated severity and likelihood. The Group continually monitors and assesses the environment for other risks which may have potential impacts.

1. Summary of risk profile and RWA

Mitigation Opportunities

Current and emerging risks	Risk trend since 2022	Links to principal risk

1 Geopolitical instability and conflict

Ongoing polarisation of trade blocs impacts negatively on societies and economies and may evolve into countries having to choose between blocs. The risk of a global (or key markets) recession and/or persistently high inflation (and interest rates) may result in prolonged low growth and economic activity, including reduced trade and investment. Key 2024 elections globally (United States of America) and in Africa (South Africa, Botswana, Ghana, Mauritius, Mozambique) elevate uncertainty.

Links to principal risk:

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational

Mitigation and opportunities

- Constant monitoring and agile approach to positions.
- Preserve the Group's liquidity and capital.
- Diversification across markets and sectors mitigates impacts.
- Establishment of representative offices in trading corridors.

2 Country / Sovereign risk

Heightened volatility may result in a deteriorating economic environment, impacting strategy through:

- Sustainability of debt pressures (repayments and refinancing).
- Central bank interventions to protect economies may have unintended consequences and negative impacts.
- Foreign exchange (FX)scarcity affects FX expatriation and increases hedging costs.

The inability to significantly diversify away from sovereign exposures, as a result of in-country regulations, may lead to large concentrations.

Links to principal risk:

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational

Mitigation and opportunities

- Refine the Sovereign Trigger Framework and implement the revised Sovereign Concentration Risk Framework.
- Ongoing enhancement of models to better understand the risk-reward trade-offs.
- Continually monitor for concentration build-up for government employee lending.
- Maintain relationships with hard currency generating clients.
- Seek alternative high-quality assets to invest surplus deposits while maintaining presence and customer offering.
- Monitor and manage risk-considered opportunities for trading which may arise.

3 Consumer stress

Ongoing stress faced by consumers due to high cost of living and the inability to recover due to weak local and global economics result in increased defaults and reduced lending and deposits growth and retention. Business and corporate clients may not be able to sustain current resilience.

Links to principal risk:

- Credit
- Capital and liquidity
- Insurance
- Strategic, sustainability and reputational
- Model
- Compliance

Mitigation and opportunities

- Close monitoring of Relationship Banking and CIB customers for signs of distress with early actions to mitigate.
- Provide consumer support through debt reviews, interest holidays and forbearance offers.
- Capture evolving risk through focused model updates.
- Continue customer selection enhancement projects

4 Operational resilience pressure

Continuously evolving threats to operational resilience from deteriorating infrastructure (Eskom, Transnet), fraud, opportunistic crime, data loss and cyber-attacks, scarcity of skills and possible social unrest due to poor service delivery and exacerbated by elections/ineffective coalitions.

Links to principal risk:

- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience
- Compliance

Mitigation and opportunities

- Continue resilience investments in critical processes and 3rd party risk management.
- Capacitate the converged security office to manage economic crime convergence.
- Maintain successful cyber security testing.
- Further develop crisis management scenario planning and testing.

1. Summary of risk profile and RWA

Mitigation Opportunities

Current and emerging risks	Risk trend since 2022	Links to principal risk

5 South African fiscus sustainability strain

High uncertainty, low business and consumer confidence levels result in low investment rates, a reducing tax base (emigration, reduced economic activity) and increased fiscal weakness. Policy changes due to the election outcome could negatively impact the fiscus.

Links to principal risk:
- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience

Mitigation and opportunities

- Monitor and manage South African sovereign risk.
- Maintain regular industry bodies engagement to raise concerns and support change initiatives.
- Participate in social initiatives to support consumers.

6 Strategic, execution and business risks

Constantly changing operating environment, combined with heightened volatility and challenging global and domestic conditions, and evolving client needs may impact strategy execution while potential adverse impact of large strategic change projects may result in poor delivery and resource strain.

Links to principal risk:
- Credit
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience

Mitigation and opportunities

- Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise, while supporting customers.
- Govern change projects to ensure these are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.
- Continue investing in delivering scalable digital solutions.
- Strategically drive diversification across markets and sectors to mitigate impacts.

7 Environmental risks

Increasing pressure to integrate sustainability risk management practices with business activities due to stakeholder expectations. Challenges include the uncertain severity of the impact of climate and social change (including the developing El Nino pattern), along with emerging risk tied to greenwashing affecting investors, suppliers, and clients. Ensuring a just transition balancing environmental sustainability and social needs is increasingly important.

Links to principal risk:
- Credit
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience
- Compliance

Mitigation and opportunities

- 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.
- Define and implement a greenwashing policy.

8 Increased compliance risk due to new and emerging regulations and oversight

Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact the current business model. Heightened scrutiny of regulators may require increased capacity to address additional matters.

Potential long-term impact of regulatory changes on business strategy and Group performance increase the need for regulator and industry capacity.

Links to principal risk:
- Credit
- Market
- Capital and liquidity
- Insurance
- Strategic, sustainability and reputational
- Model
- Operational and resilience
- Compliance

Mitigation and opportunities

- 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.

1. Summary of risk profile and RWA

1.3 Overview of RWA [OV1]

The following table provides the RWA per risk type and the associated minimum capital requirements. Additional disclosures for each risk type, namely credit, counterparty credit, equity investment, securitisation, traded market and operational, are included in the sections that follow.

		Group				Bank[1]			
		a		b	c	a		b	c
		31 Dec 2023	31 Dec 2022	30 Sep 2023	31 Dec 2023	31 Dec 2023	31 Dec 2022	30 Sep 2023	31 Dec 2023
		RWA	RWA	RWA	MCR[2]	RWA	RWA	RWA	MCR[2]
		Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
1	Credit risk (excluding CCR)	769 354	739 995[3]	750 133	96 170	490 662	488 353[3]	465 944	61 333
2	Of which: standardised approach (SA)	264 437	235 128[3]	270 058	33 055	1 078	506	1 349	135
3	Of which: foundation internal ratings based (FIRB) approach	-	-	-	-	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-	-	-	-	-
5	Of which: advanced internal ratings based (AIRB) approach	504 917	504 867[3]	480 075	63 115	489 584	487 847[3]	464 595	61 198
6	CCR	19 268	16 303	16 899	2 409	17 742	14 860	15 652	2 218
7	Of which: standardised approach for CCR (SA-CCR)	19 268	16 303	16 899	2 409	17 742	14 860	15 652	2 218
8	Of which: IMM	-	-	-	-	-	-	-	-
9	Of which: other CCR	-	-	-	-	-	-	-	-
10	CVA	9 679	6 480	6 682	1 210	8 187	5 098	5 910	1 023
11	Equity positions under the simple risk weight approach	3 409	3 482	3 320	426	1 725	1 823	1 657	216
12	Equity investments in funds – look-through approach	6 145	8 151	5 772	768	356	2 626	356	45
13	Equity investments in funds – mandate-based approach	1 462	-	1 176	183	1 462	-	1 176	183
14	Equity investments in funds – fall-back approach	633	-	735	79	526	-	679	66
15	Settlement risk	1 727	1 279	1 456	216	1 662	1 222	1 389	208
16	Securitisation exposures in banking book	122	577	111	15	122	577	111	15
17	Of which: IRB ratings-based approach (SEC-IRBA)	-	-	-	-	-	-	-	-
18	Of which: securitisation external RBA (SEC-ERBA), including internal assessment approach (IAA)	-	-	-	-	-	-	-	-
19	Of which: securitisation SA (SEC-SA)	122	577	111	15	122	577	111	15
20	Market risk	45 216	38 882	37 234	5 652	36 669	28 250	27 440	4 584
21	Of which: SA	18 611	18 915	18 928	2 326	10 065	8 283	9 134	1 258
22	Of which: internal model approach (IMA)	26 605	19 967	18 306	3 326	26 604	19 967	18 306	3 326
23	Capital charge for switch between trading book and banking book	-	-	-	-	-	-	-	-
24	Operational and resilience risk	126 216	122 493[3]	119 424	15 777	74 135	74 857[3]	68 751	9 267
	Non-customer assets	30 287	25 838	27 426	3 786	17 601	17 405	17 075	2 200
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	26 138	34 379	28 834	3 267	13 463	15 118	16 053	1 683
26	Floor adjustment (after application of transitional cap)[4]	18 824	9 528[3]	21 790	2 353	18 383	11 904[3]	21 237	2 298
27	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26+non-customer assets)	1 058 480	1 007 387[3]	1 020 992	132 311	682 695	662 093	643 430	85 339

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates, and offshore holdings.

[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] Includes the operational risk floor.

2. Basis of preparation

2. Basis of preparation

2.1 Scope of consolidation

The Group's registered head office is in Johannesburg, South Africa and operates in 14 countries. The Group has banks[1] in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. The Group also has representative offices in Namibia, Nigeria and the United States, as well as securities entities in the United Kingdom and the United States.

The legal structure below outlines the Group's holdings:

2.2 Pillar 3 risk management report oversight

The purpose of the Pillar 3 risk management report is to provide a comprehensive view of the Group's RC and risk exposures. It complies with:

- The BCBS revised Pillar 3 disclosure requirements (Pillar 3 Standard).
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, No. 94 of 1990 (Banks Act), where not superseded by the revised Pillar 3 disclosure requirements.

The information in this report is unaudited.

For the reporting period 31 December 2023 (compared with 31 December 2022), the Board is satisfied that the Group's risk and capital management processes operated effectively, that business activities were managed within the Board-approved risk appetite, and that the Group is adequately capitalised and funded to support the execution of its strategy.

[1] Banks are wholly owned, apart from the following where the Group holds majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, National Bank of Commerce, Tanzania 55% and Seychelles 99.8%.

[2] South Africa.

[3] Tanzania.

2. Basis of preparation

2.3 Preparation, validation and sign-off

This report was prepared in line with the Board-approved Banks Act Public Disclosure (Pillar 3) Policy. The policy sets out responsibilities in the preparation, validation and sign-off of the report. The Group's risk function centrally reviewed and challenged the disclosures to ensure they are a fair representation of the risk profile. The report was validated and approved through the Group's risk governance channels which include Risk Type Officers (RTOs), the Group Chief Risk Officer (GCRO), Group Financial Director, and the Group Risk and Capital Management Committee (GRCMC).

2.4 Scope of application of Basel measurement

The Group applies the following RC demand measurement approaches when determining its Pillar 1 capital requirements:

Risk type	Approach used
Credit risk (South Africa)	
• Retail and wholesale credit risk	• AIRB
• CCR	• SA-CCR and AIRB
• CVA	• SA
• Securities financing	• Comprehensive approach
• Statutory reserve	• SA
• Liquid asset portfolio	• AIRB
• Equity investment risk in the banking book – listed and unlisted	• Market-based simple risk weight approach and equity investments in funds applies look-through approach or mandate-based approach or fall-back approach
• Investments in associates and joint ventures	• Pro rata consolidated methodology or the deduction approach
Credit risk (ARO)	
• All entities and credit risk types	• SA
Market risk	
• General position risks for trading book positions	• IMA
• Issuer-specific risks for trading book positions	• SA
Operational and resilience risk	
• Operational and resilience risk – majority of the Group's divisions	• Advanced measurement approach (AMA)
• Certain joint ventures and associates and ARO legal entities	• Basic indicator approach (BIA) or SA
Other risks	
• Non-customer assets	• SA

2.5 Accounting policies and valuation methodologies

The principal accounting policies applied are set out in the Group's most recent audited annual financial statements.

2.6 Linkages between financial statements and regulatory exposures

Where a different treatment is applied for Basel regulatory reporting compared to statutory accounting reporting, the approach is set out below:

Entity	Statutory accounting treatment	Basel III regulatory treatment
Subsidiaries engaged in insurance activities (Absa Financial Services Limited (AFS))	Consolidated	Excluded from the calculation of the capital adequacy ratio
Associates, joint ventures and participation in businesses that are financial in nature	Equity-accounted	Deducted from qualifying capital or proportionately consolidated
Associates, joint ventures and participation in businesses that are not financial in nature	Equity-accounted	Included in equity investment risk capital

2. Basis of preparation

Regulatory treatment

<table>
<tr><th rowspan="3">Percentage shareholding</th><th colspan="4">Type of entity</th><th rowspan="3">International Financial Reporting Standards (IFRS) treatment</th></tr>
<tr><th rowspan="2">Banking and financial entities</th><th rowspan="2">Insurance entities</th><th colspan="2">Commercial entities</th></tr>
<tr><th>Standard approach</th><th>IRB approach</th></tr>
<tr><td><10%</td><td colspan="2">Aggregate of investments are compared to a threshold of 10% of the groups CET1 capital. Amounts above the threshold are deducted from Capital and amounts below are treated as equity investment risk weight – the standard approach (TSA) (100% risk weight) or IRB (300%/400% risk weight).</td><td rowspan="2">Treated as equity investment risk (100% risk weight).</td><td rowspan="2">Treated as equity investment risk weight of 300% for listed investments and 400% for unlisted investments.</td><td>Treated as financial investment and measured at fair value through profit or loss, or fair value through other comprehensive income.</td></tr>
<tr><td>>10% to <20%</td><td colspan="2">Apply the threshold deduction method: Aggregate of amounts <15% of share capital risk weight at 250%, amounts above the threshold is deducted from CET1.</td><td>Where the group has significant influence over that investment, equity accounting is applied unless designated to be measured at fair value through profit or loss (FVTPL).</td></tr>
<tr><td>> 20% to <50%</td><td>Other significant shareholder: Proportionally consolidated.
No other significant shareholder - Apply the threshold deduction method.</td><td>Apply the threshold deduction method to historical cost. Post-acquisition profits excluded.</td><td rowspan="2">Individual investments up to 15% of the groups CET1, additional tier 1 capital (AT1) and tier 2 capital (T2) are to be risk weighted at no less than 100%.
Individual investments in excess of 15% of the groups CET1, AT1 and T2 are to be risk weighted at 1250% or the RWA equivalent.
Aggregate of investments in excess of 60% of CET1, AT1 and T2 are to be risk weighted at 1250%.</td><td rowspan="2">Individual investments up to 15% of the groups CET1, AT1 And T2 are to be risk weighted at (300%/400%).
Individual investments in excess of 15% of the groups CET1, AT1 and T2 are to be risk weighted at 1250% or the RWA equivalent.</td><td>Equity accounting as the group is deemed to have the ability to exercise significant influence or joint control but does not control the entity.</td></tr>
<tr><td>> 50 %</td><td>Consolidate</td><td>Apply the threshold deduction method to the consolidated net asset value.</td><td>Consolidate unless there is evidence to indicate that the group does not have control over that investment in which case equity accounting will typically be applied unless designated to be measure at FVTPL in terms of IFRS.</td></tr>
</table>

Threshold deduction approach

The threshold deduction approach allows for specified adjustments to receive limited recognition namely significant investments, mortgage servicing rights (MSR) and deferred tax assets (DTA) on temporary differences with recognition capped to 10% of CET1.

2. Basis of preparation

2.6.1 Differences between accounting and regulatory scope of consolidation and mapping of financial statement categories with regulatory risk categories [LI1]

The carrying values under the scope of regulatory consolidation below are based on the South African Reserve Bank's (SARB's) regulatory requirements. The financial statement carrying values reflect IFRS requirements.

	a	b	c	d	e	f			g
	2023								
			Carrying values of items						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to CCR framework	Subject to securitisation framework	Subject to market risk framework	Equity Investment Risk	Other Assets	Not subject to capital requirements or subject to deduction from capital
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Assets									
Cash, cash balances and balances with central banks	77 815	76 583	3 064	-	-	-	-	49 271	-
Investment securities	236 498	229 940	224 304	-	-	-	3 409	-	1 668
Trading portfolio assets	191 097	191 097	74 370	50 871	-	173 260	-	-	-
Hedging portfolio assets	5 441	5 441	-	5 441	-	5 441	-	-	-
Other assets	27 805	27 165	8 292	-	-	-	-	21 987	-
Current tax assets	627	496	-	-	-	-	-	-	-
Non-current assets held for sale	197	197	-	-	-	-	-	197	-
Loans and advances	1 271 357	1 269 767	1 191 941	77 080	1 053	72 891	-	-	-
Insurance contract assets	693	-						-	-
Reinsurance contract assets	972	-	-	-	-	-	-	-	-
Investments linked to investment contracts	21 045	-	-	-	-	-	-	-	-
Investments in associates and joint ventures	2 644	810	-	-	-	-	2 644	-	810
Investment property	378	224	-	-	-	-	-	224	-
Property and equipment	16 016	15 594	-	-	-	-	-	15 594	-
Goodwill and intangible assets	14 442	12 986	-	-	-	-	-	13 873	-
Deferred tax assets	7 849	7 814	-	-	-	-	-	-	8 115
Total assets	**1 874 876**	**1 838 114**	**1 501 971**	**133 392**	**1 053**	**251 592**	**6 053**	**101 146**	**10 593**

2. Basis of preparation

	a	b	c	d	e	f			g
	2023								
	Carrying values of items								
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to CCR framework	Subject to securitisation framework	Subject to market risk framework	Equity investment risk	Other Assets	Not subject to capital requirements or subject to deduction from capital
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Liabilities									
Trading portfolio liabilities	62 548	62 548	-	59 793	-	60 164	-	-	-
Hedging portfolio liabilities	1 688	1 688	-	-	-	1 688	-	-	-
Other liabilities	42 093	40 928	-	-	-	-	-	-	-
Provisions	6 045	5 896	-	-	-	-	-	-	-
Current tax liabilities	833	749	-	-	-	-	-	-	-
Non-current liabilities held for sale	-	-	-	-	-	-	-	-	-
Deposits	1 339 536	1 339 525	-	-	-	63 323	-	-	-
Debt securities in issue	211 128	211 128	-	-	-	-	-	-	-
Liabilities under investment contracts	21 247	-	-	-	-	-	-	-	-
Insurance contract liabilities	6 426	-	-	-	-	-	-	-	-
Reinsurance contract liabilities	252	-	-	-	-	-	-	-	-
Borrowed funds	18 502	18 358	-	-	-	-	-	-	-
Deferred tax liabilities	181	138	-	-	-	-	-	-	138
Total liabilities	**1 710 479**	**1 680 957**	**-**	**59 793**	**-**	**125 175**	**-**	**-**	**138**

Column b: The regulatory scope of consolidation excludes balances related to the Group's insurance entities. The financial statements include these balances.

Columns c to g: The carrying value under regulatory scope of consolidation does not equal the sum of the amounts subject to the different risk framework due to:

- Derivative financial instruments (contained in trading portfolio assets, trading portfolio liabilities and hedging portfolio assets) are subject to RC for both CCR and market risk.
- Reverse repos to non-banks included in loans and advances to customers are subject to RC under the credit and CCR frameworks.
- Reverse repos to banks are included in loans and advances to banks and are subject to RC under the credit and CCR frameworks.

2. Basis of preparation

2.6.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements [LI2]

		a					b	c
		2023						
			Items subject to					
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework	Equity investment risk	Other assets
		Rm	Rm	Rm	Rm	Rm	Rm	Rm
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	1 848 707	1 501 971	1 053	133 392	251 592	6 053	101 146
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	59 793	125 175	-	-
3	**Total net amount under regulatory scope of consolidation**	**1 848 707**	**1 501 971**	**1 053**	**73 599**	**126 417**	**6 053**	**101 146**
4	Off-balance sheet amounts	-	467 996	-	-	-	-	919
5	Differences in valuations	-	(31 288)	-	(26 998)	-	(3 094)	-
6	Differences due to consideration of provisions	-	45 694	-	-	-	-	-
7	Credit conversion factor (CCF)	-	(294 693)	-	-	-	-	-
8	Significant investments not subject to RWA	-	-	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**1 848 707**	**1 689 681**	**1 053**	**46 601**	**126 417**	**2 959**	**102 065**

The most important drivers of the difference between the carrying value and exposures considered for regulatory purposes are: [LIA]

- Line 4: Pre-CCF off-balance sheet exposures that contribute to the regulatory credit risk framework.
- Line 5: Differences in valuations under the credit risk framework relate to differences in treatment between risk and finance due to eliminations and grossing up of transactions, including netting and valuation effects under the CCR framework as well as valuation effects under the CCR framework.
- Line 6: Differences due to consideration of provisions relate to impairments under the AIRB approach deducted from credit risk framework in table LI1.

The exposure amounts considered for regulatory purposes in table LI2 above correspond to the exposure reported in the following tables:

- Credit risk framework total corresponds to the sum of exposure at default (EAD) post-CRM and CCF in table CR6 on page 48 and exposures post-CCF and CRM in table CR4 on page 42.
- Securitisation framework total corresponds to the sum of securitisation exposures where the Group acted as originator and sponsor in table SEC1 on page 66.
- CCR framework total corresponds to the sum of EAD post-CRM under the different approaches in table CCR1 on page 60.

Equity investment risk total corresponds to the sum of exposure amount in table CR10 on page 71.

2. Basis of preparation

2.6.3 Prudent valuation adjustments (PVA) [PV1]

The total PVA adjustment for the Group for 2023 amounted to R374m (2022: R443m).

The Group has a robust independent valuation control framework responsible for ensuring positions held at fair value are valued at exit price as evidenced by independent market data and according to IFRS. PVA is considered the excess of valuation adjustments required to achieve the identified prudent value over and above any adjustments applied under IFRS and recognized in CET1 capital. PVA is calculated using the core approach for CIB SA and Group Treasury within the Bank and the simplified approach is applied to all other balances in the Bank (making up 14% of gross fair value assets and liabilities (FVAL)) and its subsidiaries. The simplified approach requires banks to set the PVA at 0.1% of the sum of the absolute value FVAL. The financial instruments driving the Group's PVA over the period are interest rate derivatives, credit default swaps, foreign exchange, and non-exchange traded bonds.

		a	b	c	d	e	f	g	h
					2023				
		Equity Rm	Interest rates Rm	FX Rm	Credit Rm	Commo-dities Rm	Total Rm	Of which: In the trading book Rm	Of which: In the banking book Rm
1	Closeout uncertainty of which:	8 538	219 138	248	34 472	-	262 396	190 507	71 889
2	Market price uncertainty	603	71 768	248	296	-	72 915	51 980	20 934
3	Closeout cost	7 935	147 370	-	34 176	-	189 481	138 527	50 955
4	Concentration	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-
8	Investing and funding cost	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other	-	111 914	-	-	-	111 914	15 057	96 857
12	**Total adjustment**	**8 538**	**331 052**	**248**	**34 472**	**-**	**374 310**	**205 564**	**168 746**

		a	b	c	d	e	f	g	h
					2022				
		Equity Rm	Interest rates Rm	FX Rm	Credit Rm	Commo-dities Rm	Total Rm	Of which: In the trading book Rm	Of which: In the banking book Rm
1	Closeout uncertainty of which:	10 403	266 360	2 353	27 469	-	306 585	271 391	35 194
2	Market price uncertainty	1 040	145 984	1 347	3 390	-	151 761	134 183	17 578
3	Closeout cost	9 363	120 376	1 006	24 079	-	154 824	137 208	17 616
4	Concentration	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-
8	Investing and funding cost	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other	-	136 899	-	-	-	136 899	17 006	119 893
12	Total adjustment	10 403	403 259	2 353	27 469	-	443 484	288 397	155 087

2. Basis of preparation

2.6.4 Asset encumbrance [ENC]

The table below depicts the carrying amount of encumbered and unencumbered assets:

	a	b	c	d
	2023			
	Encumbered assets Rm	Central bank facilities Rm	Unencumbered assets Rm	Total Rm
Assets				
Investment securities	17 761	1 567	217 170	236 498
Loans and advances to banks and customers	-	-	1 271 358	1 271 358
Trading portfolio assets	29 206	-	161 890	191 096
Other assets	-	-	175 924	175 924
Total assets	46 967	1 567	1 826 342	1 874 876

Encumbered assets are assets that the Bank is restricted or prevented from liquidating, selling, transferring or assigning due to legal, regulatory, contractual or other limitations.

3. Risk management overview

3. Risk management overview

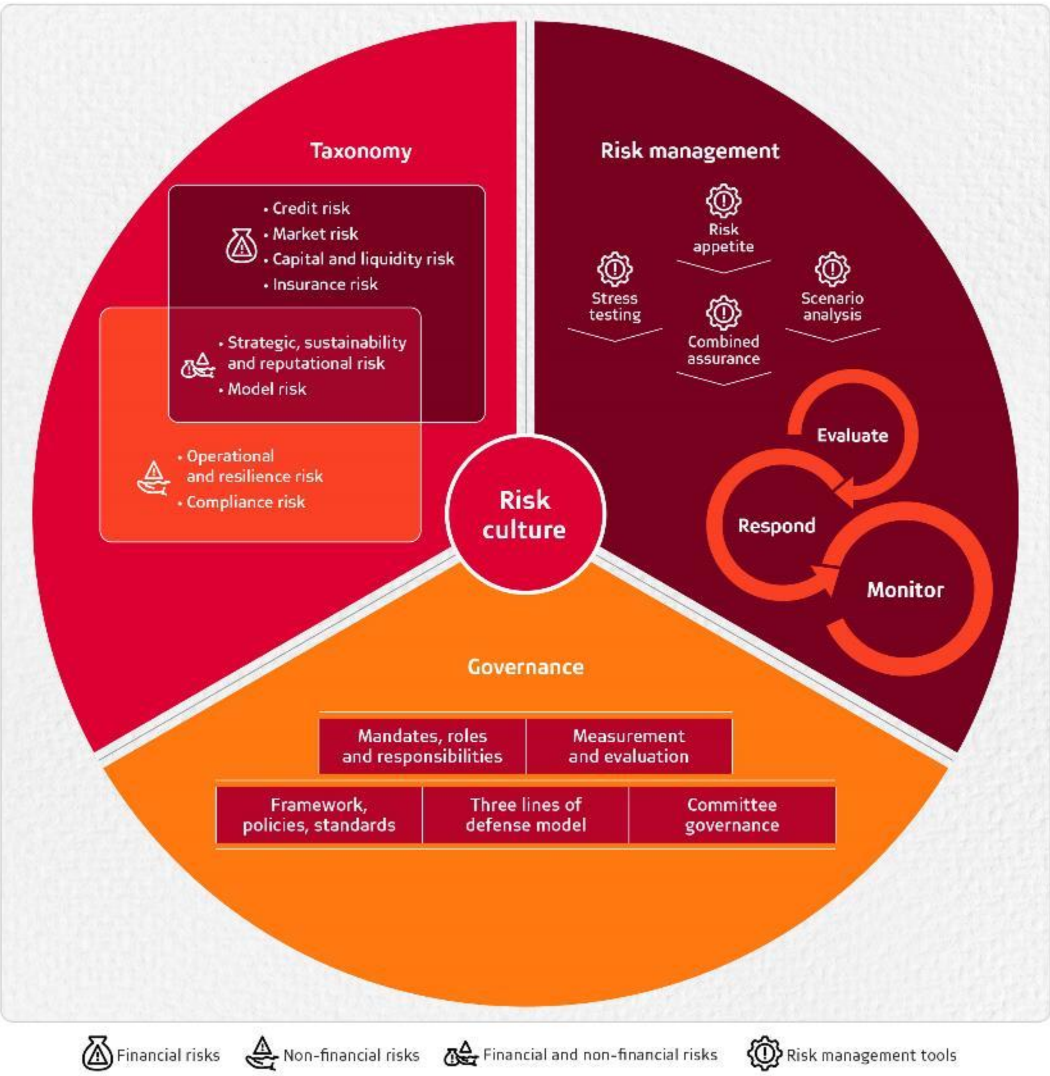
3.1 Risk management approach [OVA]

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

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

3.2 Enterprise Risk Management Framework (ERMF)

The following graphic is a visual representation of the ERMF:



The role of risk management is to evaluate, respond to and monitor risks in the execution of the Group's strategy. The Group's strategy is supported by an effective ERMF. The Group's risk function performs conformance reviews; checks and challenges the risk profile; and retains independence in analysis and decision-making, underpinned by regular reporting to the Executive Committee and the Board. The GCRO assumes responsibility for the ERMF.

The ERMF:

- Outlines the approach to the management of risk and provides the basis for setting frameworks and policies and establishing appropriate risk practices throughout the Group.
- Defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure material risks can be identified and managed.
- Ensures appropriate responses are in place to protect the Group and its stakeholders.
- Sets out principal risks and assigns clear ownership and accountability for these risks.

The principal risks as defined in the ERMF are credit, market, capital and liquidity, insurance, strategic, sustainability and reputational, model, operational and resilience and compliance. Risks are defined in recognition of their significance to the Group's strategic ambitions.

3. Risk management overview

3.3 Strategy and risk appetite

3.3.1 Strategy, business model and risk appetite

The Group creates, grows and protects wealth through its banking, insurance and asset management businesses by implementing the Group's business strategy. The strategy focuses on opportunities for growth and considers the matters believed to be material to long-term sustainability. It is the key driver of risk and return and should be achieved within risk appetite.

The risk strategy is developed alongside the Group's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the types and amount of risk that the Group, its business units and legal entities are willing to take to meet its strategic objectives.

The Group's risk appetite:

- Specifies the level of risk the Group is willing to take in pursuit of its strategy.
- Considers all principal and material risks individually and, where appropriate, in aggregate.
- Consistently measures, monitors, and communicates the level of risk for different risk types, expressed in qualitative and quantitative terms.
- Describes agreed parameters for the Group's performance and resilience under varying levels of financial stress and volatility to earnings, capital adequacy, leverage, and liquidity.
- Is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

The Group's risk appetite is stated qualitatively in terms of risk principles and risk preferences and refers to the types of risk the Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Group is prepared to accept to achieve its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, liquidity, and leverage. These are cascaded to the level of principal risk, legal entity, and business unit.

Group quantitative risk appetite metrics	Description
CET1 capital adequacy ratio (%)	The Group aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory CET1 capital adequacy ratio post-management actions following a severe yet plausible stress.
Leverage ratio (%)	The Group aims to remain within risk appetite and above regulatory minimum leverage ratio post-management actions following a severe yet plausible stress.
EC coverage (multiple)	The Group aims to have sufficient capital supply to remain within risk appetite and maintain an investment-grade credit rating post-management actions following a severe yet plausible stress.
CLR (%)	The Group aims to maintain credit losses in its portfolios within risk appetite following a severe yet plausible stress.
Earnings-at-risk (EaR) (%)	With 90% confidence, the reduction in the Group's pre-tax earnings will not exceed a predefined level following a severe yet plausible stress.
LCR (%)	The Group has sufficient high-quality liquid assets (HQLA) to survive a significant stress over a 30-day period.
NSFR (%)	The Group maintains a stable funding profile where available stable funding (ASF) is adequate to meet its required stable funding (RSF).

3. Risk management overview

Group qualitative risk appetite statement

The Group's qualitative risk appetite statement provides a high-level perspective on what the Group considers the most important risk themes impacting its aggregate risk profile. It provides guiding principles on the risk that the Group actively seeks, risks that arise from being in business and risks that should be avoided.

Risk theme	Qualitative statement
Business and strategy	• Focus risk-taking on activities and business engagements that are core to the business strategy. This includes products, customer segments and geographies as they relate to the Group's deposit taking, lending, transacting, trading, advisory, insurance and investment businesses. • Pursue risk-taking through activities that the Group understands and has the requisite skills and capabilities to manage. Continue to enhance the Group's skills and capabilities in line with emerging opportunities, trends and changing markets. • Minimise strategic drift in pursuing business objectives by pro-actively monitoring and responding to material deviations from planned outcomes in a timely manner. This risk appetite statement takes cognisance of the continuous change in the business environment and emerging opportunities. Maintain alignment to strategy while ensuring that the strategy remains supportive of the Group's growth objectives, risk preferences and stakeholder value creation.
People and leadership	• Recruit, train, develop and retain an appropriate level of skilled and capable human capital in line with an effective operating model design for resourcing, supporting systems, diversity and performance. • Align remuneration to support the delivery of strategic objectives and the efficient usage of financial resources in accordance with approved risk appetite. • The Group has no tolerance for any form of discrimination or prejudicial treatment based on age, culture, race, gender and disability, including harassment of any kind. • Leadership to set an example for a high performing and values-based culture. • The Group has no tolerance for fraud by its employees and considers such as unacceptable behaviour and dealt with accordingly.
Operational and Resilience	• The Group aims to manage operational risks within tolerances to protect against material loss and/or damage to the Group and its customers. • Maintain robust systems, adequate processes and recovery capabilities in order to contain operational disruptions due to technology infrastructure failures, third-party services unavailability, cyber security attacks and lack of data protection. • Assess the technology and security emerging risks on a continuous basis to ensure the Group has a forward-looking view to which it must respond to. • Protect the Group's technology assets as it pursues its digital strategy, while maintaining value-adding data management and accelerating delivery of strategic initiatives.
Capital adequacy	• Maintain capital adequacy at levels that enable the Group to continue doing business under severe yet plausible stress conditions within Board approved risk appetite. • Maintain capital levels above minimum regulatory requirements under a very severe stress event. • Allocate capital optimally to generate appropriate returns and ensure that the Group does not unduly hold capital in excess of the approved risk appetite.
Funding and liquidity	• Maintain a healthy liquidity position by holding adequate but not excessive buffers of high-quality liquid assets above minimum regulatory requirements. • Maintain the tenor composition of assets and liabilities at levels that ensure the sustainability of the Group's funding structure under business as usual and stressed conditions.
Concentrations	• Maintain a well-diversified portfolio of assets and liabilities at all times whilst being cognisant of structural constraints that exist in specific markets in which the Group operates. Manage structural concentrations within approved risk appetite. • Conduct risk-taking activities in a manner that optimises concentrations in industries, sectors, products, counterparties, maturity, funding base, countries, types of collateral and credit protection providers.
Earnings volatility	• Maintain diversified sources of earnings through an economic cycle to ensure sustainable shareholder value creation. • Manage risk-taking activities within Board approved risk appetite for earnings volatility under business as usual and stressed conditions.
Conduct, legal and reputation	• Minimise the risk that harm is caused to our customers, or to the integrity and stability of the market. • Regularly assess our customer engagement model to ensure we deliver on our customer centric principles. • Uphold a satisfactory level of employee conduct and ethical behaviour at all times when carrying out activities on behalf of the Group. • Comply, at all times, with regulatory requirements and other laws to which the Group and its subsidiaries are bound. • Maintain business activities and processes which uphold the Group's reputation, brand and franchise value.
Sustainability	• Continuously assess the suitability of the Group's products and customer value propositions against changing environmental and social factors while continuing to fulfil its role of growing the economy in a sustainable and responsible manner. • Enhance understanding on climate change risk and opportunity management and integrate into overall risk management framework • Identify, assess and manage sustainability risks to minimize and mitigate negative impact to employees, communities, society and the natural environment and enhancing positive impact.

3. Risk management overview

Additional qualitative statements and risk appetite metrics relevant for the risk types, legal entities and business units are defined to align strategy execution and support the Group's defined risk appetite.

3.3.2 Stress testing and scenario planning

Stress testing and scenario planning provides a forward-looking view of financial and non-financial risks under a range of scenarios and sensitivities to estimate the potential impact on the Group, including its subsidiaries, business lines or portfolios. Stress testing is an integral part of the Group's risk management and quantification and should alert management to unexpected outcomes arising from either decision made by management or a wide range of external downside/upside factors. Stress testing forms a pillar of the ERMF in that it contributes to risk identification, risk management and risk mitigation on an enterprise-wide basis. The Group's Board is responsible for approving the Stress Testing Framework and, through the Group Risk and Capital Management Committee, maintains ultimate responsibility for the Group's stress testing Programme.

The Enterprise Stress Testing Framework defines the objectives of stress testing and supports the key business processes below:

- The identification of risks.
- The mitigation of risks through the review and challenge of limits, restraining of exposures and/or hedging of underlying risks.
- Risk and Portfolio management.
- Risk appetite setting and measurement.
- Strategy setting.
- Integrated financial planning.
- Regulatory stress test requirements.
- Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and the setting of capital buffers.
- Internal Liquidity Adequacy Assessment Process (ILAAP), including liquidity planning and setting of liquidity buffers.
- The development and review of Recovery and Resolution plans.
- Communication with internal and external stakeholders (inter alia Rating Agencies and Regulators) on the sensitivity of the Group to external events and macro-economic downturn.

The Group performs comprehensive stress testing to ensure that it remains well capitalised relative to its business activities, the board's strategic plans, risk appetite, risk profile and the external environment in which it operates.

The Group performs the following types of stress tests:

Type of exercise	Purpose	Scenario type	Approach	Frequency
Enterprise-wide stress tests	Evaluates the impact of changing market variables on business decisions (e.g., financial, capital and funding implications).	Based on a range of plausible macroeconomic scenarios ranging from mild to severe stresses.	Largely bottom-up approaches, with specific risks being tested through top-down approaches.	Annual
Supervisory stress test	Evaluates the impact of regulator determined scenarios on key regulatory measures (e.g., capital, liquidity and operational targets and metrics).	Based on macroeconomic scenarios provided by regulatory authorities.	The approach taken varies based on regulatory scenarios. However, it is largely a top-down approach focusing mainly on an asset class, legal entity, or Group-wide stress assessment.	As directed by the Regulator
Reverse stress test	Assists the Group in understanding key risks and scenarios that may put business strategies and the Group's ability to remain a going concern at risk, as well as understanding the effectiveness and credibility of proposed recovery actions.	Based on extremely severe stress scenarios that would result in the bank reaching a 'point of failure' without implementing any recovery actions.	Largely top-down approaches used.	Annual
Sensitivity stress test	Typically evaluates sensitivity of a specific risk type, combination of risk types, business line, portfolio or legal entity to a single shock or multiple shocks.	Based on a combination of internally determined use case scenarios ranging from mild to severe stress scenarios and idiosyncratic risks.	Largely top-down approaches used.	Ad hoc
Climate risk stress test	A forward-looking exercise designed to measure an organisations exposure to climate risks, using scenario analysis to assess the potential impact of climate change on the organisations business model.	Prescribed scenarios published by leading industry standards e.g., Network for Greening the Financial System (NGFS). In addition, internal assumptions and judgement is factored into the scenarios.	Largely top-down approach at the current stage.	Annual

The Group performed the following stress tests during the period:

- The annual reverse stress test was performed to test the vulnerability of the Group's business models to a very severe global macroeconomic deterioration and internal idiosyncratic factors. The results were used to support the recovery planning review process and indicated that the Group would be able recover in a very severe stress.
- The annual enterprise-wide stress test primarily focused on identifying and measuring a severe yet plausible downside scenario relating to global risk aversion spikes amid concerns about weakening economic activity on the performance and resilience of the Group's operations.
- Climate risk scenario analysis. This included a short-term hazard analysis for acute El Nino, long-term exploratory climate risk analysis using NGFS scenarios, and short-term insurance risk analysis.

3. Risk management overview

3.4 Risk process

The risk management process follows a three-step approach, namely evaluate, respond and monitor (the E-R-M process). This enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the risk profile. The analysis is used to promote an efficient and effective approach to risk management.

This three-step risk management process:

- Can be applied to every objective at every level across the Group.
- Is embedded into business decision-making processes.
- Guides the Group's response to changes in the external or internal environment.
- Involves all colleagues and all three lines of defence.

The three-step E-R-M process is employed as follows:

Risk management process	
Evaluate	• The E-R-M process starts with a robust risk identification process that uses a combination of emerging risks, horizon scanning, scenario analysis, deep dives, lessons learned and other external appropriate risk data. • Communicating and consulting with appropriate external and internal stakeholders in and throughout all steps of the risk management process. Communication seeks to promote awareness and understanding of risk, and consultation involves obtaining feedback and information to support decision-making. • Defining the scope, context and criteria, customising the risk management process and enabling effective risk assessment (identification, analysis or evaluation) and risk treatment. • Clearly identifying the objective(s) being assessed, and the events or circumstances that could cause a delay or failure to meet the objective(s) in full, including the external environment (e.g. economy or competitive landscape), internal environment (people, process or infrastructure), and touchpoints between the Group and its customers, suppliers, regulators and other stakeholders. • Using appropriate tools for identifying risks such as interviews, surveys, self-assessments, workshops, audit findings, industry benchmarking, review of prior loss events, critical path analysis, and challenging assumptions and dependencies by developing contrary views and positions and using expert judgement. • Calibrating and measuring risks in terms of impact, probability and speed of onset (where the use of models must adhere to set principles). • Categorising risks (preventive, strategic or external) and matching them to an appropriate risk management model/system. Assessing risks based on inherent and residual risks. • Analysing the root causes of identified events and circumstances, the underlying sources of risk, and the cause -and -effect relationships. • Investigating the relationships and interactions between risks, compounding effects, correlations, concentrations and aggregations. • Ranking risks and taking an overall portfolio view of them to determine priorities.
Respond	• Determining the appropriate risk treatment, which is an iterative process of formulating and selecting risk treatment options, planning and implementing, assessing the effectiveness, deciding whether the remaining risk is acceptable, and taking further action if needed. • Embedding controls into the business activity/process and automating controls wherever possible, e.g. as they may apply to preventive risks. Considering the implications of control failures, and whether secondary or latent controls should be deployed in the case of material risks. • Debating/discussing strategic risks to determine cause and effect with appropriate responses. • Reviewing and redesigning stress/scenario testing in response to the development of new/unanticipated external risks. • Complying with all relevant laws and regulations and focusing on priority risks first. • Looking for a response that might mitigate more than one risk and extend or replicate existing controls if appropriate. Considering any unintended consequences, e.g. mitigating actions taken to control one risk could introduce other risks or undermine existing controls. • Significant risk events undergo an independent root cause analysis.
Monitor	• Establishing monitoring and review processes to assure and improve design, implementation and outcomes. • Establishing recording and reporting processes to provide information for decision-making and improve management activities. • Focusing on progress towards objectives, using key performance indicators (KPIs) to identify objectives that require further attention. • Analysing current and evolving risk profiles and risk trends, using key risk indicators (KRIs) to understand changes in the risk environment, proactive monitoring of new risks that might impact objectives (e.g. horizon scanning and scenario analyses), and monitoring changes in risk materiality, frequency and impact, and the appropriateness of existing responses. New risk evaluations should be initiated if necessary. • Ensuring risks are maintained within set limits (refer to the risk appetite section on page 22), and that this remains appropriate as circumstances and objectives evolve. • Checking that controls are functioning as intended and remain fit for purpose: track performance using key control indicators (KCIs), monitoring first-line activities to ensure these are operating within mandates, ensuring policies are routinely updated and standards have been implemented, and ensuring appropriate resources are being deployed. Monitoring includes assurance, control testing and conformance reviews. • Applying a combined assurance model to optimise overall assurance in the risk and control environment. • Where a risk event materialises assessing root causes, identifying possible control failures, identifying potential behavioural failures, considering whether better knowledge would have improved decision-making, and identifying what lessons could be learned for future assessments and management of risks. Control issues must be assigned clear ownership and timelines for resolution. • KPIs, KRIs and KCIs must adhere to set principles.

3. Risk management overview

3.5 Risk architecture

3.5.1 Risk culture

Effective risk management cannot be managed by controls and procedures alone and Absa recognises the importance of having a strong risk culture, which is an integral aspect of the broader Absa organisational culture.

Risk culture is the values, beliefs, knowledge, attitudes and understanding about risk shared across the Group that inform colleagues' judgements in the management and oversight of risk. These attributes guide all employees to conduct their activities within the boundaries of Absa's risk appetite to achieve the Group's strategy in a sustainable way.

The structural components as described in the ERMF are a companion to the behavioural elements of risk culture – together they support the high standards expected of risk management at Absa. The Group is committed to setting the appropriate guardrails to encourage and guide a strong risk culture. In so doing, the Group has a defined set of focus areas, in line with established good practice, as follows:

- Tone from the top: the Board and senior management set the standard for risk culture at Absa and model the behaviours and expectations of all colleagues.
- Accountability: there is clear assigned accountability relating to risk-taking and risk oversight, which is expanded below in the section relating to the three lines of defence.
- Effective communication: colleagues across all levels are encouraged to be clear in decision-making with a transparent consideration of associated risks.
- Incentives: the performance management and compensation framework are designed and calibrated to support desired risk management outcomes.

Principles of effective risk management culture:

- Integrated – Risk management is an integral part of all the Group's activities.
- Structured and comprehensive – A structured and comprehensive approach to risk management contributes to consistent and comparable results.
- Customised – The risk management framework and process are customised and proportionate to the Group's external and internal context related to its objectives.
- Inclusive – Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
- Dynamic – Risks can emerge, change or disappear as the Group's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
- Best available information – The inputs to risk management are based on historical and current information as well as future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
- Human and cultural factors – Human behaviour and culture significantly influence all aspects of risk management at each level and stage. The Group strives for ethical behaviour underpinned by the Absa values.
- Continual improvement – Risk management is continually improved through learning and experience.
- Reward – Evidence that good risk management influences reward and incentives.

3.5.2 The three lines of defence

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 ERMF assigns specific responsibilities to each line of defence.

All employees are responsible for ensuring the Group operates within its risk appetite. These responsibilities are defined in terms of the employee's role in the three lines of defence.

Three lines of defence		
1st line of defence	2nd line of defence	3rd line of defence
Business and group functions	Risk and compliance functions	Internal audit
Risk ownership and management • Perform business activities to fulfil strategic objectives, in line with risk appetite. • Accountable for risks incurred in these activities and managing risk profile within risk appetite. • Manage risks via avoidance, mitigation, transfer or acceptance. • Design, operate and test effective controls and procedures in line with risk frameworks and policies. • Escalating risk events to senior managers and risk and compliance. • The Absa Group Executive Risk Committee (ERC) sets the business risk appetite and limits (within Group bounds), drive risk-taking and monitor aggregate risk profile of the business.	Risk oversight • Establishing rules and constraints with reference to the frameworks and policies under which first line activities are performed, consistent with the risk appetite of the Group. • Perform assurance testing of the first line against these limits and constraints. • If the first line breaches limits or contravenes rules or constraints, the second line may, at its discretion, direct the activities of the first line to bring it within compliance. • Perform independent challenge of all risks in the first line, including an evaluation of the quality of the risk management being exercised by the first line.	Independent assurance Independent review of: • Adherence to risk policies and standards. • Effectiveness of control environment in context of the risk profile. • Opine on adequacy and effectiveness of first- and second-line risk management approaches.
All three lines of defence support a coordinated, effective and efficient control environment.		

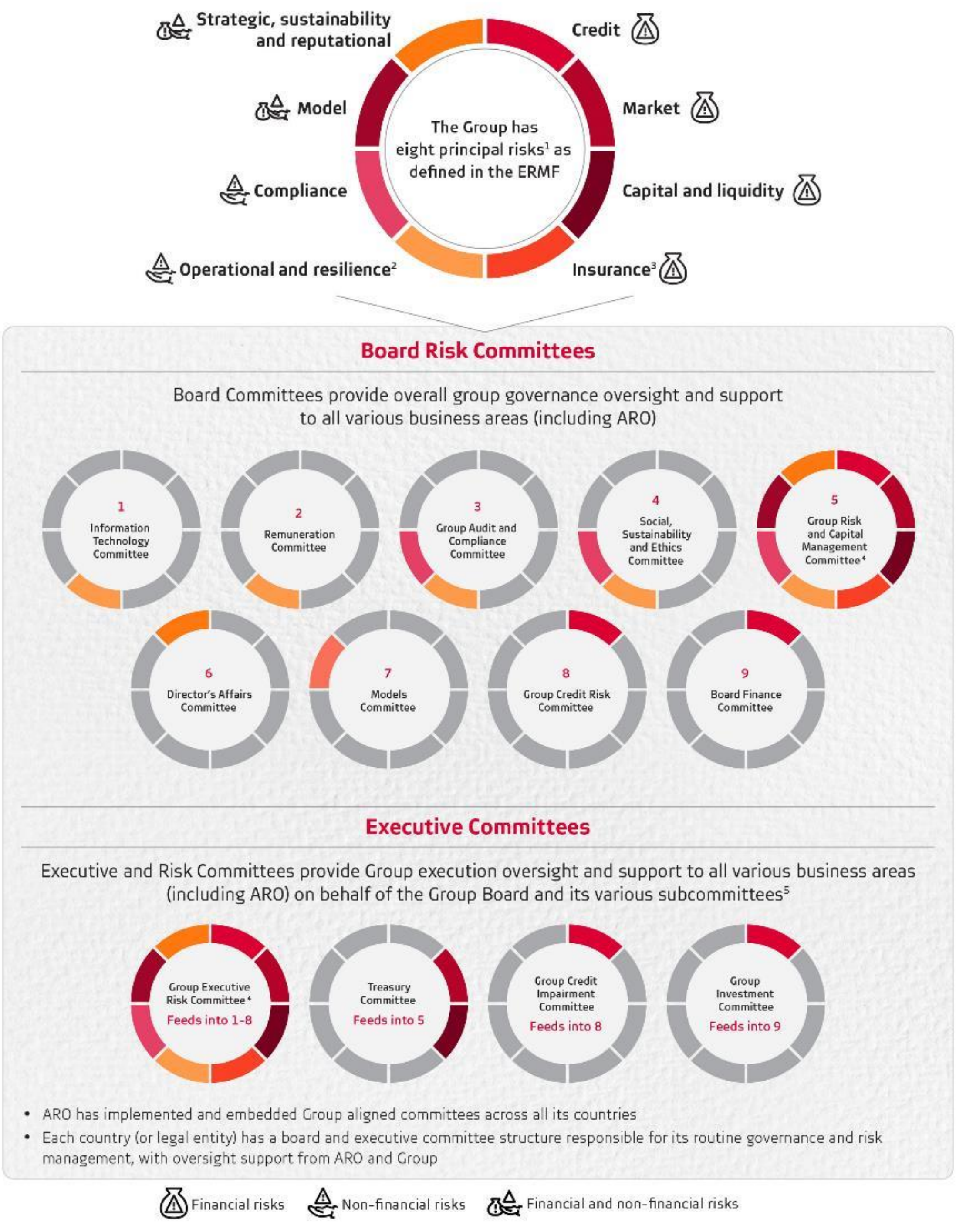
Regardless of their function, all teams who manage processes in the Group are responsible for designing, implementing, remediating, monitoring and testing the controls for those processes.

3. Risk management overview

3.5.3 Governance

The Group Board is supported by several committees at Board, executive, business and function levels. The diagram below depicts the risk-related committees. ARO risk governance structures are compatible with the Group and comply with in-country regulations.

Risk governance structure[1,2]



[1] Each sub-risk is overseen by a Board Committee.

[2] People risk is overseen by the Social, Sustainability and Ethics Committee and the Remuneration Committee.

[3] Absa Financial Services Ltd (AFS) is the controlling company of the regulated insurance group. Subsidiaries of AFS are standalone legal entities. AFS and its subsidiaries have their own respective boards and are supported by relevant committee structures and governance requirements. These include the AFS Audit, Risk and Compliance Committee, the AFS Group Actuarial Committee and the AFS Social and Ethics Committee. The Insurance Principal Risk Management Framework is approved annually by the AFS Group Actuarial Committee, in addition to the Group Risk and Capital Management Committee.

[4] Group Risk and Capital Management Committee is responsible for portfolio oversight of all risks.

[5] Business unit risk committees govern their business' risks end-to-end.

3. Risk management overview

The main risk-related responsibilities of the Board-appointed committees are as follows:

Committees	Key risk focus areas	Principal risk covered
Group Risk and Capital Management Committee (GRCMC)	Risk, risk appetite, all elements of the ERMF, capital, funding and liquidity management.	Full responsibility: • Market risk • Capital and liquidity risk • Insurance risk[1] • Strategic, sustainability and reputational risk (strategy risk) • Operational and resilience risk Monitors: • Credit risk • Model risk • Compliance risk • Strategic, sustainability and reputational risk
Models Committee (MC)	Approval of material models and model governance oversight.	• Model risk
Group Audit and Compliance Committee (GACC) (includes Disclosure Committee)	Internal controls, compliance, internal and external audit, accounting and external reporting.	• Operational and resilience risk (control environment and financial reporting risk) • Compliance risk (financial crime risk)
Group Credit Risk Committee (GCRC)	Approval of large single-name exposures and material country risk limits, credit portfolio oversight, consideration and management of emerging risks and material concentrations.	• Credit risk
Information Technology Committee (ITC)	IT systems, data, architecture and innovation, resilience and return on investment.	• Operational and resilience risk (information and cyber risk, technology risk)
Social, Sustainability and Ethics Committee (SSEC)	Conduct, sustainability, stakeholder management, corporate citizenship, ethics, labour, diversity and inclusion, and general human resources and talent management matters.	• Compliance risk (conduct risk) • Strategic, sustainability and reputational risk (sustainability risk) • Operational and resilience risk (people risk)
Group Remuneration Committee (RemCo)	Remuneration and incentive arrangements (in particular the short-term and long-term incentives), policy and disclosures, senior management and executive pay, fair and responsible pay.	• Operational and resilience risk (people risk) • Elements of reputational risk
Directors Affairs Committee (DAC)	Assists in corporate governance including composition of Board, induction and director training; effectiveness evaluation of the Board, and considering matters of regulatory and reputational risk	• Strategic, sustainability and reputational risk (reputational risk)

3.5.4 Combined assurance

The Group adheres to the combined assurance model, as outlined in Principle 15 of the King IV Report on Corporate Governance™ for South Africa, 2016[2]. Combined assurance is a coordinated activity that aligns and integrates assurance work across the Group's three lines of defence. It includes external assurance providers, maintaining segregation of duties, and the efficient and effective management of the Group's control environment. This ensures optimal coverage over the material risks that the Group is exposed to. Combined assurance is integrated to daily business decisions and activities.

Each business is expected to:

- Drive the coordination of assurance activities across the three lines of defence by implementing effective governance and oversight processes.
- Demonstrate adequate risk and control coverage over critical processes, material control issue remediation and strategic change initiatives as requested by senior management, Board and regulatory requests.
- Demonstrate appropriate remedial responses to the identification of unacceptable residual risk exposure and control issues.

Combined assurance coverage, plans and reports are monitored at business and functional levels, and the ERC reports these to the GACC.

[1] Absa Financial Services Ltd (AFS) is the controlling company of the regulated insurance group. Subsidiaries of AFS are standalone legal entities. AFS and its subsidiaries have their own respective boards and are supported by relevant committee structures and governance requirements. These include the AFS Audit, Risk and Compliance Committee, the AFS Group Actuarial Committee and the AFS Social and Ethics Committee. The Insurance Principal Risk Management Framework is approved annually by the AFS Group Actuarial Committee, in addition to the Group Risk and Capital Management Committee.

[2] Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

3. Risk management overview

3.5.5 Frameworks, policies and standards

The Group's policy hierarchy delivers a consistent approach across the Group:

- Defining and implementing Group-wide frameworks, policies and standards.
- Limiting variation from Group minimum requirements and policy to circumstances where specific jurisdictional legal or regulatory requirements apply.
- Mandating alignment of governance documentation to the requirements and definitions of the hierarchy.

This drives consistency and efficiency, and enables enhanced aggregation, risk oversight across the businesses, and improved line of sight to all levels of management.

The hierarchy has five tiers, with each level cascading from the level above. The degree of granularity and specific requirements increases as the levels descend.

- **ERMF** and **frameworks** include risk appetite and stress testing, as well as the 8 principal risks. These describe the high-level Group-wide approach for a specific risk and are mandatory for each of the principal risks identified in the ERMF. Frameworks also outline the risk and policy taxonomy that enables proper management and governance of the principal risk.
- **Policies** set out the control objectives, principles and other core requirements for the organisation's activities. Policies explain what businesses, functions and legal entities need to do, rather than how they need to do it.
- **Standards** set out the key controls that ensure policy objectives are met, and people responsible for them. Standards describe how the policy objectives will be met in a particular entity, business or function.

Ownership and approval

All frameworks and policies are owned by Group and standards are owned by the business unit or function responsible for performing the described activity.

- Frameworks are approved by the Board or mandated Board sub-committee. Frameworks are reviewed annually.
- Policies are approved by the Executive Risk Committee or in exceptional circumstances approved by the Board subcommittee, including where there is a regulatory or other specific requirement. Policies are reviewed at least once in a three-year cycle.
- Standards are approved by business and reviewed when there are material changes to the related policy or in response to impacting event.

[1] Standards include Group-wide applicable standards and business unit / function specific standard.

[2] This level also includes processes and procedures in support of business units / functions.

3. Risk management overview

3.5.6 Data

3.5.6.1 Risk data

Internal and external data is utilised in meeting regulatory requirements and the management of risk. The Group enters into selected data and analytics partnerships with third parties to enhance and heighten its understanding of customers and the risks faced. Internal data is owned and managed by the respective business units with regular assessment of data quality via their respective risk governance structures. All key datasets are subject to the requirements of the Group's data and records management policies and standards.

3.5.6.2 Risk reporting

The objective of risk reporting is to provide timeous, accurate, comprehensive and useful information to the Board and senior management to facilitate informed decision-making. Board and senior management risk committees determine their requirements in terms of content and frequency of reporting under both normal and stressed conditions. Risk reporting processes flow from the business unit and relevant risk committees to the ERC and thereafter to Board committees. The content and level of aggregation are adjusted to suit the needs of each committee. Risk reports typically contain the following key information:

- Monitoring and management of the risk profile and key risk metrics per risk type against risk appetite and forecasts, including trend analysis.
- Monitoring of emerging risks and changes in the environment with an assessment of the potential impact on the Group.
- Results of stress testing exercises to assess the adequacy of financial resources and the Group's sensitivity to stresses.
- An assessment of the risk governance profile, including an assessment of the degree to which risk frameworks and policies are implemented throughout the Bank and assurance activities.

In 2013, the BCBS published regulations (BCBS 239) pertaining to the principles for risk data aggregation and risk reporting (RDARR). The Group's risk data aggregation capabilities and risk reporting practices are aligned with the principles of BCBS 239.

3.5.7 Models

Model risk is a principal risk to be managed under the ERMF, with specific guidelines set out in the Model Risk Management Framework, model risk appetite statement, Group model risk policy (GMRP) and relevant standards covering model ownership, development, approval, implementation, monitoring and validation.

3.5.8 Technology

Effective enterprise risk management practices rely heavily on information technology (IT). To maximize value for business, the Group remains committed to improving the current technology solutions and seeking out cutting-edge tools and technology solutions. The Group's technology landscape encompasses critical functions such as:

- Data collection and analysis.
- Risk analysis and modelling.
- Maintaining a robust minimum control requirements inventory.
- Models for calculating risk and criticality of technology assets.
- Risk assessment, control, and monitoring.

As the IT landscape continues to evolve, the Group recognizes that this has a significant impact on how risks are tracked and managed within the organization. The risk technology capabilities are focused on leveraging the organizations technology landscape which includes big data analytics, cloud computing, enterprise risk management applications, automated control assessments, and parallel processing platforms with the aim of enhancing an integrated view of the entire landscape. By doing so, value can be unlocked and new insights gained that enable the Group to proactively manage its risk landscape.

3. Risk management overview

3.6 Principal risks

The ERMF includes risks taken by the Group that are foreseeable and material enough to merit establishing specific Group-wide control frameworks. These are grouped into eight principal risks[1] that account for the vast majority of the total risk faced by the Group.

FINANCIAL RISKS | NON-FINANCIAL RISKS

Strategic, sustainability and reputational risk

- Strategic risk
- Sustainability risk
- Reputational risk

Credit risk

- Primary risk
- Counterparty credit risk
- Concentration risk
- Country risk
- Equity risk in the banking book

Market risk

- Trading book risk
- Banking book risk

Operational and resilience risk

- Transaction processes and management risk
- Financial reporting risk
- Tax risk
- Legal risk
- People risk
- Fraud risk
- Change risk
- Technology risk
- Information and cyber risk
- Data and records management risk
- Business continuity risk
- Supplier risk
- Physical assets risk

Capital and liquidity risk

- Capital risk
- Liquidity risk
- Pension risk

Insurance risk

- Insurance exposure risk
- Investment portfolio risk
- Insurance entity financial soundness risk

Compliance risk

- Conduct risk
- Financial crime risk

Model risk

The Board annually reviews and approves the ERMF on recommendation by the GRCMC. The Group Chief Executive grants authority and responsibility to the GCRO to ensure the principal risks are managed under appropriate risk control frameworks and within the Board-approved risk appetite and risk budget.

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose the Group to operational and market risks and many aspects of reputational and conduct risks.

Credit, market, capital and liquidity, and insurance are collectively known as financial principal risks. Strategy and sustainability (including reputational) and model risk are known as principal risk types which straddle both financial and non-financial risk. The remaining risks are referred to as non-financial principal risks.

This is not an exhaustive list of risks the Group is subject to. For example, the Group is also subject to political and regulatory risks in the jurisdictions where it operates. While these may be consequential and are assessed in the Group's planning and decision-making, they are not considered principal risks. However, these other risks are subject to this framework and oversight by risk management.

The GCRO is accountable for ensuring frameworks, policies and associated standards are developed and implemented for each of the principal risks and that they are subject to limits, monitored, reported on and escalated as required. The Chief Compliance Officer is accountable for compliance and reputational risks.

[1] For more information on the eight principal risks, refer to the credit, market, capital and liquidity, operational and resilience and model risks sections. For details on insurance, compliance and strategic, sustainability & reputational risks, refer to the risk management section of the financial booklet.

4. Credit risk

4. Credit risk

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations. [CRA]

4.1 Review of current reporting period

Key risk metrics	2023	2022
CLR (%)	1.18	0.96
Stage 3 ratio on gross loans and advances (%)	6.1	5.3
Stage 3 coverage ratio (%)	45.0	46.1
Stage 1 and stage 2 coverage ratio (%)	1.2	1.3
Total coverage ratio (%)	4.1	3.9
Performing book weighted average probability of default (PD) (%)[1]	2.2	2.2
Weighted average loss given default (LGD) (%)[1]	27.7	27.8
Credit risk EC (Rbn)[2]	72.6	70.0
Total credit RWA (Rbn)	810.1	775.0
Primary credit risk RWA (Rbn)[3]	769.6	740.6[4]
CCR RWA (Rbn)[5]	28.9	22.8
Equity risk RWA (Rbn)	11.6	11.6

- Gross loans and advances increased to R1 321bn (31 December 2022: R1 258bn) due to well-diversified growth across the retail portfolios and increased commercial asset finance lending within Relationship Banking. Additionally, institutional and customer facing loan book growth within CIB, that prioritised high quality credit origination to specific counterparties and sectors supported the overall growth. This was offset by reduced reverse repurchase activity facing banking counterparties within the trading and treasury portfolios.
- The CLR increased to 1.18% (31 December 2022: 0.96%) as the elevated prime lending rate level and slow-paced recovery of the macro-environment continued to place affordability strain on retail consumers across the portfolio. The late cycle, legal and debt counselling pressures of the SA retail portfolio continued to result in the CLR being outside the Group's through the cycle range of 0.75% to 1.00%. This was further exacerbated by charges taken on several single-name entities in distress within the CIB and Relationship Banking portfolios amid a persistently challenging economic environment that has adversely affected corporates and small and medium-sized enterprises (SME).
- The Group's impairment charge for the year amounted to R15.5bn (31 December 2022: R13.7bn) and includes impairment charges of R169m on investment securities and cash reserves that do not impact the CLR. These charges primarily relate to additional stage 3 impairments raised on investment securities (mainly held for prudential liquidity purposes), following the concluded restructure of instruments scoped into the ambit of the Domestic Debt Exchange Program in Ghana during the current year. With the inclusion of these charges, the overall CLR would amount to 1.19%.
- The stage 3 ratio on gross loans and advances increased to 6.1% (30 December 2022: 5.3%) due to the pressured late cycle, legal and debt counselling categories within the Product Solutions Cluster and Everyday Banking portfolios. Inflows from late 2022 and early 2023 continued to roll into more advanced delinquency buckets and ultimately into default as the persistently challenging economic environment continued to pressure the retail consumer. Decreased reverse repo activity within the Treasury portfolio has adversely impacted the book mix and increased the stage 3 ratio further. This was offset by CIB which benefitted from the prioritised higher credit quality loan origination as well as single name repayments and exposure sell offs through syndication structures. Additionally, forward flow and spot debt sales executed within Everyday Banking assisted in reducing the severity of the growing legal book trend that has been experienced during the year.
- The stage 3 coverage ratio has decreased to 45.0% (31 December 2022: 46.1%) due to the volume of new inflows within the Product Solutions Cluster which has created a younger mix of stage 3 accounts. These new stage 3 inflows initially possess lower levels of stage 3 coverage in comparison to the aged stage 3 population.
- The stage 1 and stage 2 coverage ratio remained broadly stable with a marginal decrease to 1.2% (31 December 2023: 1.3%). This was driven by loan book growth in CIB, which was focused on higher quality credit origination. Reduced risk appetite to high-risk territories across the ARO Wholesale portfolios as well as a book mix shift to government scheme lending within the ARO Retail portfolio, further contributed to the reduced coverage. Total coverage levels remain adequate and above pre-pandemic levels.
- Credit risk EC increased to R72.6bn (31 December 2022: R70.0bn) due to book growth and changes in the portfolio construct.
- Primary credit risk RWA increased to R769.6bn (31 December 2022: R740.6bn) due to growth in advances and adverse exchange rate movements across the various ARO territories. This was offset by RWA reductions arising from the implementation of new regulatory models.
- CCR (including CVA) RWA increased to R28.9bn (31 December 2022: R22.8bn) due to mark-to-market movements on foreign exchange derivatives as well as credit quality deterioration on single name exposures within the SA trading book.

4.2 Priorities

- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macro-economic, political and regulatory environments to identify and manage risks at an early stage.
- Model and consider the potential impact of these and other events in a comprehensive stress testing framework.

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

4. Credit risk

- Position and manage the credit portfolio to mitigate the impact of heightened macroeconomic, country and sovereign risks in the markets in which the Group operates.
- Manage legacy distressed names to maximise recovery rates.
- Enhance collections capabilities to effectively manage credit risk through the cycle.
- Focus on talent development and succession planning, ensuring a fully capacitated and well-skilled credit team.
- Keep abreast of regulatory changes, specifically Basel III finalisation for capital rules for credit risk.
- Focus on addressing the credit risk financial implications of the BCBS's principles for the effective management and supervision of climate-related financial risks.

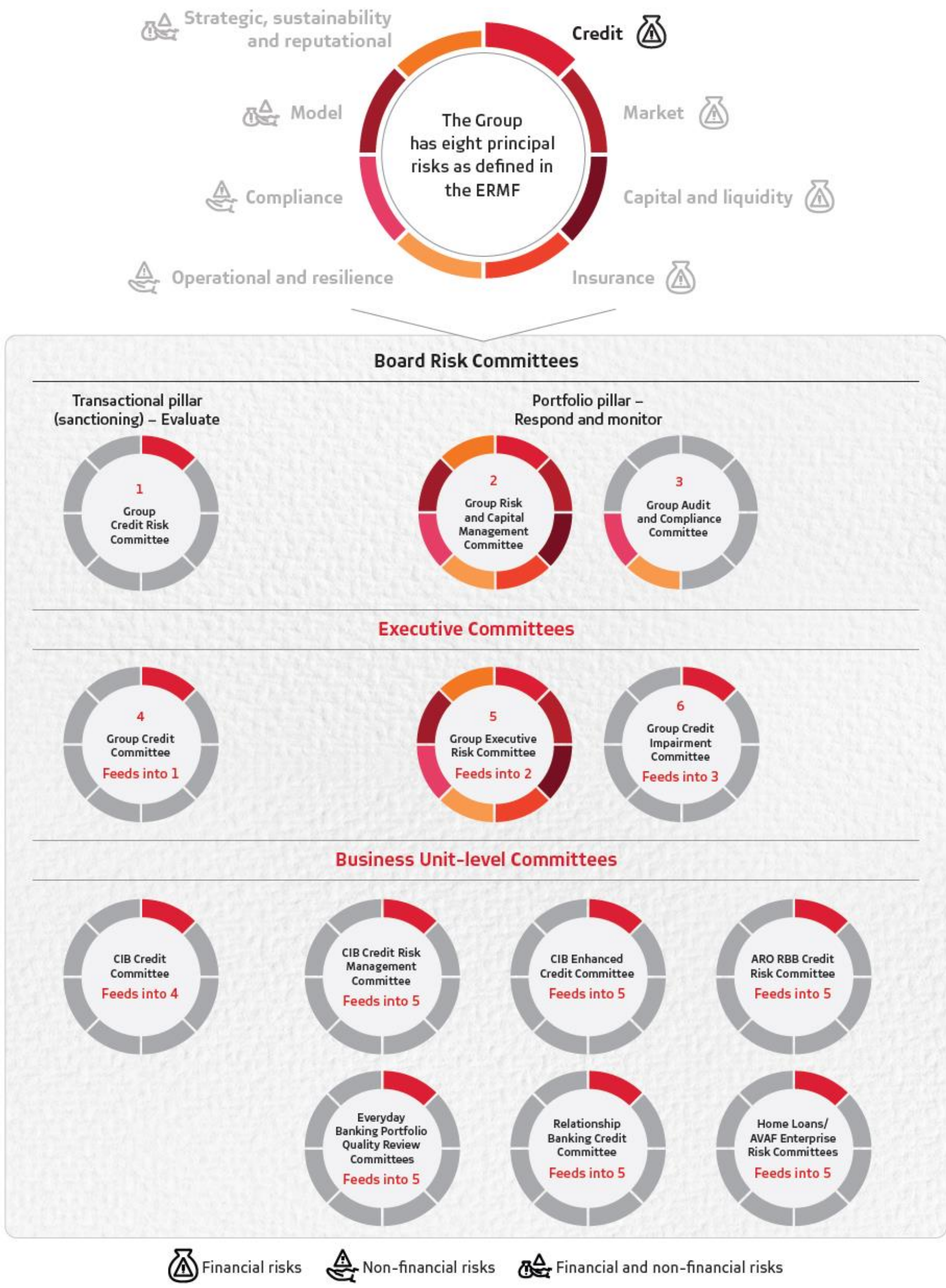
4.3 General information about credit risk

4.3.1 Risk identification and risk management

Credit risk is managed as a principal risk in accordance with the ERMF, the Credit Risk Management Framework (CRMF) and its associated policies and standards. The risk management process is structured into three elements being evaluate, respond and monitor. This enables management to identify and assess risks in accordance with the risk profile, determine the appropriate risk response and monitor its effectiveness. This process is used to promote an efficient and effective approach to risk management.

4.3.2 Governance

The credit risk management and control function consists of committees at Board, executive management and business unit levels. The key committees involved in the governance of credit risk are depicted below:



4. Credit risk

- **Credit oversight:** The GCRC is the primary Board committee responsible for credit risk oversight. An overview of the Croup's credit portfolio is required to be presented by the Group Chief Credit Officer at every committee sitting and must include an evaluation of the overall health of the credit portfolio, emerging risks (including regional political and sovereign risks in presence countries), and material concentrations within the credit portfolios. The business unit credit risk committees provide strategic risk management leadership and oversee the business unit credit risk profile to ensure it remains within approved appetite and considers action for outcomes arising from business unit conformance reviews and controls testing results, outstanding audit items, regulatory issues, and risk events relating to credit risk.
- **Sanctioning:** The GCRC is also the ultimate credit sanctioning authority in the Group, responsible for the approval of single-name exposures that exceed 10% of the Group's Tier 1 qualifying capital and reserves (large exposures), irrespective of risk grade or material country risk limits. The Absa Group Credit Committee (AGCC) is a Group Executive sub-committee mandated to assess credit applications in respect of aggregate total financing limits up to 10% of the Group's qualifying capital and reserves irrespective of risk grade.
- **Risk oversight:** The ERC is accountable for the oversight of the enterprise-wide risk profile of the Bank. It considers and agrees risk appetite, stress testing scenarios, limits and triggers, and makes appropriate recommendations to the Board and Board sub-committees for review and/or approval. It is also responsible for the review and reporting of risk appetite consumption against forecasts, the Absa strategy and the risk appetite limits as approved by the Board.

4.3.3 Reporting

The Group Chief Credit Officer is responsible for the following reporting:

- An overview of the Group's credit portfolio is to be tabled at senior management and Board sub-committees (Group ERC and GCRC), which includes an evaluation of the overall health of the credit portfolio, emerging risks, and material concentrations within the credit portfolios.
- Reports provide key insights into developing industry, sector and product trends and incorporate agreed management actions to modify behaviour and strategy in accordance with specific findings.
- Monitoring and reporting must be performed at a Group and business unit level and should include the following:
  - Current state of the credit portfolio as measured through the relevant metrics, and changes to the credit risk position with reference to an outlook based on a relevant forecast horizon.
  - Risk appetite utilisation above the limit and/or trigger level on a current or forecasted basis for all key risk metrics.
  - Management actions in response to any emerging issues, developments, and breaches of risk appetite triggers and limits.

4.3.4 Credit quality of assets

Various regulatory and accounting terms are used to refer to assets that are not performing as expected at the time of origination. The diagram below depicts these terms.

Stage 1 Performing (not impaired)

- Performing loans with no significant deterioration in credit quality since origination.
- Accounts in current status
- 30 days past due (dpd) back stop.

Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date.

Stage 2 Performing (credit deteriorated)

- Arrears >30 dpd <90 dpd.
- Distressed restructures that do not result in a reduced financial obligation.
- PD deterioration rules since origination.
- High risk based on a qualitative assessment.
- Watch list framework applied to the wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

Stage 2 exposures reflect an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

Stage 3 Non-performing (credit impaired)

- Credit impaired on origination or subsequent to initial recognition.
- Indications of unlikeliness to pay, these include:
  - 90 days past due
  - Insolvency, death, debt review, business rescue or similar protection.
  - Distressed restructures likely to result in a diminished financial obligation.

Stage 3 exposures reflect an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

4. Credit risk

The age analysis of credit exposures [CRB(i)]

The following tables provide the age analysis of the Group's loans and advances, debt securities and off-balance sheet items. Assets are classified as defaulted when the Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security. Elements that indicate unlikeliness to pay include:

- The Group consents to a distressed restructuring/forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees.
- The customer is under debt review, business rescue or similar protection.
- Advice is received of customer insolvency.
- The obligor is 90 days or more past due on any credit obligation to the Group.

In addition, within the retail portfolios:

- All accounts of forbearance are treated as being in default from a regulatory reporting perspective, regardless of whether the restructure led to a diminished financial obligation or not.
- The Group requires an exposure to reflect at least 12 consecutive months of performance to be considered to have been cured from default.

The Group has an established framework and related processes to govern its approach to credit risk management and any resultant impairment of financial assets. Refer to the consolidated and separate annual financial statements for the reporting period ended 31 December 2023 for further detail.

In the following tables, defaulted exposures are aligned to the regulatory definition of default, non-defaulted exposures are performing exposures and allowances/impairments are total expected credit loss allowances.

Credit quality of assets [CR1]

		a	b	c	d
		2023			
		Gross carrying values of			Net values
		Defaulted exposures[1]	Non-defaulted exposures	Allowances/impairments	(a+b-c)
		Rm	Rm	Rm	Rm
1	Loans	96 133	1 222 988	49 566	1 269 555
2	Debt Securities	6 271	224 014	356	229 929
3	Off-balance sheet exposures	1 002	211 017	1 171	210 848
4	**Total**	**103 406**	**1 658 019**	**51 093**	**1 710 332**

		a	b	c	d
		2022			
		Gross carrying values of			Net values
		Defaulted exposures[2]	Non-defaulted exposures	Allowances/impairments	(a+b-c)
		Rm	Rm	Rm	Rm
1	Loans	79 036	1 178 358	44 889	1 212 505
2	Debt Securities	7 583	203 596	2 657	208 522
3	Off-balance sheet exposures	1 104	199 251	1 318	199 037
4	Total	87 723	1 581 205	48 864	1 620 064

The table below depicts the main drivers of the change in defaulted exposures. [CR2]

		a		
		31 Dec 2023	30 Jun 2023	31 Dec 2022
		Defaulted exposures[1]	Defaulted exposures[1]	Defaulted exposures[1]
		Rm	Rm	Rm
1	Defaulted loans and debt securities at end of the previous reporting period	98 689	87 723	77 004
2	Loans and debt securities that have defaulted since the last reporting period	23 721	19 678	22 297
3	Returned to non-defaulted status	(3 479)	(3 129)	(3 253)
4	Amounts written off	(8 266)	(7 485)	(6 356)
5	Other changes, including repayments received	(7 259)	1 902	(1 969)
6	Defaulted loans and debt securities at end of the reporting period	**103 406**	98 689	87 723

[1] Aligned to the regulatory definition of default and includes defaulted off-balance sheet exposures.

4. Credit risk

Restructured exposures (impaired versus not impaired) [CRB(ii)

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

Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.

When the Group modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss is recognised in profit or loss as part of the total impairment loss.

The table below reflects restructures and distressed restructures that are concluded as part of the normal course of business within the retail portfolios:

	2023			2022		
	Gross carrying values of			Gross carrying values of		
	Total	Impaired[1]	Not Impaired	Total	Impaired[1]	Not Impaired
	Rm	Rm	Rm	Rm	Rm	Rm
Total restructured exposures	23 731	11 139	12 592	13 054	5 660	7 394

The growth in restructures was largely driven by pro-active measures taken to assist retail customers with their debt obligations through forbearance options.

Exposures by geography [CRB(iii)]

	2023			
	Total exposure	NPLs[1]	Specific impairments	Write-Offs
	Rm	Rm	Rm	Rm
South Africa	1 449 442	68 061	29 862	12 658
Other African countries	352 857	11 891	6 091	1 923
Europe	78 905	-	-	-
North America	42 854	-	-	-
Asia	29 703	-	-	-
South America	384	-	-	-
Other	7 214	-	-	-
Total	1 961 359	79 952	35 953	14 581

	2022[2]			
	Total exposure	NPLs[1]	Specific impairments	Write-Offs
	Rm	Rm	Rm	Rm
South Africa	1 356 132	54 792	24 751	9 779
Other African countries	321 097	11 800	5 968	1 371
Europe	67 234	-	-	-
North America	37 149	-	-	-
Asia	28 312	-	-	-
South America	301	-	-	-
Other	4 773	-	-	-
Total	1 814 998	66 592	30 719	11 150

[1] Aligned to stage 3 exposures (non-performing loans) per the Annual Financial Statements. Credit exposures are classified within stage 3 when they are regarded as being credit impaired.
[2] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

Exposures by industry [CRB(iv)]

	2023		
	Total exposure Rm	NPLs[1] Rm	Specific impairments Rm
Agriculture, hunting, forestry and fishing	81 266	3 303	884
Business services	121 447	4 053	2 685
Community, social and personal services	126 502	232	83
Construction	19 697	577	296
Electricity, gas and water supply	77 478	14	11
Financial intermediation and insurance	359 940	2 063	342
Manufacturing	103 337	2 257	1 082
Mining and quarrying	55 207	529	254
Other	19 669	191	41
Private households	647 997	59 155	27 708
Real estate	144 018	3 973	1 137
Transport, storage and communication	76 015	1 498	482
Wholesale and retail trade, repair of specified items, hotels and restaurants	128 786	2 107	948
Total	**1 961 359**	**79 952**	**35 953**

	2022[2]		
	Total exposure Rm	NPLs[1] Rm	Specific impairments Rm
Agriculture, hunting, forestry and fishing	74 843	2 674	711
Business services	108 951	3 282	2 308
Community, social and personal services	123 358	246	81
Construction	18 989	749	416
Electricity, gas and water supply	53 452	412	130
Financial intermediation and insurance	324 338	1 128	88
Manufacturing	101 053	2 407	1 062
Mining and quarrying	43 167	899	622
Other	32 759	332	143
Private households	623 931	47 541	22 914
Real estate	124 166	4 061	1 205
Transport, storage and communication	59 047	1 617	501
Wholesale and retail trade, repair of specified items, hotels and restaurants	126 944	1 244	538
Total	1 814 998	66 592	30 719

[1] Aligned to stage 3 exposures per the Annual Financial Statements. Credit exposures are classified within stage 3 when they are regarded as being credit impaired.
[2] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

Exposures by Basel asset class and maturity [CRB(v)]

2023	Total exposure Rm	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm
Banks	107 141	59 076	17 996	29 360	709
Corporate	528 488	107 463	62 767	312 620	45 638
Local governments and municipalities	8 352	1 684	-	3 204	3 464
Public sector entities (PSEs)	20 942	1 330	3 420	8 707	7 485
Retail – other	185 518	18 487	5 886	116 051	45 094
Retail mortgages (including any home equity line of credit)	381 227	28 083	1 373	33 157	318 614
Retail revolving credit	109 566	74 500	29	31 477	3 560
Securities firms	5 241	2 164	731	2 346	-
SME Corporate	202 535	91 864	14 654	60 194	35 823
SME Retail	17 052	10 859	367	3 253	2 573
Sovereign (including central government and central bank)	255 024	60 817	20 304	98 076	75 827
Specialised lending – income producing real estate	69 075	16 750	6 255	40 884	5 186
Specialised lending – project finance (PF)	71 198	5 212	2 186	28 523	35 277
Total	1 961 359	478 289	135 968	767 852	579 250

2022[1]	Total exposure Rm	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm
Banks	99 949	63 450	14 870	20 711	918
Corporate	471 923	129 284	41 822	259 794	41 023
Local governments and municipalities	9 698	2 163	5	4 021	3 509
(PSEs	23 597	8 654	1 956	5 919	7 068
Retail – other	172 484	18 424	6 061	106 746	41 253
Retail mortgages (including any home equity line of credit)	367 427	29 128	1 618	34 214	302 467
Retail revolving credit	103 556	68 855	35	31 033	3 633
Securities firms	6 123	2 093	1 759	2 235	36
SME Corporate	190 960	91 196	17 333	50 231	32 200
SME Retail	17 988	10 968	392	4 123	2 505
Sovereign (including central government and central bank)	237 236	47 020	32 879	102 664	54 673
Specialised lending – income producing real estate	64 780	13 215	3 625	43 286	4 654
Specialised lending – PF	49 277	3 670	954	16 690	27 963
Total	1 814 998	488 120	123 309	681 667	521 902

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

4.3.5 Measuring and the management of credit concentrations

Credit risk is accountable for the management of concentrations, or pools of exposures, whose collective performance could negatively affect the Group even if each individual transaction in a pool is soundly underwritten. When exposures in a pool are sensitive to certain economic or business correlations, that sensitivity, if triggered, may cause the sum of the transactions to perform as if it were a single, large exposure.

Credit concentrations can be grouped into two categories:

- Conventional credit concentrations would include concentrations of credits to single borrowers or counterparties, a group of connected counterparties, and sectors or industries, such as commercial real estate, and oil and gas.
- Concentrations based on common or correlated risk factors reflect subtler or more situation-specific factors, and often can only be uncovered through analysis, e.g., close linkages among emerging markets under stress conditions and previously undetected correlations between market and credit risks, as well as between those risks and liquidity risks, can produce widespread losses.

Risk appetite, including the setting and measurement of credit concentration risk limits, represents a critical component of the CRMF and is managed to maintain a diversified credit portfolio with respect to key concentration dimensions within the Risk Appetite Framework.

Business units are required to incorporate EC, exposure at risk and current exposure as key credit risk metric as a portfolio concentration management tool. This ensures that not only are concentrations that are large in value monitored, but also that concentrations that potentially become larger under stress conditions is proactively identified and managed.

Business units should establish frameworks to measure concentration risk, not only to single-name exposures, but establish aggregate limits for credit exposures to counterparties in the same economic sector or geographic region, whose financial performance is dependent on the same activity or commodity, indirect credit exposures arising from a bank's credit risk management activities, or any other relevant concentration risk dimension deemed appropriate by the business unit. The framework should include the following, but not limited to:

- Definitions of the credit concentration dimensions that are measured and managed.
- Techniques used to identify concentrations based on common risk factors or correlations among factors.
- Limit setting process.
- Monitoring and reporting of concentration risk against limits.
- Procedures for reporting on and authorising risk concentration policy and internal limit breaches.
- Description of the process relating to formulating scenarios and conducting stress testing on risk concentration exposures.

Country risk is managed by means of country risk limits (which includes the consideration of concentrations to Sovereigns).

4.4 Credit risk mitigation (CRM) [CRC]

CRM is used to reduce the credit risk associated with an exposure, and consequently to reduce potential losses in the event of obligor default or other specified credit events. Collateral is applied internally to mitigate underwriting risk where appropriate, and externally for RWA and RC purposes, where eligible.

Risk mitigants are classified as either funded or unfunded collateral. Funded collateral includes financial collateral (i.e. cash/deposits), physical collateral (i.e. fixed property) and other such receivables. Unfunded collateral includes guarantees, set-off (where legally enforceable), risk participations and other.

Collateral is a secondary consideration for the protection of the Group's lending activities as and when applicable to the specific type of lending under consideration. The main underwriting consideration remains an assessment of the primary exit from the exposure based on a cash flow analysis.

Generally, one or more forms of CRM are used in the credit approval process. The use and approach to CRM varies by product type, portfolio, customer and business strategy. Minimum requirements are prescribed in policies and standards, and cover, inter alia, valuations, haircuts and any required volatility adjustments, conditions or restrictions, legal certainty, correlations, concentrations and other.

4.4.1 Valuation of collateral

The Group uses several approaches for the valuation of collateral that is not in a defaulted state, including physical inspection, an automated valuation model (AVM), desktop valuations, statistical indexing and price volatility modelling. Valuations are regularly refreshed, with the frequency of valuation reviews based on the specific collateral type.

Once an asset becomes non-performing, the following is triggered:

- In the wholesale portfolio, collateral valuations are updated and impairment risk assessed. These valuations and capital at risk are regularly reviewed to ensure impairments remain adequate.
- In the retail portfolio, mortgage asset valuations are updated using an AVM, and an indexing methodology is used for instalment sale assets. High-value property assets are valued through a physical valuation. Valuations are updated at least six-monthly.

The banking book collateral management process focuses on the efficient handling and processing of a large number of cases in the retail portfolio and the lower end of the corporate sector, therefore heavily relying on the Group's collateral and document management systems. For larger wholesale exposures and capital market transactions, collateral is jointly managed between the credit and legal functions as transactions and associated legal agreements are often bespoke in nature. All security structures and legal covenants are reviewed at least annually to ensure they comply with the credit risk requirement.

4.4.2 Types of guarantor and credit derivative counterparties

In the commercial, corporate and financial sector, reliance is often placed on a third-party guarantor, which may be a parent company to the borrower, a major shareholder or a bank. Similarly, credit derivative transactions are sometimes used to hedge specific parts of any single-name risk in the wholesale portfolio. For these transactions, the most common counterparties or issuers are banks, non-bank financial institutions, large corporates and governments. The creditworthiness of the guarantor or derivative counterparty/issuer is assessed as part of the credit approval process and the value of such a guarantee or derivative contract is recorded against the guarantor/issuer's credit limits.

4. Credit risk

Overview of CRM techniques employed by the Group [CR3]

The following table depicts the extent to which the Group uses collateral and financial guarantees to secure exposures and reduce capital requirements:

		a	b	c	d	e
		2023				
		Exposures unsecured: carrying amount Rm	Exposures secured by collateral Rm	Exposures secured by collateral of which secured amount Rm	Exposures secured by financial guarantees Rm	Exposures secured by financial guarantee, of which secured amount Rm
1	Loans	642 719	626 836	626 836	35 733	32 160
2	Debt securities	229 929	-	-	-	-
3	**Total**	**872 648**	**626 836**	**626 836**	**35 733**	**32 160**
4	Of which defaulted	51 025	51 379	51 379	-	-

		a	b	c	d	e
		2022				
		Exposures unsecured: carrying amount Rm	Exposures secured by collateral Rm	Exposures secured by collateral of which secured amount Rm	Exposures secured by financial guarantees Rm	Exposures secured by financial guarantee, of which secured amount Rm
1	Loans	553 950	658 555	658 555	29 525	26 573
2	Debt securities	208 522	-	-	-	-
3	Total	762 472	658 555	658 555	29 525	26 573
4	Of which defaulted	46 304	40 315	40 315	-	-

4.5 Credit risk under the SA [CRD]

The Group uses the SA for its ARO banking book portfolios (both wholesale and retail). Due to the relative scarcity of data, the ARO portfolios are not currently on the IRB migration plan.

Standard and Poor's and Moody's ratings are used by the Group as input into standardised capital formulas for the Group, corporate and sovereign asset classes. Rating agencies have limited coverage in ARO. Where more than one rating is available, the more conservative rating is applied. Issuer ratings are generally used. Obligors that are not rated externally are classified as unrated for RC purposes.

The following table provides an analysis, per Basel asset class, of the exposure and impact of CRM under the SA. In the ARO portfolio, there are limited amounts of eligible collateral available for use in regulatory calculations:

4. Credit risk

SA – credit risk exposure and CRM effects [CR4]

		a	b	c	d	e	f
		2023					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount Rm	Off-balance sheet amount Rm	On-balance sheet amount Rm	Off-balance sheet amount Rm	RWA Rm	RWA density %
1	Corporate	50 739	34 482	49 137	16 124	72 971	112
2	SME Corporate	41 845	13 099	40 333	6 666	52 657	112
3	PSEs	4 757	2 180	4 663	938	2 889	52
4	Local governments and municipalities	-	-	-	-	-	-
5	Sovereign (including central government and central bank)	105 543	1 263	105 328	583	77 685	73
6	Banks	23 857	7 866	23 857	3 330	12 130	45
7	Securities firms	-	-	-	-	-	-
8	Residential mortgages (including any home equity line of credit)	15 841	-	15 531	-	6 443	41
9	Retail – revolving credit	2 251	2 052	2 075	85	1 639	76
10	Retail – other	44 489	1	43 189	1	32 359	75
11	SME retail	980	79	924	25	747	79
12	Total	290 302	61 022	285 037	27 752	259 520	83

		a	b	c	d	e	f
		2022[1]					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount Rm	Off-balance sheet amount Rm	On-balance sheet amount Rm	Off-balance sheet amount Rm	RWA Rm	RWA density %
1	Corporate	41 979	24 187	40 804	9 555	55 577	110
2	SME Corporate	37 431	15 594	35 818	6 482	47 280	112
3	PSEs	3 418	1 781	2 577	641	1 730	54
4	Local governments and municipalities	-	-	-	-	-	-
5	Sovereign (including central government and central bank)	105 869	1 824	103 415	583	72 346	69
6	Banks	23 355	7 071	23 262	3 279	12 879	50
7	Securities firms	-	-	-	-	-	-
8	Residential mortgages (including any home equity line of credit)	13 259	-	12 933	-	5 146	40
9	Retail – revolving credit	2 194	2 184	2 025	95	1 608	76
10	Retail – other	41 340	2	40 082	2	30 112	75
11	SME retail	1 474	37	1 374	7	1 072	78
12	Total	270 319	52 680	262 290	20 644	227 750	80

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

The following table provides an analysis, per Basel asset class, of the risk weights applied to standardised exposures:

SA – exposures by asset classes and risk weights [CR5]

		2023										
		a	b	c	d	e	f	g	h	i	j	k
		Risk weight										Total credit exposures amount (post CCF and post-CRM)
		0%	>0% - 10%	>10% - 20%	>20 % - 35%	>35% - 50%	>50 % - 75%	>75 % - 100 %	>100% - 150%	>150 %	Others	
	Asset classes											
1	Corporate	–	–	–	–	213	–	47 598	17 451	–	–	65 262
2	SME Corporate	–	–	38	–	330	–	34 793	11 839	–	–	47 000
3	PSEs	–	–	–	–	5 512	–	–	89	–	–	5 601
4	Local governments and municipalities	–	–	–	–	–	–	–	–	–	–	–
5	Sovereign (including central government and central bank)	37 914	–	5 081	–	2 575	–	30 259	30 082	–	–	105 911
6	Banks	–	–	18 277	–	2 675	–	4 843	1 392	–	–	27 187
7	Securities firms	–	–	–	–	–	–	–	–	–	–	–
8	Residential mortgages (including any home equity line of credit)	–	–	–	5 752	237	7 841	1 701	–	–	–	15 531
9	Retail – revolving credit	–	–	–	–	20	2 052	83	5	–	–	2 160
10	Retail – other	–	–	–	–	307	42 763	92	27	–	–	43 189
11	SME retail	–	–	–	–	17	821	87	23	–	–	948
12	Total	37 914	–	23 396	5 752	11 886	53 477	119 456	60 908	–	–	312 789

4. Credit risk

		2022[1]										
		a	b	c	d	e	f	g	h	i	j	k
		Risk weight										Total credit exposures amount (post CCF and post-CRM)
		0%	>0% - 10%	>10% - 20%	>20 % - 35%	>35% - 50%	>50 % - 75%	>75 % - 100 %	>100% - 150%	>150 %	Others	
	Asset classes											
1	Corporate	-	-	268	-	375	-	37 681	12 036	-	-	50 360
2	SME Corporate	-	-	62	-	332	-	30 644	11 262	-	-	42 300
3	PSEs	-	-	-	-	2 978	-	240	-	-	-	3 218
4	Local governments and municipalities	-	-	-	-	-	-	-	-	-	-	-
5	Sovereign (including central government and central bank)	38 981	-	3 028	-	4 707	-	33 069	24 212	-	-	103 997
6	Banks	-	-	14 664	-	4 118	-	6 740	1 020	-	-	26 542
7	Securities firms	-	-	-	-	-	-	-	-	-	-	-
8	Residential mortgages (including any home equity line of credit)	-	-	-	5 484	251	5 310	1 888	-	-	-	12 933
9	Retail – revolving credit	-	-	-	-	19	2 015	84	2	-	-	2 120
10	Retail – other	-	-	-	-	318	39 296	447	22	-	-	40 083
11	SME retail	-	-	-	-	24	1 220	121	16	-	-	1 381
12	Total	38 981	-	18 022	5 484	13 122	47 841	110 914	48 570	-	-	282 934

4.6 Credit risk under the IRB approach [CRE]

The following table provides the EAD composition for each of the credit approaches.

	2023		2022	
	EAD	EAD % of portfolio	EAD	EAD % of portfolio
Approach	Rbn	%	Rbn	%
AIRB approach	1 377	81	1 286	82
Standardised approach (SA)	313	19	288	18

The principal objective of credit modelling is to produce the most accurate possible quantitative assessment of the Group's credit risk at a counterparty and portfolio level. Integral to this is the calculation of internal credit parameters used for credit risk management purposes and in the calculation of RC, EC and impairment requirements. The key credit parameters used in this process are EAD, PD, LGD, maturity (M) and asset correlation.

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

The table below provides an overview of the AIRB models used for regulatory capital calculation per portfolio.

Number of models	Model type	Model description
Corporate and Investment Bank		
10	PD	Large corporate portfolio: • Models have a quantitative and qualitative component, are internally developed using industry accepted statistical methodologies for low default environments and making use of internal and external data covering full economic cycles. Where external data is used, appropriate testing is performed to ensure it remains representative of the internal portfolio. • Three externally developed models are used, with calibrations to internal portfolio behaviour. Sovereign and bank portfolios: • Models are internally developed using statistical and expert judgement techniques and benchmarked against external rating agency ratings to determine final ratings. Models are calibrated using external default data and credit spread market data. Specialised lending portfolios: • Hybrid models using either a combination of statistical cash flow simulation models and qualitative scorecards or scorecards developed on internal data and calibrated to a combination of internal data and external benchmarks as appropriate. All above portfolios: • All DG ratings and associated PDs are reviewed by the credit risk portfolio representative and, if necessary, final adjustments are made to reflect information not captured by the models. • Rating models make use of borrower-specific financial statement information as well as collateral information where applicable.
5	LGD	• LGD models are developed internally using industry accepted statistical methodologies for low default environments and data covering long-run and downturn conditions. • The models are generally hybrid models developed on internal and external loss and recovery data with oversight and input from the credit experts, where appropriate. • Models make use of transactional and collateral information with prudent adjustments to mitigate heightened uncertainty due to low volumes of data, where appropriate.
1	EAD	• EAD estimation is based on regulatory guidelines with credit conversion factors used as appropriate. • Standard industry EAD methodologies are used, with internal and external data used to estimate long-run and downturn estimates.
Relationship Banking		
11	PD	Commercial and Agriculture portfolios: • Models are internally developed using industry accepted statistical methodologies for data rich environments and making use of internal data covering full economic cycles. • All DG ratings and associated PDs are reviewed by the credit risk portfolio representative and, if necessary, final adjustments are made to reflect information not captured by the models. • Rating models make use of borrower-specific repayment and financial statement information. Local government and municipalities: • Hybrid model consisting of a quantitative and qualitative component, calibrated to a combination of internal data and external benchmarks. Where external data is used, appropriate testing is performed to ensure it remains representative of the internal portfolio. Model uses borrower-specific financial statement information and government grants/subsidies where applicable. • All DG ratings and associated PDs are reviewed by the credit risk portfolio representative and, if necessary, final adjustments are made to reflect information not captured by the models. Non-commercial exposures: • Models are internally developed using industry accepted behavioural scorecard methodologies for data rich environments and making use of internal data covering full economic cycles. This automated scoring process incorporate product type, customer behaviour and delinquency status. Each behavioural score translates to a PD that is calibrated to an appropriate long run level for the segment.
4	LGD	Local government and municipalities: • LGD models are developed internally using industry accepted statistical methodologies for low default environments. • The model is a hybrid model developed using a workout approach with oversight and input from the credit experts. • The model makes use of financial, audit opinion and municipality characteristic information, with prudent adjustments to mitigate heightened uncertainty due to low volumes of data. All other portfolios: • LGD models are developed internally using industry accepted statistical methodologies for data rich environments and data covering long-run and downturn conditions. • The models are workout models with recoveries calculated using internal loss and recovery data and impacted by collateral type. • Models also incorporate time in default and post-default payment behaviour.
2	EAD	• EAD estimation is based on regulatory guidelines with credit conversion factors used as appropriate. • Standard industry EAD methodologies are used, split between revolving, non-revolving, amortizing and contingent type facilities. • Internal portfolio experience is used to estimate long-run and downturn estimates.

4. Credit risk

Number of models	Model type	Model description
Retail		
7	PD	• Portfolios/products are segmented into homogeneous pools and sub-pools through an automated behavioural scoring process. The behavioural scorecards use industry accepted behavioural scorecard methodologies for data rich environments that incorporate product type, loan characteristics, customer behaviour, bureau information and delinquency status. • PDs are estimated for each sub-pool based on internal product level history associated with the respective pools, covering full economic cycles.
7	LGD	• LGD models are developed internally using industry accepted statistical methodologies for data rich environments and data covering long-run and downturn conditions. • LGD estimates are based on sub-segmentation with reference to collateral or product type, time in default and post-default payment behaviour. Final estimates are based on associated analyses and modelling of historical internal loss and recovery data.
7	EAD	• EAD estimation is based on regulatory guidelines with credit conversion factors used as appropriate. • Standard industry EAD methodologies are used, split between revolving, non-revolving, amortizing and contingent type facilities. • Internal portfolio experience is used to estimate long-run and downturn estimates.

Key risk parameters used in credit risk measurement

EAD	PD	LGD	M	Correlation
Exposure at default	Probability of default	Loss-given default	Maturity	Correlation
An estimate of the level of credit exposure, should the obligor default occur during the next (rolling) 12-month period.	Represents the likelihood that an individual obligor/facility will default during the next (rolling) 12-month period.	Represents an estimate of the percentage of EAD that will not be recovered, should the obligor/facility default occur during the next (rolling) 12-month period.	Remaining time until the effective maturity date of the loan or other credit facility.	Measures to what extent the risks in the various industry sector and regions in the loan portfolio are related to common factors.
These parameters can be calculated to represent different views of the credit cycle, which are used in different applications:				
	Through-the-cycle (TTC): reflecting the predicted default frequency in an average 12-month period across the credit cycle. Point-in-time (PIT): reflecting the predicted default frequency contingent on the macroeconomic environment.	Downturn (DT): reflecting behaviour observed under stressed economic conditions. Long run (LR): reflecting business-as-usual measures or behaviour under benign/average conditions.		

Internal and vendor-supplied credit models are used to estimate the key credit parameters of EAD, PD, LGD and asset correlation. The Group uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers.

To provide a common measure of default risk across the Group, an internal default grade scale is used. This scale is mapped to a scale of default probabilities for regulatory reporting purposes and to external agency ratings for benchmarking purposes.

The application of the key risk parameters in credit risk measurement and decision-making is set out in the following tables:

4. Credit risk

Application of key risk parameters in credit risk measurement

<table>
<tr><th>EAD</th><th>PD</th><th>LGD</th><th>M</th><th>Correlation</th></tr>
<tr><td>Exposure at default</td><td>Probability of default</td><td>Loss given default</td><td>Maturity</td><td>Correlation</td></tr>
<tr><td colspan="3">EL: The EL calculation is determined making use of EAD, TTC PD and depending on being a DT EL or LR EL will make use of either the DT LGD or LR LGD respectively.
Impairment parameters: The impairment calculation makes use of EAD considering all contractual terms over the lifetime of the instrument, PD reflecting the current and future economic cycles to the extent relevant to the remaining life of the loan calculated at a PIT and a current or forward looking LGD reflecting impact of economic scenarios.</td><td></td><td></td></tr>
<tr><td colspan="4">RC parameters: The RC calculation makes use of EAD, TTC PD, DT LGD and contractual maturity.</td><td></td></tr>
<tr><td colspan="5">EC parameters: The EC calculation makes use of EAD, TTC PD, LR LGD, contractual maturity as well as asset correlation, including PD-LGD correlation.</td></tr>
</table>

Application of key risk parameters in credit risk decision-making

Credit approval	PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
Risk reward and pricing	PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
Risk appetite setting and monitoring	RC and EC (including measures of earnings volatility) are used in the Group's risk appetite framework. Measures of stressed losses and capital utilisation are used in the setting of concentration risk limits.
Risk profile reporting	Credit risk reports to Board and senior management use model outputs to describe the Group's credit risk profile.

4. Credit risk

The following tables provide a detailed breakdown, per Basel asset class, of the drivers of the Group's capital requirements under the AIRB approach:

Credit risk exposures by portfolio and PD range [CR6]

	a	b	c	d	e	f	g	h	i	j	k	l
	2023											
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre CCF Rm	Average CCF %	EAD post CRM and post-CCF Rm	Average PD[1] %	Number of obligors #	Average LGD %	Average maturity %	RWA Rm	RWA density[2] %	EL Rm	Pro-visions Rm
Corporate												
0.00 to <0.15	94 159	63 340	21	119 593	0.11	206	31	1.71	21 288	18	37	55
0.15 to <0.25	27 138	23 005	44	42 780	0.22	122	25	1.82	10 007	23	24	31
0.25 to <0.50	47 829	35 425	41	67 688	0.38	278	25	1.75	20 685	31	64	62
0.50 to <0.75	16 621	7 814	42	20 401	0.63	153	27	2.15	9 767	48	35	45
0.75 to <2.50	67 010	36 967	28	71 086	1.57	1 523	26	1.94	43 791	62	306	364
2.50 to <10.00	10 351	5 381	23	11 811	5.23	230	30	2.14	12 195	103	190	239
10.00 to <100.00	2 426	441	43	2 630	29.34	68	32	2.00	4 240	161	264	181
100.00 (Default)	4 422	936	55	4 801	100.00	38	38	1.50	1 675	35	2 225	2 225
Sub-total	269 956	173 310	31	340 791	2.32	2 618	28	1.82	123 648	36	3 145	3 204
Specialised lending												
0.00 to <0.15	2 206	5 556	1	2 261	0.14	58	22	3.62	545	24	1	2
0.15 to <0.25	25 763	5 223	4	27 774	0.24	86	25	3.79	10 311	37	17	21
0.25 to <0.50	20 256	13 353	4	20 627	0.39	138	23	2.30	6 692	32	18	9
0.50 to <0.75	15 827	7 619	6	17 042	0.62	84	28	3.61	10 199	60	29	21
0.75 to <2.50	21 201	10 290	5	21 291	1.52	844	24	2.78	12 906	61	77	41
2.50 to <10.00	4 078	6 209	1	4 150	4.87	192	24	3.85	3 882	94	50	28
10.00 to <100.00	59	-	100	59	38.55	11	17	4.78	54	92	4	-
100.00 (Default)	2 588	45	-	2 588	100.00	84	30	2.81	3 731	144	597	597
Sub-total	91 978	48 294	4	95 792	3.54	1 497	25	3.19	48 320	50	795	719
SME Corporate												
0.00 to <0.15	2 350	204	100	2 616	0.09	1 518	41	1.74	445	17	1	9
0.15 to <0.25	4 072	1 013	45	3 288	0.23	379	17	2.34	463	14	1	2
0.25 to <0.50	3 989	2 586	27	5 041	0.39	1 187	25	2.45	1 671	33	5	13
0.50 to <0.75	3 139	673	48	3 520	0.59	623	23	3.21	1 381	39	5	10
0.75 to <2.50	62 393	17 795	62	73 847	1.80	34 150	24	3.01	38 292	52	313	714
2.50 to <10.00	32 197	5 453	66	36 794	5.09	5 854	20	3.18	20 781	56	376	399
10.00 to <100.00	3 969	511	73	4 371	24.73	1 585	29	2.89	5 793	133	315	87
100.00 (Default)	7 104	143	29	7 129	100.00	1 214	47	3.27	19 774	277	2 645	2 645
Sub-total	119 213	28 378	61	136 607	8.39	46 510	24	3.01	88 600	65	3 661	3 879
Public sector entities												
0.00 to <0.15	-	51	100	35	0.03	5	30	0.57	1	4	-	-
0.15 to <0.25	-	-	-	-	0.22	2	44	1.00	-	33	-	-
0.25 to <0.50	3 124	2 436	67	4 002	0.45	12	26	2.54	1 695	42	5	4
0.50 to <0.75	-	-	100	-	0.56	1	30	1.00	-	39	-	-
0.75 to <2.50	5 193	1 866	8	3 674	1.64	121	28	3.03	2 763	75	17	16
2.50 to <10.00	-	1	100	1	6.88	8	27	1.00	1	103	-	-
10.00 to <100.00	-	-	100	-	21.23	3	57	1.00	-	269	-	-
100.00 (Default)	774	561	87	1 020	100.00	4	23	1.00	310	30	340	340
Sub-total	9 091	4 915	45	8 733	12.58	156	27	2.56	4 770	55	361	359

[1] Total asset class average weighted PD percentage includes defaulted EADs.
[2] Post-model adjustments (PMAs) not included.

4. Credit risk

	a	b	c	d	e	f	g	h	i	j	k	l
	2023											
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD[1]	Number of obligors	Average LGD	Average maturity	RWA	RWA density[2]	EL	Pro-visions
	Rm	Rm	%	Rm	%	#	%	%	Rm	%	Rm	Rm
Local government and municipalities												
0.00 to <0.15	117	2	84	118	0.16	5	45	4.52	71	60	-	-
0.15 to <0.25	132	97	78	210	0.23	12	44	1.90	91	43	-	-
0.25 to <0.50	2 837	298	21	2 195	0.35	59	30	3.33	1 373	63	2	9
0.50 to <0.75	-	14	59	8	0.67	6	26	3.82	4	53	-	-
0.75 to <2.50	1 421	713	4	1 448	1.38	116	28	4.86	1 289	89	7	6
2.50 to <10.00	1 389	1 331	26	2 338	9.01	10	21	1.57	1 982	85	44	33
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	5 896	2 455	22	6 318	3.78	208	27	3.01	4 810	76	53	49
Sovereign (including central government and central bank)												
0.00 to <0.15	138 238	1 607	13	139 003	0.01	25	30	3.17	9 616	7	4	3
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	3 764	44	83	3 793	0.40	8	30	2.43	1 666	44	5	2
0.50 to <0.75	-	-	100	-	0.62	1	30	1.00	-	41	-	-
0.75 to <2.50	184	1 004	7	233	1.33	48	37	2.40	202	87	1	1
2.50 to <10.00	65	2 961	-	66	3.94	7	51	1.23	98	150	1	1
10.00 to <100.00	248	104	-	248	18.65	2	54	2.18	732	295	25	13
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	142 499	5 720	15	143 343	0.06	91	30	3.15	12 314	9	37	20
Banks												
0.00 to <0.15	30 003	17 636	43	34 234	0.05	99	30	1.12	3 550	10	6	13
0.15 to <0.25	11	250	100	136	0.21	4	22	1.00	28	20	-	-
0.25 to <0.50	867	905	72	1 184	0.38	16	21	1.14	282	24	1	-
0.50 to <0.75	108	63	10	8	0.70	4	42	1.00	5	62	-	-
0.75 to <2.50	1 977	1 436	59	2 745	1.75	55	34	0.98	2 156	79	15	13
2.50 to <10.00	9 272	12 411	42	13 010	6.24	48	23	0.76	10 673	82	189	52
10.00 to <100.00	157	320	100	343	16.59	14	23	0.24	373	109	13	1
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	42 396	33 022	45	51 661	1.82	240	28	1.02	17 067	33	224	79
Securities firms												
0.00 to <0.15	4 953	55	27	4 900	0.05	10	42	2.13	1 019	21	1	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	10	-	8	0.54	2	10	1.00	1	13	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	187	32	79	210	1.33	6	44	1.00	185	88	1	-
2.50 to <10.00	2	2	82	4	5.38	1	45	1.00	6	172	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	5 143	99	29	5 121	0.11	19	42	2.08	1 211	24	2	-

[1] Total asset class average weighted PD percentage includes defaulted EADs.

[2] PMAs not included.

4. Credit risk

	a	b	c	d	e	f	g	h	i	j	k	l
	2023											
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre CCF Rm	Average CCF %	EAD post CRM and post-CCF Rm	Average PD[1] %	Number of obligors #	Average LGD %	Average maturity %	RWA Rm	RWA density[2] %	EL Rm	Pro-visions Rm
Retail mortgages (including any home equity line of credit)												
0.00 to <0.15	34 195	34 771	41	49 807	0.10	91 582	13	-	1 652	3	7	10
0.15 to <0.25	16 862	4 370	44	19 113	0.23	25 960	14	-	1 254	7	6	7
0.25 to <0.50	46 224	7 455	46	50 700	0.39	66 552	14	-	4 937	10	28	30
0.50 to <0.75	28 292	2 793	50	30 231	0.64	37 446	14	-	4 244	14	28	14
0.75 to <2.50	101 313	9 738	27	111 090	1.57	124 263	15	-	29 335	26	266	296
2.50 to <10.00	27 627	561	56	28 543	5.53	41 665	16	-	15 783	55	245	235
10.00 to <100.00	13 103	20	68	13 284	34.93	17 935	16	-	11 190	84	748	738
100.00 (Default)	37 963	98	-	37 965	100.00	49 701	23	-	9 139	24	7 768	7 768
Sub-total	305 579	59 807	36	340 734	13.62	455 104	15	-	77 534	23	9 096	9 097
Retail revolving credit												
0.00 to <0.15	1 552	9 081	52	8 116	0.11	451 348	58	-	316	4	5	14
0.15 to <0.25	1 625	3 254	52	3 705	0.23	156 475	60	-	278	8	5	8
0.25 to <0.50	5 311	6 239	51	9 336	0.39	391 087	59	-	1 074	12	22	45
0.50 to <0.75	3 369	2 434	53	5 144	0.64	236 228	58	-	858	17	19	21
0.75 to <2.50	14 236	6 172	53	19 541	1.61	767 517	57	-	6 278	32	177	429
2.50 to <10.00	22 238	16 155	70	29 026	4.70	655 014	59	-	20 531	71	795	1 598
10.00 to <100.00	3 281	251	58	3 788	27.70	190 948	56	-	5 591	148	585	1 288
100.00 (Default)	9 901	162	2	9 919	100.00	242 287	74	-	6 878	69	6 699	6 699
Sub-total	61 514	43 749	53	88 575	14.38	3 090 904	60	-	41 804	47	8 307	10 102
SME Retail												
0.00 to <0.15	542	1 020	76	1 857	0.04	101 238	67	-	143	8	-	4
0.15 to <0.25	27	96	93	123	0.23	3 478	41	-	24	19	-	1
0.25 to <0.50	504	849	77	1 419	0.40	46 345	63	-	589	42	4	2
0.50 to <0.75	369	219	82	594	0.62	5 139	51	-	262	44	2	1
0.75 to <2.50	4 681	2 163	74	6 842	1.67	55 667	51	-	4 416	65	59	25
2.50 to <10.00	2 903	938	81	3 761	5.40	28 622	56	-	3 301	88	112	53
10.00 to <100.00	581	70	78	654	31.02	3 961	56	-	883	135	103	37
100.00 (Default)	1 020	10	19	993	100.00	11 080	62	-	4 093	412	371	371
Sub-total	10 627	5 366	73	16 242	9.38	255 530	56	-	13 711	84	651	493
Retail – other												
0.00 to <0.15	835	689	64	1 381	0.13	16 725	37	-	167	12	1	1
0.15 to <0.25	2 059	219	40	2 207	0.23	11 487	28	-	297	13	1	1
0.25 to <0.50	7 308	316	61	7 564	0.40	36 173	30	-	1 543	20	9	10
0.50 to <0.75	6 402	217	68	8 841	0.66	34 963	28	-	2 161	24	16	18
0.75 to <2.50	41 482	253	43	41 688	1.58	223 516	35	-	18 372	44	233	312
2.50 to <10.00	38 670	81	34	38 821	7.01	271 520	40	-	26 022	67	1 093	1 400
10.00 to <100.00	20 379	56	33	20 436	22.88	130 198	38	-	18 387	90	1 798	2 369
100.00 (Default)	22 034	28	1	22 037	100.00	168 421	47	-	1 928	9	10 290	10 290
Sub-total	139 168	1 859	35	142 974	21.12	893 003	38	-	68 877	48	13 442	14 401
Total (all portfolios)	1 203 060	406 974	35	1 376 891	8.42	4 745 880	28		502 666	37	39 774	42 402

[1] Total asset class average weighted PD percentage includes defaulted EADs.

[2] PMAs not included.

4. Credit risk

	a	b	c	d	e	f	g	h	i	j	k	l
						2022[1]						
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD[2]	Number of obligors	Average LGD	Average maturity	RWA	RWA density[3]	EL	Pro-visions
	Rm	Rm	%	Rm	%	#	%	%	Rm	%	Rm	Rm
Corporate												
0.00 to <0.15	81 973	62 857	23	108 779	0.11	230	29	1.72	17 441	16	31	43
0.15 to <0.25	27 514	30 579	61	46 385	0.23	109	24	1.42	9 207	20	25	34
0.25 to <0.50	38 448	24 487	28	48 892	0.36	329	24	2.03	15 495	32	43	53
0.50 to <0.75	13 504	6 957	45	16 258	0.62	135	26	1.83	6 809	42	26	26
0.75 to <2.50	68 740	32 766	37	74 580	1.50	1 437	28	1.91	47 998	64	322	343
2.50 to <10.00	7 756	4 748	24	9 321	5.48	223	37	2.12	12 178	131	198	290
10.00 to <100.00	1 187	302	53	1 350	21.41	72	28	2.46	1 980	147	83	49
100.00 (Default)	3 136	803	51	3 392	100.00	42	43	1.89	2 104	62	1 656	1 655
Sub-total	242 258	163 499	35	308 957	1.88	2 577	28	1.79	113 212	37	2 384	2 493
Specialised lending												
0.00 to <0.15	1 612	5 302	1	1 678	0.14	74	17	4.11	347	21	-	1
0.15 to <0.25	22 084	8 538	2	23 778	0.24	101	26	4.08	9 591	40	15	20
0.25 to <0.50	22 092	6 162	13	23 539	0.36	146	21	2.79	7 582	32	18	14
0.50 to <0.75	7 145	1 891	5	7 331	0.63	76	19	2.09	2 337	32	9	5
0.75 to <2.50	23 344	9 838	10	24 805	1.49	991	22	3.07	13 892	56	81	56
2.50 to <10.00	1 966	807	2	1 980	4.73	65	28	3.19	2 004	101	27	22
10.00 to <100.00	42	3	54	44	24.38	16	14	4.70	38	86	1	-
100.00 (Default)	2 889	343	-	2 889	100.00	71	31	3.03	2 644	92	947	945
Sub-total	81 174	32 884	8	86 044	4.13	1 540	23	3.21	38 435	45	1 098	1 063
SME Corporate												
0.00 to <0.15	2 613	335	67	2 907	0.08	1 591	37	1.90	298	10	1	12
0.15 to <0.25	3 870	480	35	3 070	0.23	295	22	2.30	534	17	2	2
0.25 to <0.50	11 824	4 117	51	14 248	0.41	2 538	21	2.73	3 980	28	12	19
0.50 to <0.75	8 704	2 795	54	10 552	0.64	1 208	22	3.05	3 706	35	15	22
0.75 to <2.50	64 130	15 735	60	74 234	1.62	33 816	23	3.02	35 553	48	281	794
2.50 to <10.00	10 819	2 082	65	12 403	4.77	3 444	26	2.95	8 858	71	153	185
10.00 to <100.00	3 357	414	71	3 678	26.28	1 448	30	2.68	5 128	139	289	135
100.00 (Default)	6 509	149	37	6 563	100.00	1 330	49	2.96	18 652	284	2 758	2 758
Sub-total	111 826	26 108	58	127 655	7.41	45 670	25	2.93	76 708	60	3 510	3 927
Public sector entities												
0.00 to <0.15	-	54	100	39	0.03	2	30	1.42	3	7	-	-
0.15 to <0.25	184	1 805	54	1 023	0.24	5	29	1.00	237	23	1	2
0.25 to <0.50	2 109	875	72	1 612	0.52	10	34	2.58	899	56	3	2
0.50 to <0.75	59	-	-	102	0.56	2	25	1.00	33	32	-	-
0.75 to <2.50	10 476	1 263	11	7 106	1.66	112	28	2.24	4 917	69	33	35
2.50 to <10.00	-	1	1 134	11	3.77	5	25	1.00	8	72	-	-
10.00 to <100.00	-	-	100	-	87.19	3	30	1.00	-	52	-	-
100.00 (Default)	992	579	84	1 242	100.00	4	28	1.00	76	6	422	422
Sub-total	13 820	4 577	33	11 135	12.32	143	29	2.02	6 173	55	459	461

[1] The December 2022 figures were revised to align with final regulatory submissions.
[2] Total asset class average weighted PD percentage includes defaulted EADs.
[3] PMAs not included.

4. Credit risk

	a	b	c	d	e	f	g	h	i	j	k	l
	2022[1]											
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD[2]	Number of obligors	Average LGD	Average maturity	RWA	RWA density[3]	EL	Pro-visions
	Rm	Rm	%	Rm	%	#	%	%	Rm	%	Rm	Rm
Local government and municipalities												
0.00 to <0.15	1	2	100	3	0.15	4	45	1.00	1	26	-	-
0.15 to <0.25	111	57	75	157	0.23	3	45	1.13	57	36	-	-
0.25 to <0.50	4 391	906	7	3 442	0.37	73	30	3.49	1 726	50	4	4
0.50 to <0.75	7	21	95	25	0.64	11	40	3.02	20	81	-	-
0.75 to <2.50	45	135	9	56	2.30	105	44	1.04	58	103	1	1
2.50 to <10.00	3 520	501	37	3 666	8.30	5	21	2.38	3 156	86	62	53
10.00 to <100.00	-	1	63	-	24.06	2	50	3.48	1	282	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	8 075	1 623	24	7 349	4.34	203	26	2.87	5 019	68	67	58
Sovereign (including central government and central bank)												
0.00 to <0.15	120 285	1 428	21	122 090	0.01	31	31	3.17	8 445	7	4	2
0.15 to <0.25	-	-	100	1	0.25	4	44	1.00	-	36	-	-
0.25 to <0.50	6 887	177	38	7 065	0.40	13	30	3.00	3 436	49	9	4
0.50 to <0.75	-	-	100	-	0.62	1	30	1.00	-	41	-	-
0.75 to <2.50	344	44	100	224	2.11	35	49	1.99	288	129	2	3
2.50 to <10.00	278	27	-	272	4.45	5	44	1.00	355	131	5	5
10.00 to <100.00	74	-	100	74	12.41	2	30	4.94	125	168	3	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	127 868	1 676	22	129 726	0.05	91	31	3.16	12 649	10	23	14
Banks												
0.00 to <0.15	29 776	12 117	52	31 637	0.03	87	35	1.01	2 698	9	4	17
0.15 to <0.25	55	307	87	248	0.21	6	39	1.00	76	31	-	-
0.25 to <0.50	1 024	1 053	61	465	0.38	14	19	1.75	117	25	-	-
0.50 to <0.75	1 371	2 021	24	1 677	0.60	13	28	0.90	650	39	3	1
0.75 to <2.50	5 079	1 298	86	5 329	1.70	44	35	0.91	3 723	70	28	9
2.50 to <10.00	8 410	6 603	79	11 760	7.32	37	24	0.77	10 221	87	204	69
10.00 to <100.00	104	304	115	328	18.89	8	20	0.48	338	103	12	1
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	45 819	23 703	61	51 444	2.02	209	32	0.95	17 823	35	251	97
Securities firms												
0.00 to <0.15	3 599	131	13	4 241	0.06	16	43	1.17	627	15	1	-
0.15 to <0.25	122	548	34	531	0.25	8	45	1.07	199	37	1	1
0.25 to <0.50	246	859	-	321	0.34	13	32	1.00	102	32	-	-
0.50 to <0.75	200	62	-	209	0.60	3	35	2.38	129	62	-	-
0.75 to <2.50	265	87	87	340	1.23	26	40	1.43	261	77	2	1
2.50 to <10.00	3	1	87	4	5.38	2	45	1.00	6	144	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	4 435	1 688	18	5 646	0.19	68	42	1.21	1 324	23	4	2

[1] The December 2022 figures were revised to align with final regulatory submissions.
[2] Total asset class average weighted PD percentage includes defaulted EADs.
[3] PMAs not included.

4. Credit risk

	a	b	c	d	e	f	g	h	i	j	k	l
						2022[1]						
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD[2]	Number of obligors	Average LGD	Average maturity	RWA	RWA density[3]	EL	Pro-visions
	Rm	Rm	%	Rm	%	#	%	%	Rm	%	Rm	Rm
Retail mortgages (including any home equity line of credit)												
0.00 to <0.15	12 529	17 647	36	19 048	0.12	49 583	12	-	622	3	3	3
0.15 to <0.25	6 017	4 180	38	7 696	0.23	15 346	12	-	437	6	2	2
0.25 to <0.50	22 691	11 491	47	28 686	0.39	58 376	14	-	2 682	9	15	17
0.50 to <0.75	24 609	6 820	58	29 297	0.66	39 973	14	-	4 037	14	27	22
0.75 to <2.50	127 121	11 523	49	135 736	1.67	172 729	15	-	36 431	27	338	380
2.50 to <10.00	63 551	7 201	11	66 209	5.30	72 802	16	-	37 418	57	566	537
10.00 to <100.00	10 865	85	47	11 076	26.09	14 535	15	-	9 740	88	433	445
100.00 (Default)	27 740	97	-	27 740	100.00	42 549	23	-	3 816	14	6 040	6 041
Sub-total	295 123	59 044	36	325 488	11.29	465 893	15	-	95 183	29	7 424	7 447
Retail revolving credit												
0.00 to <0.15	700	6 841	52	6 026	0.10	419 979	56	-	215	4	3	8
0.15 to <0.25	1 102	3 329	52	3 289	0.23	175 160	59	-	243	7	4	8
0.25 to <0.50	4 041	6 055	51	7 813	0.39	335 103	59	-	898	11	18	33
0.50 to <0.75	2 867	2 506	52	4 600	0.64	212 903	58	-	770	17	17	15
0.75 to <2.50	13 338	6 590	52	18 389	1.60	743 662	57	-	5 996	33	169	367
2.50 to <10.00	22 473	16 942	67	29 853	5.10	648 155	58	-	22 297	75	885	1 792
10.00 to <100.00	3 593	314	58	4 173	27.99	199 793	56	-	6 145	147	652	1 248
100.00 (Default)	8 313	174	2	8 325	100.00	224 577	74	-	5 508	66	5 639	5 639
Sub-total	56 427	42 751	53	82 468	13.81	2 959 332	59	-	42 072	51	7 387	9 110
SME Retail												
0.00 to <0.15	542	1 020	75	1 853	0.03	100 387	71	-	140	8	-	3
0.15 to <0.25	76	292	82	326	0.24	2 458	40	-	64	20	-	1
0.25 to <0.50	674	994	74	1 678	0.38	46 767	56	-	617	37	4	1
0.50 to <0.75	510	402	81	882	0.65	6 492	45	-	349	40	3	2
0.75 to <2.50	5 133	2 129	74	7 270	1.61	54 712	50	-	4 557	63	60	30
2.50 to <10.00	2 487	509	86	3 015	5.86	16 537	59	-	2 791	93	96	33
10.00 to <100.00	531	55	80	595	26.06	3 903	58	-	848	143	92	15
100.00 (Default)	1 111	12	40	1 090	100.00	12 137	61	-	4 145	380	413	413
Sub-total	11 064	5 413	75	16 709	9.29	243 393	55	-	13 510	81	668	498
Retail – other												
0.00 to <0.15	868	756	70	3 577	0.15	5 066	20	-	251	7	1	3
0.15 to <0.25	159	162	5	254	0.22	5 002	61	-	70	28	-	1
0.25 to <0.50	1 770	89	22	1 924	0.46	14 552	30	-	424	22	3	3
0.50 to <0.75	1 852	30	31	1 899	0.66	10 046	31	-	512	27	4	2
0.75 to <2.50	19 035	734	67	19 836	1.81	93 557	31	-	8 080	41	98	173
2.50 to <10.00	69 456	57	3	69 525	5.88	478 460	41	-	46 447	67	1 763	2 364
10.00 to <100.00	18 662	41	-	18 686	17.82	134 309	42	-	17 048	91	1 354	1 968
100.00 (Default)	17 448	24	-	17 452	100.00	143 207	48	-	3 778	22	7 865	7 865
Sub-total	129 250	1 893	15	133 153	18.97	884 199	40	-	76 610	58	11 088	12 379
Total (all portfolios)	1 127 139	364 859	35	1 285 774	7.51	4 603 318	28		498 718	39	34 363	37 549

[1] The December 2022 figures were revised to align with final regulatory submissions.

[2] Total asset class average weighted PD percentage includes defaulted EADs.

[3] PMAs not included.

4. Credit risk

Effect on RWA of credit derivatives used as CRM techniques [CR7]

The bank makes limited use of credit derivatives to mitigate credit risk in the banking book.

		a	b	a	b
		2023		2022[1]	
		Pre-credit derivatives RWA Rm	Actual RWA Rm	Pre-credit derivatives RWA Rm	Actual RWA Rm
1	Corporate	123 648	123 648	113 272	113 212
2	Specialised lending	48 361	48 320	38 481	38 435
3	SME Corporate	88 600	88 600	76 708	76 708
4	PSEs	4 776	4 770	6 173	6 173
5	Local government and municipalities	4 810	4 810	5 019	5 019
6	Sovereign (including central government and central bank)	12 314	12 314	12 649	12 649
7	Banks	17 152	17 067	17 917	17 823
8	Securities firms	1 211	1 211	1 324	1 324
9	Retail mortgages (including any home equity line of credit)	77 534	77 534	95 183	95 183
10	Retail revolving credit	41 804	41 804	42 072	42 072
11	SME Retail	13 711	13 711	13 511	13 511
12	Retail - other	68 877	68 877	76 610	76 610
13	Total	502 797	502 666	498 918	498 718

RWA flow statements of credit risk exposures under IRB [CR8]

		a	a
		31 Dec 2023	30 Sep 2023
		RWA amounts Rm	RWA amounts Rm
1	RWA as at end of previous quarter	480 075	473 210
2	Asset size	15 639	2 423
3	Asset quality	5 392	2 572
4	Model updates	53	
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	(933)	(61)
8	Other[2]	4 691	1 931
9	RWA as at end of reporting period	504 917	480 075

[1] The December 2022 figures were revised to align with final regulatory submissions.

[2] Other reflects RWA growth on non-performing loans due to misalignment of the definition of default between IFRS 9 impairment and regulatory capital models.

4. Credit risk

IRB: Backtesting of PD per portfolio [CR9]

The tables below provide backtesting results to validate the reliability of the Bank's IRB PD models. In particular, the tables compare the long-run average PD used in AIRB capital calculations with the realised default rate observed over a five-year period, per Basel asset class. The average historical default rate is calculated as the number of defaults in a given year, divided by the number of obligors that were performing at the start of that year (averaged over five years).

	a	b	c	d	e	f	g
	2023						
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year #	End of the year #	Defaulted obligors in the year #	Average historical annual default rate %
Corporate							
0 to <0.15	AAA, AA, A, BBB+	0.11	0.09	230	206	1	0.31
0.15 to <0.25	BBB, BBB-	0.22	0.20	109	122	-	0.19
0.25 to <0.50	BBB-, BB+	0.38	0.37	329	278	4	0.89
0.50 to <0.75	BB+, BB	0.63	0.60	135	153	-	0.38
0.75 to <2.50	BB, BB-, B+	1.57	1.38	1 437	1 523	14	0.26
2.50 to <10.00	B+, B, B-	5.23	3.90	223	230	9	0.66
10.00 to <100.0	CCC/C	29.34	34.38	72	68	8	2.92
100.00 (Default)	100.00 (Default)	100.00	100.00	42	38	-	100.00
0 to < 100.0	AAA to CCC/C	0.93	2.16	2 535	2 580	36	0.47
Specialised lending							
0 to <0.15	AAA, AA, A, BBB+	0.14	0.12	74	58	1	0.53
0.15 to <0.25	BBB, BBB-	0.24	0.22	101	86	1	0.38
0.25 to <0.50	BBB-, BB+	0.39	0.35	146	138	1	0.34
0.50 to <0.75	BB+, BB	0.62	0.59	76	84	1	0.21
0.75 to <2.50	BB, BB-, B+	1.52	1.36	991	844	8	0.92
2.50 to <10.00	B+, B, B-	4.87	2.93	65	192	22	1.03
10.00 to <100.0	CCC/C	38.55	21.98	16	11	4	8.23
100.00 (Default)	100.00 (Default)	100.00	100.00	71	84	-	100.00
0 to < 100.0	AAA to CCC/C	0.86	1.47	1 469	1 413	38	1.04
SME Corporate							
0 to <0.25	AAA, AA, A, BBB+, BBB, BBB-	0.17	0.13	1 886	1 897	10	0.79
0.25 to <0.50	BBB-, BB+	0.39	0.32	2 538	1 187	19	0.97
0.50 to <0.75	BB+, BB	0.59	0.60	1 208	623	13	0.75
0.75 to <2.50	BB, BB-, B+	1.80	1.33	33 816	34 150	183	1.25
2.50 to <10.00	B+, B, B-	5.09	3.14	3 444	5 854	454	0.81
10.00 to <100.0	CCC/C	24.73	25.97	1 448	1 585	223	8.54
100.00 (Default)	100.00 (Default)	100.00	100.00	1 330	1 214	-	100.00
0 to < 100.0	AAA to CCC/C	3.34	2.34	44 340	45 296	902	1.12
Sovereigns							
0 to <0.15	AAA, AA, A, BBB+	0.01	0.01	31	25	-	-
0.15 to <0.25	BBB, BBB-	-	0.22	4	-	-	-
0.25 to <0.50	BBB-, BB+	0.40	0.39	13	8	-	-
0.50 to <0.75	BB+, BB	0.62	0.52	1	1	-	-
0.75 to <2.50	BB, BB-, B+	1.33	1.05	35	48	-	-
2.50 to <10.00	B+, B, B-	3.94	3.70	5	7	-	-
10.00 to <100.0	CCC/C	18.65	13.19	2	2	-	-
100.00 (Default)	100.00 (Default)	100.00	100.00	-	-	-	100.00
0 to < 100.0	AAA to CCC/C	0.06	1.17	91	91	-	-

4. Credit risk

	a	b	c	d	e	f	g
	2023						
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year #	End of the year #	Defaulted obligors in the year #	Average historical annual default rate %
Banks							
0 to <0.15	AAA, AA, A, BBB+	0.05	0.04	87	99	-	-
0.15 to <0.25	BBB, BBB-	0.21	0.21	6	4	-	-
0.25 to <0.50	BBB-, BB+	0.38	0.40	14	16	-	-
0.50 to <0.75	BB+, BB	0.70	0.60	13	4	-	-
0.75 to <2.50	BB, BB-, B+	1.75	1.72	44	55	-	-
2.50 to <10.00	B+, B, B-	6.24	6.32	37	48	-	-
10.00 to <100.0	CCC/C	16.59	14.96	8	14	-	-
100.00 (Default)	100.00 (Default)	100.00	100.00	-	-	-	100.00
0 to < 100.0	**AAA to CCC/C**	**1.82**	**2.59**	**209**	**240**	**-**	**-**
Retail mortgages							
0.25 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.25	0.23	123 305	184 094	702	0.29
0.50 to <0.75	BB+, BB	0.64	0.62	39 973	37 446	780	0.63
0.75 to <2.50	BB, BB-, B+	1.57	1.43	172 729	124 263	5 004	1.71
2.50 to <10.00	B+, B, B-	5.53	4.63	72 802	41 665	6 991	4.21
10.00 to <100.0	CCC/C	34.93	24.05	14 535	17 935	5 861	27.03
100.00 (Default)	100.00 (Default)	100.00	100.00	42 549	49 701	-	100.00
0 to < 100.0	**AAA to CCC/C**	**2.79**	**2.14**	**423 344**	**405 403**	**19 338**	**3.09**
Retail revolving credit							
0.25 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.25	0.22	930 242	998 910	7 082	0.84
0.50 to <0.75	BB+, BB	0.64	0.61	212 903	236 228	6 118	1.58
0.75 to <2.50	BB, BB-, B+	1.61	1.40	743 662	767 517	27 065	3.16
2.50 to <10.00	B+, B, B-	4.70	5.14	648 155	655 015	98 081	10.59
10.00 to <100.0	CCC/C	27.70	22.41	199 793	190 948	82 428	28.37
100.00 (Default)	100.00 (Default)	100.00	100.00	224 577	242 287	-	100.00
0 to < 100.0	**AAA to CCC/C**	**3.58**	**3.19**	**2 734 755**	**2 848 618**	**220 774**	**6.60**
SME retail							
0 to <0.0.25	AAA, AA, A, BBB+, BBB, BBB-	0.05	0.05	102 845	104 716	1 810	1.18
0.25 to <0.50	BBB-, BB+	0.40	0.33	46 767	46 345	4 201	4.12
0.50 to <0.75	BB+, BB	0.62	0.62	6 492	5 139	373	3.65
0.75 to <2.50	BB, BB-, B+	1.67	1.39	54 712	55 667	4 401	5.74
2.50 to <10.00	B+, B, B-	5.40	3.65	16 537	28 622	3 369	7.91
10.00 to <100.0	CCC/C	31.02	26.03	3 903	3 961	595	12.22
100.00 (Default)	100.00 (Default)	100.00	100.00	12 137	11 080	-	100.00
0 to < 100.0	**AAA to CCC/C**	**3.48**	**1.26**	**231 256**	**244 450**	**14 749**	**3.80**

4. Credit risk

	a	b	c	d	e	f	g
	2023						
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year #	End of the year #	Defaulted obligors in the year #	Average historical annual default rate %
Retail - other							
0 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.34	0.31	24 620	64 385	207	1.49
0.50 to <0.75	BB+, BB	0.66	0.61	10 046	34 963	122	1.38
0.75 to <2.50	BB, BB-, B+	1.58	1.63	93 557	223 516	1 491	2.42
2.50 to <10.00	B+, B, B-	7.01	6.15	478 460	271 521	47 638	7.09
10.00 to <100.0	CCC/C	22.88	15.62	134 309	130 198	38 933	24.30
100.00 (Default)	100.00 (Default)	100.00	100.00	143 207	168 421	-	100.00
0 to < 100.0	**AAA to CCC/C**	**6.74**	**5.67**	**740 992**	**724 583**	**88 391**	**9.79**

	a	b	c	d	e	f	g
	2022[1]						
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year #	End of the year #	Defaulted obligors in the year #	Average historical annual default rate %
Corporate							
0 to <0.15	AAA, AA, A, BBB+	0.11	0.08	205	230	1	0.21
0.15 to <0.25	BBB, BBB-	0.23	0.21	134	109	-	0.19
0.25 to <0.50	BBB-, BB+	0.36	0.38	444	329	15	0.66
0.50 to <0.75	BB+, BB	0.62	0.59	269	135	3	0.38
0.75 to <2.50	BB, BB-, B+	1.50	1.38	3 494	1 437	7	0.09
2.50 to <10.00	B+, B, B-	5.48	3.40	237	223	11	0.48
10.00 to <100.0	CCC/C	21.41	42.95	83	72	4	1.29
100.00 (Default)	100.00 (Default)	100.00	100.00	45	42	-	100.00
0 to < 100.0	AAA to CCC/C	0.79	2.40	4 866	2 535	41	0.28
Specialised lending							
0 to <0.15	AAA, AA, A, BBB+	0.14	0.13	49	74	-	-
0.15 to <0.25	BBB, BBB-	0.24	0.22	74	101	1	0.22
0.25 to <0.50	BBB-, BB+	0.36	0.36	128	146	1	0.19
0.50 to <0.75	BB+, BB	0.63	0.58	59	76	-	-
0.75 to <2.50	BB, BB-, B+	1.49	1.43	864	991	8	0.47
2.50 to <10.00	B+, B, B-	4.73	3.21	51	65	9	0.44
10.00 to <100.0	CCC/C	24.38	27.16	28	16	4	4.64
100.00 (Default)	100.00 (Default)	100.00	100.00	43	71	-	100.00
0 to < 100.0	AAA to CCC/C	0.80	1.49	1 253	1 469	23	0.61

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

	a	b	c	d	e	f	g
				2022[1]			
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year #	End of the year #	Defaulted obligors in the year #	Average historical annual default rate %
SME Corporate							
0 to <0.25	AAA, AA, A, BBB+, BBB, BBB-	0.16	0.18	1 673	1 886	7	0.68
0.25 to <0.50	BBB-, BB+	0.41	0.42	3 129	2 538	48	0.80
0.50 to <0.75	BB+, BB	0.64	0.59	2 839	1 208	64	0.62
0.75 to <2.50	BB, BB-, B+	1.62	1.34	36 550	33 816	193	0.90
2.50 to <10.00	B+, B, B-	4.77	3.00	1 909	3 444	644	0.53
10.00to <100.0	CCC/C	26.28	29.35	1 496	1 448	321	6.22
100.00 (Default)	100.00 (Default)	100.00	100.00	1 039	1 330	-	100.00
0 to < 100.0	AAA to CCC/C	2.39	2.26	47 596	44 340	1 277	0.77
Sovereigns							
0 to <0.15	AAA, AA, A, BBB+	0.01	0.02	35	31	-	-
0.15 to <0.25	BBB, BBB-	0.25	0.18	1	4	-	-
0.25 to <0.50	BBB-, BB+	0.40	0.42	18	13	-	-
0.50 to <0.75	BB+, BB	0.62	0.50	-	1	-	-
0.75 to <2.50	BB, BB-, B+	2.11	1.39	40	35	-	-
2.50 to <10.00	B+, B, B-	4.45	3.82	5	5	-	-
10.00 to <100.0	CCC/C	12.41	-	-	2	-	-
100.00 (Default)	100.00 (Default)	100.00	100.00	-	-	-	100.00
0 to < 100.0	AAA to CCC/C	0.05	0.83	99	91	-	-
Banks							
0 to <0.15	AAA, AA, A, BBB+	0.03	0.04	96	87	-	-
0.15 to <0.25	BBB, BBB-	0.21	0.20	8	6	-	-
0.25 to <0.50	BBB-, BB+	0.38	0.39	16	14	-	-
0.50 to <0.75	BB+, BB	0.60	0.68	5	13	-	-
0.75 to <2.50	BB, BB-, B+	1.70	1.32	69	44	-	-
2.50 to <10.00	B+, B, B-	7.32	6.44	33	37	-	-
10.00 to <100.0	CCC/C	18.89	14.70	8	8	-	-
100.00 (Default)	100.00 (Default)	100.00	100.00	-	-	-	100.00
0 to < 100.0	AAA to CCC/C	2.02	2.07	235	209	-	-
Retail mortgages							
0.25 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.28	0.24	110 850	123 305	341	0.16
0.50 to <0.75	BB+, BB	0.66	0.62	42 392	39 973	386	0.36
0.75 to <2.50	BB, BB-, B+	1.67	1.46	177 339	172 729	2 665	1.23
2.50 to <10.00	B+, B, B-	5.30	4.66	81 569	72 802	4 121	3.10
10.00 to <100.0	CCC/C	26.09	24.26	12 689	14 535	3 853	24.23
100.00 (Default)	100.00 (Default)	100.00	100.00	43 200	42 549	-	100.00
0 to < 100.0	AAA to CCC/C	3.03	2.36	424 839	423 344	11 366	2.64

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

	a	b	c	d	e	f	g
				2022[1]			
				Number of obligors			
	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	End of previous year	End of the year	Defaulted obligors in the year	Average historical annual default rate
PD range		%	%	#	#	#	%
Retail revolving credit							
0.25 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.26	0.22	904 040	930 242	6 367	0.68
0.50 to <0.75	BB+, BB	0.64	0.62	191 396	212 903	3 718	1.36
0.75 to <2.50	BB, BB-, B+	1.60	1.42	729 986	743 662	21 409	2.93
2.50 to <10.00	B+, B, B-	5.10	5.22	621 083	648 155	77 418	9.88
10.00 to <100.0	CCC/C	27.99	22.52	187 706	199 793	66 715	26.60
100.00 (Default)	100.00 (Default)	100.00	100.00	211 837	224 577	-	100.00
0 to < 100.0	AAA to CCC/C	4.13	3.39	2 634 211	2 734 755	175 627	6.76
SME retail							
0 to <0.0.25	AAA, AA, A, BBB+, BBB, BBB-	0.07	0.06	98 246	102 845	2 632	0.82
0.25 to <0.50	BBB-, BB+	0.38	0.34	32 017	46 767	2 520	2.03
0.50 to <0.75	BB+, BB	0.65	0.61	9 277	6 492	322	1.85
0.75 to <2.50	BB, BB-, B+	1.61	1.35	55 578	54 712	1 987	2.28
2.50 to <10.00	B+, B, B-	5.86	3.64	44 102	16 537	8 738	4.80
10.00 to <100.0	CCC/C	26.06	25.94	5 798	3 903	717	8.24
100.00 (Default)	100.00 (Default)	100.00	100.00	11 105	12 137	-	100.00
0 to < 100.0	AAA to CCC/C	2.96	1.13	245 018	231 256	16 916	2.28
Retail - other							
0 to <0.50	AAA, AA, A, BBB+, BBB, BBB-, BB+	0.26	0.24	44 581	24 620	472	1.58
0.50 to <0.75	BB+, BB	0.66	0.58	15 199	10 046	323	1.45
0.75 to <2.50	BB, BB-, B+	1.81	1.55	160 008	93 557	2 905	2.41
2.50 to <10.00	B+, B, B-	5.88	5.06	365 056	478 460	22 968	6.00
10.00 to <100.0	CCC/C	17.82	19.74	131 728	134 309	39 544	23.48
100.00 (Default)	100.00 (Default)	100.00	100.00	130 818	143 207	-	100.00
0 to < 100.0	AAA to CCC/C	6.75	7.06	716 572	740 992	66 212	8.87

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

4.7 Counterparty credit risk (CCR) [CCRA]

CCR arises from the risk of losses due to a counterparty defaulting before meeting all their financial and contractual obligations on bilateral derivatives or securities financing transactions (SFTs). This includes failure to pay a regular cash flow, make a specific payment or deliver an asset. The credit risk relating to a derivative or SFT changes due to movement in underlying market variables. The loss to the Group is the cost of replacing or closing out the contract.

- **CCR measurement:** SA-CCR consists of two components which is replacement cost and potential future exposure (PFE) calculated per hedging set for each primary asset class.
- **Limit approval:** The principle of 'no limit, no trade' is strictly applied and all limits are to be approved by the risk sanctioning unit. All CCR limits are considered uncommitted and are revocable at any time. Break clauses are used to establish early termination rights.
- **Risk mitigants:** Cash and/or financial securities can be accepted to offset the exposure to trading positions which lead to CCR.
- **Exposure monitoring:** CCR activities are monitored through the management of limit excesses and failed trades.
- **Stress testing:** Stress testing is used to assess exposures to obligors or obligor groups and potential Bank losses under stress scenarios. Stress scenarios range from extreme but plausible events to less extreme but more probable stressed market conditions.

Wrong way risk (incorporated in the CCR profile) arises when there is adverse (positive) correlation between the obligor's PD and the Group's exposure to the obligor. Right way risk arises when an obligor's exposure is negatively correlated with the PD.

Collateral to be provided in the event of a credit rating downgrade: When assessing the portfolio in aggregate, the collateral that the Group would need to provide in the event of a rating downgrade is subject to many factors, including market movements in the underlying traded instruments and the netting of existing positions. The Group has limited instances of International Swaps and Derivatives Association (ISDA) agreements with a credit support annexure where both parties would be required to post additional collateral in the event of a credit rating downgrade. The additional collateral to be provided by the Group in the event of a credit rating downgrade is not considered to be material and therefore would not adversely impact its financial position.

The table below provides a view of the Group's regulatory CCR exposure, effectiveness of CRM techniques and RWA consumption. The table excludes CVA charges (table [CCR2]) and exposures cleared through central counterparties (CCPs) (table [CCR8]).

Analysis of CCR exposure by approach [CCR1]

		a	b	c	d	e	f
		2023					
		Replacement cost Rm	PFE Rm	Effective expected positive exposure (EEPE) Rm	Alpha used for computing regulatory EAD Rm	EAD post-CRM Rm	RWA Rm
1	SA-CCR (for derivatives)	6 461	16 919		-	33 379	13 094
2	IMM (for derivatives and SFTs)			-	-	-	-
3	Simple approach for CRM (for SFTs)					-	-
4	Comprehensive approach for CRM (for SFTs)					13 222	4 892
5	VaR for SFTs					-	-
6	**Total**						**17 986**

		a	b	c	d	e	f
		2022					
		Replacement cost Rm	PFE Rm	EEPE Rm	Alpha used for computing regulatory EAD Rm	EAD post-CRM Rm	RWA Rm
1	SA-CCR (for derivatives)	4 422	10 501		1.4	21 182	8 320
2	IMM (for derivatives and SFTs)			-	-	-	-
3	Simple approach for CRM (for SFTs)					-	-
4	Comprehensive approach for CRM (for SFTs)					17 513	9 476
5	VaR for SFTs					-	-
6	Total						17 796

CVA accounts for the risk of mark-to-market losses on over-the-counter (OTC) derivatives due to credit quality fluctuations on the derivative counterparty. A CVA capital charge is required under Basel III rules. The Group uses the SA for the calculation of CVA capital.

4. Credit risk

CVA capital charge [CCR2]

		a	b	a	b
		2023		2022	
		EAD post-CRM Rm	RWA Rm	EAD post-CRM Rm	RWA Rm
	Total portfolios subject to the Advanced CVA capital charge				
1	i. VaR component (including the 3×multiplier)		-		-
2	ii. sVaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital charge	33 379	9 679	21 182	6 480
4	Total subject to the CVA capital charge	33 379	9 679	21 182	6 480

Standardised approach – CCR exposures by regulatory portfolio and risk weights [CCR3]

	a	b	c	d	e	c	v	h	i
					2023				
Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory portfolio									
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	-	2	13	-	186	227	-	428
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	921	47	-	968
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	2	13	-	1 107	274	-	1 396

	a	b	c	d	e	c	v	h	i
					2022				
Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory portfolio									
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	-	-	7	-	200	267	-	474
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	644	130	-	774
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	7	-	844	397	-	1 248

4. Credit risk

The table below provides a view of all relevant parameters used for the calculation of CCR capital requirements under the Group's AIRB models. The table excludes CVA charges and exposures cleared through a CCP.

IRB – CCR exposures by portfolio and PD scale [CCR4]

	a	b	c	d	e	f	g
	2023						
PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average Maturity Yrs	RWA Rm	RWA density %
Corporate/SME Corporate							
0. 00 to <0.15	9 338	0.11	53	36	0.98	1 622	17
0.15 to <0.25	1 989	0.24	59	32	3.39	775	39
0.25 to <0.50	2 435	0.40	91	33	2.09	1 032	42
0.50 to <0.75	1 635	0.63	52	36	2.84	1 090	67
0.75 to <2.50	6 865	1.34	337	40	0.66	5 411	79
2.50 to <10.00	1 050	4.42	61	44	0.99	1 476	140
10.00 to <100.00	27	57.27	6	45	2.45	58	214
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	23 339	0.81	659	37	1.34	11 464	49
Banks/Securities firms							
0. 00 to <0.15	19 605	0.06	36	43	1.12	3 084	16
0.15 to <0.25	4	0.21	1	44	1.32	-	-
0.25 to <0.50	1 224	0.40	5	43	0.57	624	51
0.50 to <0.75	18	0.74	2	44	0.38	11	58
0.75 to <2.50	316	1.12	16	36	0.89	188	60
2.50 to <10.00	645	7.34	9	44	0.31	972	151
10.00 to <100.00	54	19.57	6	44	0.93	118	219
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	21 866	0.35	75	43	1.06	4 997	23
Total (all portfolios)	45 205	0.59	734	40	1.21	16 461	36

4. Credit risk

	a	b	c	d	e	f	g
				2022[1]			
PD scale	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average Maturity	RWA	RWA density
	Rm	%		%	Yrs	Rm	%
Corporate/SME Corporate							
0. 00 to <0.15	3 818	0.09	49	36	0.97	601	16
0.15 to <0.25	1 439	0.24	45	29	3.37	515	36
0.25 to <0.50	1 746	0.39	88	38	2.91	868	50
0.50 to <0.75	251	0.63	39	37	2.72	163	65
0.75 to <2.50	2 802	1.35	332	37	1.37	2 021	72
2.50 to <10.00	188	4.47	33	41	0.45	208	111
10.00 to <100.00	-	15.70	1	44	1.0	-	215
100.00 (Default)	30	100.0	6	26	1.78	103	341
Sub-total	10 274	0.89	593	36	1.78	4 479	44
Banks/Securities firms							
0. 00 to <0.15	16 450	0.05	44	42	0.97	2 351	14
0.15 to <0.25	1 085	0.20	4	44	1.16	330	30
0.25 to <0.50	791	0.41	12	40	1.28	422	53
0.50 to <0.75	189	0.60	3	45	1.0	115	61
0.75 to <2.50	1 419	1.66	31	44	0.71	1 213	85
2.50 to <10.00	2 955	7.30	10	44	0.94	4 680	158
10.00 to <100.00	-	20.65	2	44	1.0	1	245
100.00 (Default)	-	-	-	-	-	-	-
Sub-total	22 889	1.11	106	42	0.97	9 112	40
Total (all portfolios)	33 163	1.04	699	40	1.22	13 591	41

[1] The December 2022 figures were revised to align with final regulatory submissions.

4. Credit risk

The table below provides a breakdown of the types of collateral posted or received by the Group to support or reduce the CCR exposure related to derivatives and SFTs, including transactions cleared through a CCP. The Group relies mainly on cash and government bonds as collateral for derivative and securities financing contracts. The value of collateral used in each leg of SFTs is depicted on a gross basis.

Composition of collateral for CCR exposure [CCR5]

	a	b	c	d	e	f
	2023					
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	Rm	Rm	Rm	Rm	Rm	Rm
Cash – domestic currency	-	4 372	-	924	61 726	43 426
Cash – other currencies	-	7 782	-	882	2 734	34 524
Domestic sovereign debt	-	-	-	-	36 855	59 230
Other sovereign debt	-	-	-	-	35 752	-
Government agency debt	-	2 819	-	274	-	-
Corporate bonds	-	46	-	-	5 468	4 779
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	15 019	-	2 080	142 535	141 959

	a	b	c	d	e	f
	2022					
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	Rm	Rm	Rm	Rm	Rm	Rm
Cash – domestic currency	-	5 483	-	2 647	64 011	37 477
Cash – other currencies	-	6 606	-	4 255	2 278	41 786
Domestic sovereign debt	-	-	-	-	37 771	64 101
Other sovereign debt	-	-	-	-	16 234	1 452
Government agency debt	-	3 625	-	133	-	-
Corporate bonds	-	-	-	-	27 871	714
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	15 714	-	7 035	148 165	145 530

4. Credit risk

The table below illustrates the extent of the Group's exposures to credit derivative transactions in the trading book broken down between protection bought and protection sold positions.

Credit derivatives exposures [CCR6]

	a	b	a	b
	2023		2022	
	Protection bought Rm	Protection sold Rm	Protection bought Rm	Protection sold Rm
Notionals				
Single-name credit default swaps	10 144	11 963	2 532	8 445
Index credit default swaps	–	–	–	–
Total return swaps	12 442	15 682	10 228	11 182
Credit options	–	–	–	–
Other credit derivatives	–	–	–	–
Total notionals	22 586	27 645	12 760	19 627
Fair values				
Positive fair value (asset)	282	275	137	229
Negative fair value (liability)	(426)	(398)	(268)	(287)

The table below provides a comprehensive picture of the Group's exposure to qualifying CCPs. The Group has no exposure to non-qualifying CCPs. The table includes exposures due to operations, margins posted and contributions to default funds.

Exposures to CCPs [CCR8]

		a	b	a	b
		2023		2022	
		EAD post-CRM Rm	RWA Rm	EAD post-CRM Rm	RWA Rm
1	Exposures to qualifying central counterparty (QCCPs) (total)		1 282		1 269
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–	–	–
3	i. OTC derivatives	–	–	–	–
4	ii. Exchange-traded derivatives	9 959	790	6 824	674
5	iii. SFTs	–	–	–	–
6	iv. Netting sets where cross-product netting has been approved	–	–	–	–
7	Segregated initial margin	–		–	
8	Non-segregated initial margin	11 690	286	10 227	395
9	Pre-funded default fund contributions	62	206	62	200
10	Unfunded default fund contributions	–	–	–	–
11	Exposures to non-QCCPs (total)		–		–
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–	–	–
13	i. OTC derivatives	–	–	–	–
14	ii. Exchange-traded derivatives	–	–	–	–
15	iii. SFTs	–	–	–	–
16	iv. Netting sets where cross-product netting has been approved	–	–	–	–
17	Segregated initial margin	–		–	
18	Non-segregated initial margin	–	–	–	–
19	Pre-funded default fund contributions	–	–	–	–
20	Unfunded default fund contributions	–	–	–	–

4. Credit risk

4.8 Securitisation [SECA]

Securitisation is the financial practice of pooling various types of contractual debt such as residential and commercial mortgages, vehicle loans, or credit card debt obligations and selling their related cash flows to third party investors as securities in the form of note or bond issuances. Risk arises from the extent of credit enhancement provided to absorb losses from defaults on the underlying loans to support the required rating.

The Group engages in three securitisation transactions, namely Clover Capital (RF) Ltd (Clover Capital), Nqaba Finance 1 (RF) Ltd (Nqaba) and Bayport Securitisation (RF) Ltd (Bayport). Clover Capital was established to purchase qualifying debtors of Clover SA (Pty) Ltd (Clover). Clover has provided R300m subordinated debt to Clover Capital, which ranks after all external debt provider claims and acts as first loss absorption. The notes issued by Clover Capital are unrated. Nqaba was established specifically for the purpose of purchasing eligible residential mortgages originated by Eskom Finance Company SOC Ltd to employees of Eskom Holdings SOC Limited. The notes issued by Nqaba are rated by GCR Ratings. Bayport is a special purpose vehicle incorporated to house unsecured loans originated by Bayport Financial Services 2010 (Pty) Limited. Bayport notes are rated by S&P Global Ratings.

The table below provides a breakdown of the Group's traditional securitisation exposures in the banking book for the retail and corporate portfolios where the Group acts as originator, sponsor or investor.

Securitisation exposures in the banking book [SEC1]

	a	b	c	e	f	g	i	j	k
	2023								
	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	Traditional Rm	Synthetic Rm	Sub-total Rm	Traditional Rm	Synthetic Rm	Sub-total Rm	Traditional Rm	Synthetic Rm	Sub-total Rm
1 **Retail (total)**	-	-	-	620	-	**620**	99	-	**99**
2 Residential mortgage	-	-	-	620	-	620	-	-	-
3 Other retail exposures	-	-	-	-	-	-	99	-	99
6 **Wholesale (total)**	-	-	-	-	-	-	334	-	**334**
9 Lease and receivables	-	-	-	-	-	-	334	-	334

	a	b	c	e	f	g	i	j	k
	2022								
	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	Traditional Rm	Synthetic Rm	Sub-total Rm	Traditional Rm	Synthetic Rm	Sub-total Rm	Traditional Rm	Synthetic Rm	Sub-total Rm
1 Retail (total)	-	-	-	689	-	689	-	-	-
2 Residential mortgage	-	-	-	689	-	689	-	-	-
3 Other retail exposures	-	-	-	-	-	-	-	-	-
6 Wholesale (total)	-	-	-	-	-	-	358	-	358
9 Lease and receivables	-	-	-	-	-	-	358	-	358

4. Credit risk

Securitisation exposures in the banking book and associated RC requirements – bank acting as originator or as sponsor [SEC3]

		a	b	c	d	e
		2023				
		Exposure values (by RW bands)				
		≤20% RW	>20% to 50% RW	50% to 100% RW	>100% to <1 250% RW	1 250% RW
		Rm	Rm	Rm	Rm	Rm
1	Total exposures	620	-	-	-	-
2	Traditional securitisation	620	-	-	-	-
3	Of which securitisation	620	-	-	-	-
4	Of which retail underlying	620	-	-	-	-
5	Of which wholesale	-	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-
7	Of which senior	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-
14	Of which senior	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-

		a	b	c	d	e
		2022				
		Exposure values (by RW bands)				
		≤20% RW	>20% to 50% RW	50% to 100% RW	>100% to <1 250% RW	1 250% RW
		Rm	Rm	Rm	Rm	Rm
1	Total exposures	-	-	689	-	-
2	Traditional securitisation	-	-	689	-	-
3	Of which securitisation	-	-	689	-	-
4	Of which retail underlying	-	-	689	-	-
5	Of which wholesale	-	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-
7	Of which senior	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-
14	Of which senior	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-

4. Credit risk

f	g	h	i	j	k	l	m	n	o	p	q
2023											
Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
IRB RBA[1] (incl. IAA[2])	IRB SFA[3]	SA[4]/SSFA[5]	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
-	**-**	**620**	**-**	**-**	**-**	**62**	**-**	**-**	**-**	**6**	**-**
-	-	620	-	-	-	62	-	-	-	6	-
-	-	620	-	-	-	62	-	-	-	6	-
-	-	620	-	-	-	62	-	-	-	6	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

f	g	h	i	j	k	l	m	n	o	p	q
2022											
Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
IRB RBA[1] (incl. IAA[2])	IRB SFA[3]	SA[4]/SSFA[5]	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
-	-	689	-	-	-	535	-	-	-	43	-
-	-	689	-	-	-	535	-	-	-	43	-
-	-	689	-	-	-	535	-	-	-	43	-
-	-	689	-	-	-	535	-	-	-	43	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

[1] RBA: ratings-based approach.
[2] IAA: Internal assessment approach.
[3] SFA: supervisory formula approach.
[4] SA: standardised approach.
[5] SSFA: simplified supervisory formula approach.

4. Credit risk

Securitisation exposures in the banking book and associated RC requirements – bank acting as investor [SEC4]

		a	b	c	d	e
		2023				
		Exposure values (by RW bands)				
		≤20% RW Rm	>20% to 50% RW Rm	50% to 100% RW Rm	>100% to <1 250% RW Rm	1 250% RW Rm
1	Total exposures	432	-	-	-	-
2	Traditional securitisation	432	-	-	-	-
3	Of which securitisation	432	-	-	-	-
4	Of which retail underlying	99	-	-	-	-
5	Of which wholesale	334	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-
7	Of which senior	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-
14	Of which senior	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-

		a	b	c	d	e
		2022				
		Exposure values (by RW bands)				
		≤20% RW Rm	>20% to 50% RW Rm	50% to 100% RW Rm	>100% to <1 250% RW Rm	1 250% RW Rm
1	Total exposures	358	-	-	-	-
2	Traditional securitisation	358	-	-	-	-
3	Of which securitisation	358	-	-	-	-
4	Of which retail underlying	-	-	-	-	-
5	Of which wholesale	358	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-
7	Of which senior	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-
14	Of which senior	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-

4. Credit risk

f	g	h	i	j	k	l	m	n	o	p	q
2023											
Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
IRB RBA[1] (incl. IAA[2])	IRB SFA[3]	SA[4]/SSFA[5]	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
-	-	432	-	-	-	60	-	-	-	5	-
-	-	432	-	-	-	60	-	-	-	5	-
-	-	432	-	-	-	60	-	-	-	5	-
-	-	99	-	-	-	10	-	-	-	1	-
-	-	334	-	-	-	50	-	-	-	4	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

f	g	h	i	j	k	l	m	n	o	p	q
2022											
Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
IRB RBA[1] (incl. IAA[2])	IRB SFA[3]	SA[4]/SSFA[5]	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (incl. IAA)	IRB SFA	SA/SSFA	1 250%
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
-	-	358	-	-	-	42	-	-	-	3	-
-	-	358	-	-	-	42	-	-	-	3	-
-	-	358	-	-	-	42	-	-	-	3	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	358	-	-	-	42	-	-	-	3	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-	-

[1] RBA: ratings-based approach.
[2] IAA: Internal assessment approach.
[3] SFA: supervisory formula approach.
[4] SA: standardised approach.
[5] SSFA: simplified supervisory formula approach.

4. Credit risk

4.9 Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Group's governance of equity investments is based on the following fundamental principles:

- A formal approval governance process.
- Key functional specialists reviewing investment proposals.
- Adequate monitoring and control after the investment decision has been implemented.
- Implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

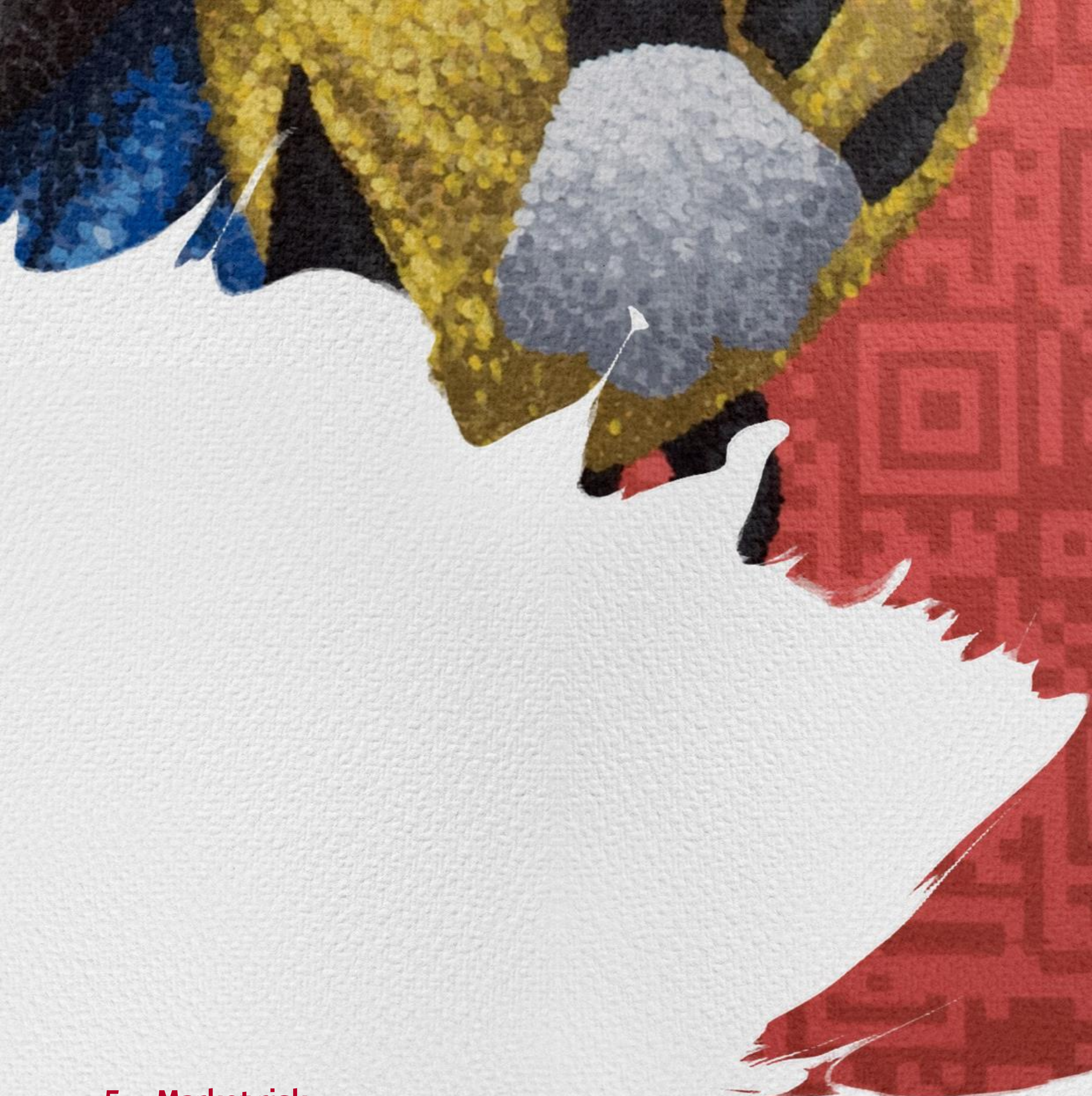
Criteria considered for transactions cover a comprehensive set of financial, commercial, legal and technical (where required) considerations. The performance of these investments is monitored relative to the portfolio's objectives.

The Group uses the market-based simple risk weight approach for the calculation of RC on its equity positions and look-through approach for equity investments in funds.

Equities under the simple risk weight method [CR10]

	2023				
	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk weight %	Exposure amount Rm	RWA Rm
Exchange-traded equity exposures	152		300	152	492
Private equity exposures	2 807		400	2 807	11 157
Total	2 959			2 959	11 649

	2022				
	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk weight %	Exposure amount Rm	RWA Rm
Exchange-traded equity exposures	213		300	213	602
Private equity exposures	2 628		400	2 628	11 031
Total	2 841			2 841	11 633



5. Market risk

5. Market risk

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

5.1 Governance

5.1.1 Structure

Market risk results due to either Traded or Non-Traded Group activities and is structured by asset class for South Africa and geographically for ARO with assigned analysts responsible for ensuring trading and banking activity occurs within approved limits and that VaR results are accurate. The RTO for market risk is responsible for oversight of all market risk across the Group.

The market risk function interacts daily with the product control group (reporting into the CIB Chief Financial Officer and responsible for daily profit and loss (PnL), PnL attribution and independent price testing), the front office traders and desk heads and credit risk or country risk analysts (where appropriate). Daily reports are sent to the CIB CRO and front office detailing limit utilisation, limit breaches, VaR/sVaR and commentary, where relevant.

The Traded Market Risk Committee (TMRC) and Group Non-Traded Market Risk Committee (GNTMRC) provide oversight of the Group's traded and non-traded market risk profiles and report into the ERC and ATC. These committees have the capacity and mandate to act as fora where committee members ensure that both risk coverage and limit frameworks remain appropriate.

The GCRO presents the Group's market risk profile, alongside the other risk types as specified by the ERMF, to the GRCMC.

5.1.2 Committees

Market risk committees operate at business unit and group-level. These committees set secondary limits and review actual exposure from positions, risks, stresses, EC, EaR, RWA and capital across all asset classes against these limits. A risk summary is then presented at the TMRC and GNTMRC including the risk profile reports tabled at the GRCMC meeting.

The key committees involved in the governance of market risk are depicted below:

5. Market risk

5.2 Trading book risk

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

5.2.1 Review of current reporting period

Key risk metrics	2023	2022
Traded market risk EC (Rbn)	4.5	5.1
Traded market risk RWA (Rbn)	45.2	38.9
Average traded market risk – 99% value at risk (VaR) (Rm)	72.9	56.5

- EC decreased as a result of a decline in ARO default risk charge (DRC) due to a reduction in sovereign exposures.
- RWAs increased due to a rise in the IMA capital driven by an increase in the average VaR. The increased average VaR resulted from heightened volatility in African currencies, most notedly the Nigerian Naira, coupled with the closure of the Nigerian futures market. The exposure to other risks reduced as the business turned defensive in the light of macro-economic uncertainty as central banks' balance persistent inflation and subdued growth.

5.2.2 Priorities

- Improve stress testing capability to enable the execution of ad hoc scenarios, including climate risk stress testing.
- Collaborate with the business to ensure efficient management of capital demand which aligns with the Group's risk appetite.
- Simultaneous reporting and impact assessments related to the Basel III finalisation for the minimum capital requirements for market risk (FRTB).
- Continuous improvement in risk monitoring and reporting capabilities.

5.2.3 General information about market risk [MRA and MRB]

5.2.3.1 Risk identification and management

The market risk RTO reports to the GCRO and is responsible for establishing the Market Risk framework and overseeing market risk across the Group. The market risk teams are responsible for the setting and monitoring of market risk limits for the business units, in line with the Group risk appetite and Market Risk Framework and report directly to the market risk RTO. These teams ensure that risks are managed within set limits and thresholds, including VaR, sensitivity, loss threshold and stress testing. Aggregate limits and thresholds are reviewed and set at the Group level and allocated to business units at least annually. The first line of defence for market risk management resides with the respective business unit heads. Governance committees include the TMRC and the GNTMRC.

Market risk management objectives are to:

- Establish the market risk framework, policies and standards to measure and manage traded and non-traded market risk.
- Embed appropriate models to measure risk.
- Ensure risk is managed within the Group's risk appetite by monitoring risk against the limit and appetite framework.
- Understand risk sensitivity and the impact of volatility on the portfolio.
- Understand concentration risk, market liquidity, risk correlations and basis risk across the portfolio.
- Utilise stress testing and empirical analytics to supplement model-based risk management.

The Group aims to manage market risk in a way that limits earnings volatility and ensures risk utilisation is within the Group's allocated risk appetite. The Group takes on market risk to support the needs of its customers to facilitate market liquidity as a market maker and leverage short-term market mispricing. Market risk is controlled by risk management frameworks, polices and standards, supported by daily limit monitoring.

Several techniques are used to measure and control market risk. These include:

- VaR-based measures including sVaR, supported by model backtesting.
- Tail metrics.
- Position and sensitivity metrics.
- Stress testing.
- Standardised general and specific risk.
- EC and EaR.
- Valuation control, independent price and bid-offer testing conducted by the independent valuation control team within product control.

A limit structure is in place for each of the above metrics. These are set and reviewed at least annually to control the Group's trading activities, in line with the allocated risk appetite. The criteria for allocating risk limits to businesses include relevant market analysis, market liquidity and business strategy.

VaR[1]

VaR is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

The Group uses an internal VaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The VaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 99%. Market and position data inputs are updated daily. The model uses both absolute and relative approaches to simulating potential movements in risk factors. The model is approved by the PA to calculate the RC for all trading book exposures, including foreign exchange and commodity risk in the banking book. The approval covers general position risk across interest rate, foreign exchange, commodity, equity and traded credit product risks. VaR is scaled up to the 10-day

[1] In line with regulatory requirements for public disclosures on the IMA, the sections on VaR, backtesting, tail metrics and sVaR specifically relate to the internal model used for the calculation of South Africa market risk RC.

5. Market risk

holding period (via a scalar assuming no autocorrelation to increase the holding period time horizon). The PA assigns a model multiplier to be used in the calculation of RC.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeated for all other days in the two-year history.
- VaR is the 99th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profits and losses.

While VaR is an important market risk measurement and control tool, it has a number of known limitations, namely:

- The historical simulation assumes that the past is a good representation of the future[1], which might not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- The VaR may underestimate the severity of potential losses.
- The VaR is based on positions at the close of the business day. The intra-day risk or the risk from a position being bought and sold on the same day is not captured.

Because of these limitations, tail risk metrics, stress testing and position and sensitivity measures are used to complement VaR in the management of market risk.

Backtesting[1]

The performance of the model is regularly assessed for continuous suitability. The main technique employed is backtesting, which counts the number of days where the daily trading losses exceed the corresponding VaR estimate. Backtesting measures the daily losses against VaR assuming a one-day holding period and a 99% level of confidence. Backtesting reports are monitored daily.

The Group conducts backtesting of the VaR risk measurement model against:

- The theoretical PnL representing the change in the value of the portfolio assuming that the portfolio holdings remain constant for the holding period.
- The actual PnL representing the actual daily trading outcome from price moves only (excluding fees, commissions, provisions, net interest income (NII) and the time value of money), as required for regulatory backtesting purposes.

Stressed value at risk (sVaR)[1]

The sVaR is an estimate of the potential loss arising from a 12-month period of significant financial stress. The sVaR internal model is approved by the PA to calculate the RC for all trading book exposures, including certain banking book exposures. The PA assigns a sVaR model multiplier to be used in the calculation of RC. The sVaR methodology is the same as that used to calculate VaR but is based on inputs calibrated to historical data from the chosen 12-month stress period. A regular process is applied to assess the stress period most relevant to the Bank's portfolio in accordance with the approved methodology. The sVaR RC requirement is calculated daily and is disclosed for the reporting period. Regulatory coverage and reporting of sVaR follows the same approach as VaR (refer to the disclosure above). The sVaR historical period remained 2008/2009.

Stress testing

Stress testing provides an indication of the potential size of losses that could occur in extreme conditions. Stress testing assists in identifying risk concentrations across business lines and assists senior management in making capital planning decisions. The Group performs two main types of stress/scenario testing:

- Risk factor stress testing is conducted by applying historical stress moves to each of the main risk categories (interest rate, equity, foreign exchange, commodity and credit spread risks) and is an estimate of potential losses that might arise from extreme market moves or scenarios to key liquid and illiquid risk factors.
- The trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme, yet plausible, events that may impact the market risk exposure across liquid and illiquid risk factors at the same time.

These are reported based on the concurrent aggregation of all risk factors including cross-risk factor effects. Scenarios are reviewed at least annually. A full revaluation approach is applied to undertake stress testing for South Africa's trading books and a sensitivity-based approach is used for ARO. The results are monitored against approved limits and thresholds.

Tail risk metrics

Tail risk metrics highlight the risk beyond the percentile selected for VaR. The two tail risk metrics chosen for daily monitoring, using the current portfolio and two years of unweighted historical market moves, are:

- The average of the worst three hypothetical losses from the historical simulation.
- Expected shortfall (also referred to as expected tail loss). This is the average of all hypothetical losses from the historical simulation beyond the 99th percentile used for the VaR.

Risk sensitivities and exposures

The risk sensitivity reporting covers non-statistical measures for calculating and monitoring risk sensitivities and exposures as well as gross notional limits, issuer risk limits and concentration exposure where appropriate. All asset classes and product types have risk sensitivity reporting and limit monitoring. These limits are aligned to VaR limits, but do not bear a direct linear relationship.

Standardised approach

General risk for ARO is quantified using standardised rules using the maturity method for general interest rate risk. In addition, the regulatory SA is used to calculate RC for any new products, which have not yet met PA requirements for inclusion within the approved internal model. This approach applies to CVA, asian and gap risk options and issuer-specific risk exposures.

[1] It is assumed the distribution of historical returns is the same as the distribution of future returns.

5. Market risk

Aggregation for capital calculation purposes

The Group uses the IMA to calculate capital for all products for which the PA granted approval. New products, or products for which PA approval has not been obtained, are capitalised under the SA for general risk.

Specific risk is calculated using the SA for all entities.

RC is calculated as a simple summation of the IMA and SA capital charges. No diversification between the methodologies is permitted.

5.2.3.2 Reporting

The Group's market risk function produces several daily and monthly market risk reports. The reports detail the positions, sensitivities and exposures, stress testing losses, VaR/sVaR, RWA and capital across all asset classes for the trading book. A risk summary is also presented at the TMRC and other governance committee meetings, as required, including the risk profile report tabled at the GRCMC meeting.

Market risk under SA [MR1]

		a 2023 RWA Rm	a 2022 RWA Rm
	Outright products		
1	Interest rate risk (general and specific)[1]	17 393	17 990
2	Equity risk (general and specific)	453	65
3	Foreign exchange risk	610	600
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	155	260
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	18 611	18 915

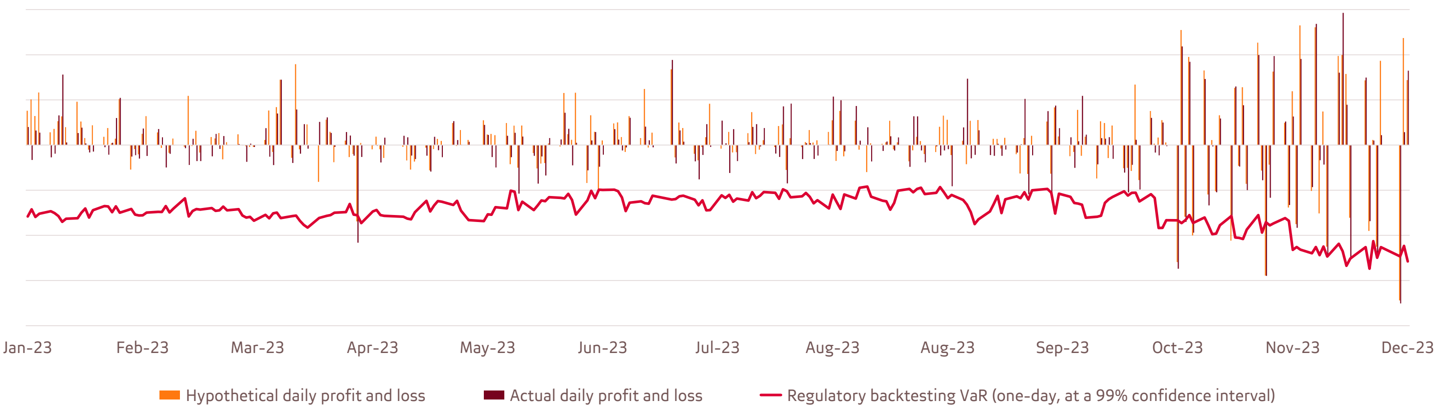
Market risk under the IMA

This section relates to the trading books for which IMA approval is in place for the current and previous reporting period.

Comparison of VaR estimates with trading revenues

The following graph compares the total VaR estimates over a one-day holding period at a 99% confidence level with the daily revenues generated by the trading units. Actual PnL include fair value adjustments and reserves, which relate to instruments held at fair value according to IFRS 13, but excludes new deals, intra-day trading PnL, commissions and fees. Hypothetical PnL is calculated by the risk system holding positions static and revaluing them using the change in market rates, prices and volatilities across two days. The model covers 100% of the IMA capital requirement.

The Group's trading book revenue backtested against regulatory VaR (Rm) [MR4]



Eleven hypothetical and twelve actual back testing exceptions occurred during the period. These were primarily due to the heightened volatility in African currencies, most notably Nigeria.

[1] General and specific risks are calculated separately as standalone charges without diversification.

5. Market risk

RWA flow statements of market risk exposures under IMA [MR2]

		a	b	c	d	e	f
		2023					
		VaR Rm	sVaR Rm	IRC[1] Rm	CRM Rm	Other Rm	Total RWA Rm
1	RWA at previous quarter end	8 726	9 580	-	-	-	18 306
2	Movements in risk levels	4 774	3 525	-	-	-	8 299
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and (disposals)	-	-	-	-	-	-
6	Other	-	-	-	-	-	-
7	RWA at end of reporting period	13 500	13 105	-	-	-	26 605

		a	b	c	d	e	f
		2022					
		VaR Rm	sVaR Rm	IRC[1] Rm	CRM Rm	Other Rm	Total RWA Rm
1	RWA at previous quarter end	8 749	8 688	-	-	-	17 437
2	Movements in risk levels	943	1 587	-	-	-	2 530
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and (disposals)	-	-	-	-	-	-
6	Other	-	-	-	-	-	-
7	RWA at end of reporting period	9 692	10 275	-	-	-	19 967

[1]IRC: incremental risk charge.

5. Market risk

IMA values for trading portfolios [MR3]

		a 2023 Rm	a 2022 Rm
VaR (10 day 99%)[1]			
1	Maximum value	433	270
2	Average value	231	179
3	Minimum value	146	101
4	Period end	407	257
Stressed VaR (10 day 99%)[1]			
5	Maximum value	403	345
6	Average value	239	204
7	Minimum value	109	108
8	Period end	266	238
Incremental risk charge (IRC) (99.9%)			
9	Maximum value	–	-
10	Average value	–	-
11	Minimum value	–	-
12	Period end	–	-
Comprehensive risk capital charge (99.9%)			
13	Maximum value	–	-
14	Average value	–	-
15	Minimum value	–	-
16	Period end	–	-
17	Floor (standardised measurement method)	–	-

[1] One-day VaR scaled to 10 days by multiplying the one-day VaR by square root of 10. The same approach is applied for sVaR.

5. Market risk

5.2.3.3 Additional disclosures

Analysis of market risk exposure

The following table reflects the VaR and expected shortfall statistics for trading book activities as measured by the IMA for general trading position risk:

Trading book management VaR summary[1]

	2023				2022			
	Average Rm	High[2] Rm	Low[2] Rm	At the reporting date Rm	Average Rm	High[2] Rm	Low[2] Rm	At the reporting date Rm
Interest rate risk	57	92	28	39	67	135	40	97
Foreign exchange risk	39	142	9	130	15	38	4	38
Equity risk	14	32	8	10	15	28	6	11
Commodity risk	1	5	-	1	1	3	-	1
Inflation risk	32	68	7	18	48	74	24	68
Credit spread risk	7	11	5	5	9	12	5	5
Diversification effect	(76)	-	-	(75)	(99)	-	-	(140)
Total VaR[3]	73	137	46	129	56	85	32	81
Expected shortfall	111	248	55	206	92	309	60	111
Regulatory VaR[4]	73	137	46	129	56	85	32	81
Regulatory sVaR[3]	76	127	34	84	65	109	34	75

The increase in average VaR was caused by the heightened volatility in African currencies, most notedly Nigeria. The exposure to other risks reduced as the business turned defensive in the light of macro-economic uncertainty as central banks' balance persistent inflation and subdued growth.

[1] VaR at 99% confidence level and a two-year historical time series for businesses with IMA approval.

[2] The high and low VaR figures reported for each category did not necessarily occur on the same day as the high (and low) total VaR. Consequently, a diversification effect number for the high (and low) VaR figures would not be meaningful and is therefore omitted.

[3] The analysis includes trading books for which internal model approval was obtained.

[4] Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. The sVaR period is subject to quarterly reviews for appropriateness.

5. Market risk

5.2 Banking book risk

Banking book risk is 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.

5.3.1 Review of current reporting period

Key risk metrics	2023	2022
Banking book net interest income (NII) sensitivity for a 2% increase shock in interest rates (Rm)	1 200	1 099
South Africa	290	629
ARO	910	470
Banking book NII sensitivity for a 2% downward shock in interest rates (Rm)	(1 885)	(1 527)
South Africa	(460)	(614)
ARO	(1 425)	(913)
Banking book risk EC (Rbn)	8.6	7.8

- The Group remained positively positioned for an increase in policy rates post the discipline of proactively hedging its structural, fixed and margin risks to reduce NII volatility where possible.
- Group NII sensitivity for a 200bps rate cut rose to R1.9bn (31 December 2022: R1.5bn). ARO NII increased over the year primarily due to continued non-rate sensitive customer deposit growth and changes in the profile of investments. This was partly offset by lower NII sensitivity in South Africa following increased interest risk hedging activities.
- The increase in EC is largely due to growth in the size of the Group's HQLA.

5.3.2 Priorities

- Maintain a proactive approach to managing credit spread, interest rate, and foreign exchange risk while staying within the Group's risk appetite.
- Preserve margin stability through sensible risk management strategies, such as the structural hedge program in South Africa.
- Prepare the Group for the adoption of the new benchmark rate reforms in South Africa.
- Adopt the Basel III finalisation regulatory guidelines in preparation for upcoming disclosure obligations.

5.3.3 General information about banking book risk [IRRBBA]

Banking book risk is the risk that the Group's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads. This risk arises in the banking book due to repricing differences between assets, liabilities and equity, originating from the provision of retail and wholesale banking products and services (considered core banking activities), together with certain rate-insensitive exposures in the balance sheet. This risk impacts both the earnings and economic value of the Group.

The Group's objective for the management of banking book risk is to ensure a higher degree of interest rate margin stability and reduced interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to local treasury or Group Treasury, which is mandated to hedge material net exposures with the external market. This allows risk to be managed centrally and holistically for the Group.

These risk positions are managed mainly through the use of derivative instruments such as interest rate swaps, or appropriate balance sheet optimisation. Residual interest rate risk may remain in treasury due to risks that are not viable to hedge in external markets. A limit framework is in place to ensure that the retained risk remains within approved risk appetite.

The techniques used to measure and monitor banking book risk include:

- Repricing profiles
- Annual earnings at risk (EaR)/NII sensitivity
- VaR and other tail metrics
- EC
- Economic value of equity (EVE) sensitivity
- Stress testing

VaR, supporting metrics and stresses are reported daily for Group Treasury and the ARO businesses, with the exception of two businesses where reporting is done monthly. The repricing profiles, EaR, EVE sensitivity and stress results are reported monthly for both Group Treasury and ARO. Limits are set and monitored through the formal governance process.

Repricing profiles

To generate repricing profiles, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date. The repricing profiles considers the assumed behavioural profile of structural product balances.

EaR/NII sensitivity

EaR/NII sensitivity measures the sensitivity of NII over the next 12 months to a specified shock in interest rates. EaR is monitored against approved internal limits. Foreign exchange risk arising on the banking book is transferred from business to treasury and hedged in the external market.

5. Market risk

VaR

VaR calculated at a 99% confidence level is used for measuring banking book risk. The VaR is monitored against approved internal limits and is used as a complementary metric to EaR. The VaR is supplemented by non-VaR, stress and tail metrics.

Economic capital

EC is the Group's internal capital adequacy assessment of an estimated maximum cumulative loss over a one year holding period as a result of market price volatility changes at various confidence intervals. This holding period better reflects the nature of banking book exposures and is supplemented by VaR and non-VaR metrics.

EVE sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point in time to a specified shock to the yield curve. EVE sensitivity is measured against regulatory guidelines and approved internal limits.

Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books.

Impact on earnings

The following table depicts the impact on EaR/NII for 100 and 200bps up and down movements in market interest rates for the Group's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month NII of R1.9bn (2022: R1.5bn). A similar increase would result in an increase in projected 12-month NII of R1,2bn (2022: R1.1bn). On this basis, EaR expressed as sensitivity to a 200bps parallel decrease in all market interest rates increased to 2.8% of the Group's NII.

EaR for 100 and 200bps changes in market interest rates

	2023			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
South Africa (Rm)[1]	(460)	(184)	149	290
ARO (Rm)[2]	(1 425)	(978)	455	910
Total (Rm)	**(1 885)**	**(1 162)**	**604**	**1 200**
Percentage of the Group's NII (%)	(2.8)	(1.7)	0.9	1.8
Percentage of the Group's equity (%)	(1.1)	(0.7)	0.4	0.7

	2022			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
South Africa (Rm) [1]	(614)	(296)	318	629
ARO (Rm) [2]	(913)	(380)	235	470
Total (Rm)	(1 527)	(676)	553	1 099
Percentage of the Group's NII (%)	(2.5)	(1.5)	0.9	1.8
Percentage of the Group's equity (%)	(1.0)	(0.5)	0.4	0.7

[1] Includes exposures held in the CIB banking book.
[2] ARO interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

6. Capital and liquidity risk

6. Capital and liquidity risk

Capital and liquidity risk is 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.

6.1 Overview of capital and liquidity risk management and key prudential metrics

The Capital and Liquidity Risk Management Framework sets out the overarching requirements and approach to the assessment and management of capital and liquidity risks.

The risk management approach is aligned to the principles defined in the ERMF. The second line of defence is responsible for independent oversight on the management of the risk profile and preparing the policies and guidelines that detail responsibilities, activities and governance arrangements for managing and mitigating capital and liquidity risk. Risk appetite is set annually and enables the monitoring of the capital and liquidity risk profile across the Group.

The Group / legal entity Treasury Committees review and approve the capital and liquidity risk appetite at least annually. In addition, capital and liquidity risk appetite statements classified as Board level are submitted to the Group GRCMC for review and recommended to the Board for final approval. The ERC reviews and approves the cascading risk appetite to risk types, legal entities and business units.

Risk metrics are forecast as part of the annual integrated planning cycle or when necessary to ensure that the Group has adequate financial resources to support its strategic objectives and to meet minimum regulatory requirements. The metrics are monitored dynamically and in line with the nature of each of the underlying risks. Capital and liquidity buffers are informed by internal scenario analysis and stress testing exercises conducted by finance, treasury, and risk functions to test the resilience of business, capital and funding plans against adverse events and scenarios.

Risk management and mitigation activities are monitored by the appropriate executive oversight committees and include the proactive management of the amount, tenor and composition of capital and funding for strategy execution.

6. Capital and liquidity risk

6.1.1 Key BCBS metrics (at consolidated Group level) [KM1][1,2]

		a	b	c	d	e
		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
Available capital (Rm)						
1	CET1	127 898	123 582	125 138	119 299	120 390
2	Tier 1	146 533	141 373	142 705	136 206	136 635
3	Total capital	162 515	159 205	158 388	159 247	158 719
RWA (Rm)						
4	Total RWA	1 058 480	1 020 992	1 018 726	1 017 928	1 007 387[4]
Risk-based capital ratios as a percentage of RWA (%)						
5	CET1 ratio	12.1	12.1	12.3	11.7	12.0[4]
6	Tier 1 ratio	13.8	13.8	14.0	13.4	13.6
7	Total capital ratio	15.4	15.6	15.5	15.6	15.8
Additional CET1 buffer requirements as a percentage of RWA (%)						
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement[3]	-	-	-	-	-
10	G-SIB and/or domestic systemically important banks (D-SIB) additional requirements	1.0	1.0	1.0	1.0	1.0
11	Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	3.5
12	CET1 available after meeting the bank's minimum capital requirements	3.6	3.6	3.8	3.2	3.5
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure (Rm)	1 955 669	1 964 177	1 947 965	1 902 576	1 848 607
14	Basel III leverage ratio (%) (row 2 / row 13)	7.5	7.2	7.3	7.2	7.4
LCR						
15	Total HQLA (Rm)	256 548	265 705	259 337	245 024	240 876
16	Total net cash outflow (Rm)	206 904	192 400	184 175	185 132	193 299
17	LCR (%)	124.0	138.1	140.8	132.4	124.6
NSFR						
18	Total ASF (Rm)	1 192 178	1 181 066	1 156 346	1 116 892	1 081 769[4]
19	Total RSF (Rm)	1 009 111	997 896	980 161	969 803	954 359[4]
20	NSFR (%)	118.1	118.4	118.0	115.2	113.4

- CET1 capital supply has increased in the quarter due to the appropriation of R6.0bn of profits, R317m increase in the share-based payment reserve and R250m improvement in the available for sale reserve offset by a R1.9bn reduction in the foreign currency translation reserve.
- Total RWA increased by R37.5bn mainly due growth in client lending increasing credit risk (R25.2bn), combined with higher market risk (R8.0bn) and operational risk (R3.8bn).

[1] The fully loaded accounted ECL basis has been fully transitioned in.
[2] The numbers are excluding unappropriated profits.
[3] The countercyclical buffer in South Africa is currently zero.
[4] The December 2022 figures were revised to align with final regulatory submissions.

6. Capital and liquidity risk

6.1.2 Key BCBS metrics (at consolidated Bank level) [KM1][1]

		a	b	c	d	e
		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
Available capital (Rm)						
1	CET1	79 020	76 011	78 350	79 704	79 249
2	Tier 1	95 798	92 147	94 324	95 402	94 334
3	Total capital	108 092	106 192	106 235	114 701	112 835
RWA (Rm)						
4	Total RWA	682 695	643 430	637 677	660 250	662 093
Risk-based capital ratios as a percentage of RWA (%)						
5	CET1 ratio	11.6	11.8	12.3	12.1	12.0
6	Tier 1 ratio	14.0	14.3	14.8	14.4	14.2
7	Total capital ratio	15.8	16.5	16.7	17.4	17.0
Additional CET1 buffer requirements as a percentage of RWA (%)						
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Countercyclical requirement[2]			-	-	
10	G-SIB and/or D-SIB additional requirements	1.0	1.0	1.0	1.0	1.0
11	Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	3.5
12	CET1 available after meeting the bank's minimum capital requirements	3.1	3.3	3.8	3.6	3.5
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure (Rm)	1 614 996	1 618 848	1 599 001	1 578 254	1 543 179
14	Basel III leverage ratio (%) (row 2 / row 13)	5.9	5.7	5.9	6.0	6.1
LCR						
15	Total HQLA (Rm)	229 944	234 755	227 997	215 111	208 117
16	Total net cash outflow (Rm)	180 301	161 451	154 992	157 519	161 347
17	LCR (%)	127.5	145.4	147.1	136.6	129.0
NSFR						
18	Total ASF (Rm)	974 139	959 933	936 587	917 129	895 875[3]
19	Total RSF (Rm)	869 936	854 405	838 695	837 645	826 055[3]
20	NSFR (%)	112.0	112.4	111.7	109.5	108.5

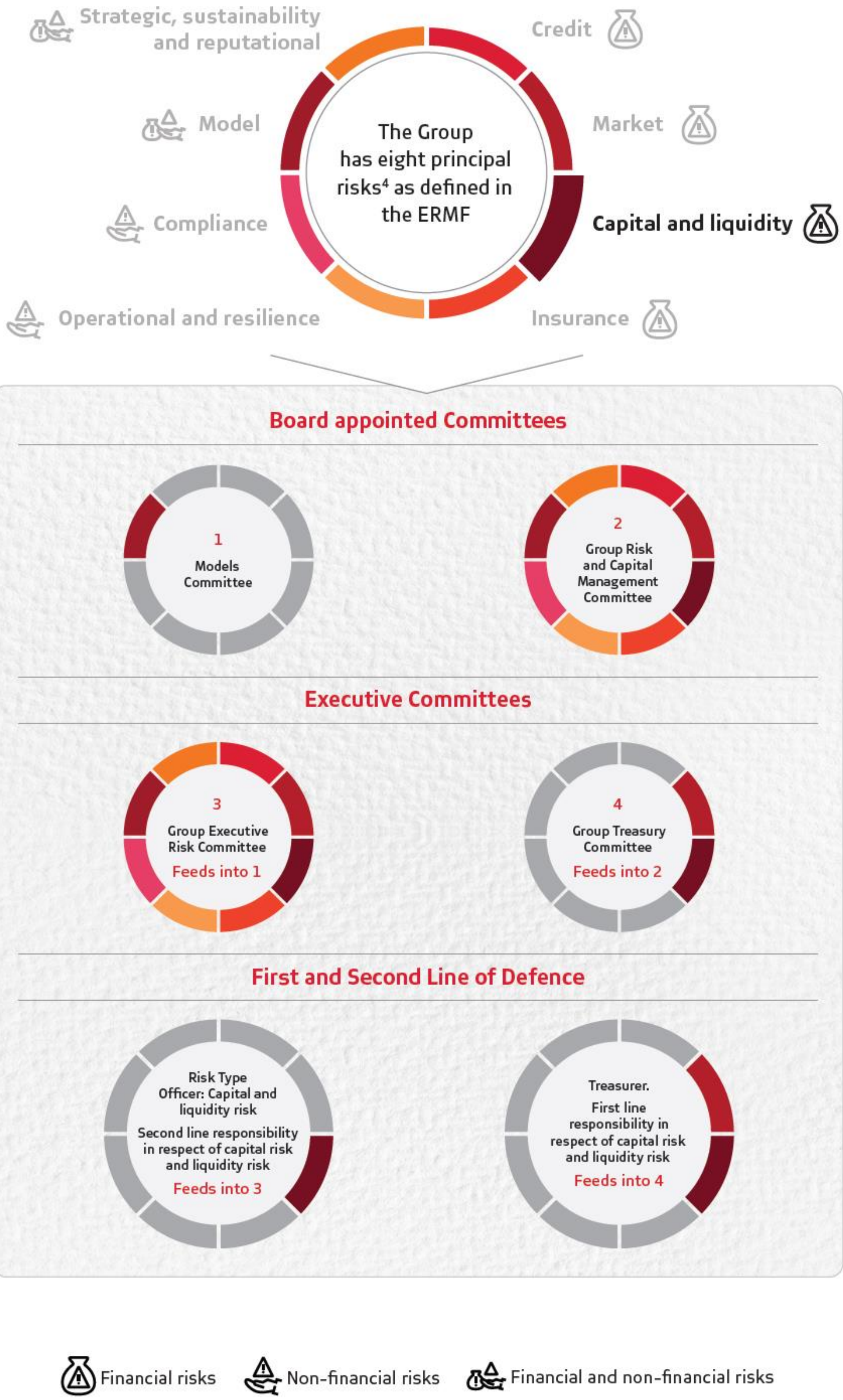
[1] The fully loaded accounted ECL basis has been fully transitioned in.
[2] The countercyclical buffer in South Africa is currently zero.
[3] The December 2022 figures were revised to align with final regulatory submissions.

6. Capital and liquidity risk

6.1.3 Governance

A set of policies and standards, with an overarching framework, is used with the ERMF to manage and govern capital and liquidity risks. The Capital and Liquidity Risk Framework includes key control objectives that must be met. The liquidity, capital risk and pension risk policies outline a minimum set of standards and requirements that should be maintained for the management of these risks, encompassing planning, limit setting, stress testing, contingency and recovery planning.

The committee structure used to govern decisions relating to capital and liquidity risk is outlined below:



6. Capital and liquidity risk

6.2 Capital risk

Capital risk is 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.

6.2.1 Review of the current reporting period

Key risk metrics	2023	2022
Total EC (Rbn)	113.2	108.7
Total RWA (Rbn)	1 058.5	1 007.4[1]
CET1 capital adequacy ratio (%)[2]	12.5	12.8
EC coverage	1.5	1.6
Leverage ratio (%)[2]	7.7	7.8
Cost of equity (CoE) (%)[3]	14.5	14.5

- The Group's capital position remained at the top end of the Board target range of 11.0% to 12.5%, and well above minimum regulatory requirements.
- The Group continued to increase its dividend pay-out ratio.
- The growth in RWAs was mainly attributable to robust balance sheet growth driving credit risk coupled with revenue growing driving operation risk RWA.
- Additional tier 1 capital increased from the issuance of qualifying capital instruments amounting to R2.0bn offsetting a R1.2bn redemption in October 2023.
- Tier 2 capital reduced driven by the redemption of R8.7bn, offset partially by the green bond tier 2 issuances during the year.
- 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 leverage exposure growth in the balance sheet.
- Following an assessment of the financial market landscape, the Group's CoE remained unchanged at 14.5%.

6.2.2 Priorities

- Generate sustainable value for shareholders while maintaining sufficient capital supply for growth.
- Maintain capital ratios within the Board-approved risk appetite and above minimum levels of regulatory capital while retaining 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; the capital standard under the Financial Conglomerate Supervisory Framework in South Africa; and the proposed implementation of the positive cycle-neutral counter cyclical buffer expected to be phased in from 2025.
- Prioritise the issuance of first loss after capital instruments following the promulgation of the Financial Sector Laws Amendment Bill and imminent finalisation of the first loss after capital (Flac) standard.
- Appropriately deploy capital and repatriate subsidiaries' dividends.
- 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 composition of capital resources.

6.2.3 General information about capital risk

6.2.3.1 Risk identification and management

The Group's capital management strategy, which supports and aligns with the Group's strategy, is to create sustainable value for shareholders within approved risk appetite through effective financial resource management.

The Group's capital management objectives are to:

- Maintain an adequate level of capital resources in excess of regulatory requirements and within capital targets, by optimising capital resources and raising capital where required.
- Ensure efficient deployment of capital to legal entities in the Group.
- Assess, manage and efficiently implement regulatory changes to optimise capital usage.

Various processes play a role in ensuring that the Group's capital management objectives are met, including ICAAP, stress testing and recovery and resolution planning.

[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.

6. Capital and liquidity risk

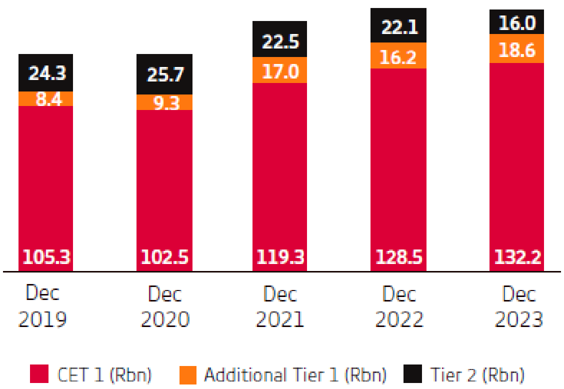
6.2.3.2 Reporting

Capital adequacy

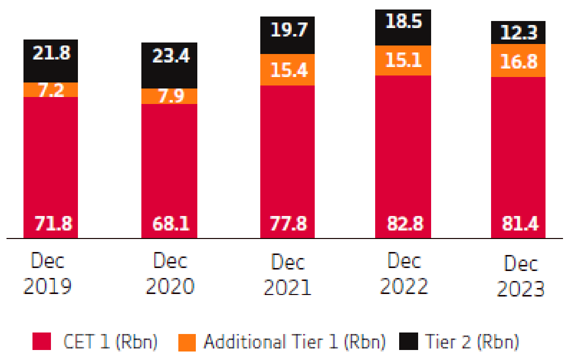
	Board target ranges[1]	Minimum RC requirements[2]	2023 Group performance	2022 Group performance	2023 Bank performance	2022 Bank performance
Statutory capital ratios (includes unappropriated profits) (%)						
CET1	11.0 – 12.5		12.5	12.8	11.9	12.5
Tier 1	>12.0		14.2	14.4	14.4	14.8
Total CAR	>14.5		15.8	16.6	16.2	17.6
Leverage	5.5 – 7.5		7.7	7.8	6.1	6.3
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET1		8.5	12.1	12.0[3]	11.6	12.0
Tier 1		10.3	13.8	13.6	14.0	14.2
Total CAR		12.5	15.4	15.8	15.8	17.0
Leverage		4.0	7.5	7.4	5.9	6.1

Qualifying capital (including unappropriated profits)

Group



Bank



Group[4] 2019	2020	2021	2022	2023		Bank[4] 2019	2020	2021	2022	2023
12.1	11.2	12.8	12.8	12.5	CET1 ratio (%)	11.9	10.6	12.4	12.5	11.9
15.8	15.0	17.0	16.6	15.8	Total capital adequacy ratio (%)	16.7	15.6	17.9	17.6	16.2

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Bank 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 ratio was 11.8% in December 2019, and the historical normalised Bank CET1 ratio was 11.4% in December 2019.

6. Capital and liquidity risk

Capital adequacy ratios of legal entities

		2023			
Operations	Regulator	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total regulatory minimum %
Local entities (South Africa)					
Group	Prudential Authority				
Including unappropriated profits		166 771	14.2	15.8	
Excluding unappropriated profits		162 515	13.8	15.4	12.5[1]
Absa Bank[2]	Prudential Authority				
Including unappropriated profits		110 486	14.4	16.2	
Excluding unappropriated profits		108 092	14.0	15.8	12.5[1]
Foreign banking entities[3]					
Absa Bank Mozambique	Banco de Mozambique	2 311	19.9	19.9	13.0
Absa Bank Botswana	Bank of Botswana	5 297	13.7	20.7	12.5
Absa Bank Ghana	Bank of Ghana	2 746	12.2	15.2	10.0
Absa Bank Kenya	Central Bank of Kenya	9 377	13.6	18.1	14.5
Absa Bank Mauritius	Bank of Mauritius	8 595	18.0	18.8	14.0
National Bank of Commerce	Bank of Tanzania	2 647	14.9	16.3	14.5
Absa Bank Tanzania	Bank of Tanzania	1 390	18.2	19.2	14.5
Absa Bank Uganda	Bank of Uganda	3 249	21.5	23.9	15.2
Absa Bank Seychelles	Bank of Seychelles	1 183	14.7	19.5	12.0
Absa Bank Zambia	Bank of Zambia	2 560	20.1	22.0	10.0
Insurance entities					
Absa Life Limited	Prudential Authority	5 772		1.42xSCR[4]	1.0xSCR[4]
Absa Insurance Company Limited	Prudential Authority	1 415		1.61xSCR[4]	1.0x SCR[4]

[1] The 2023 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A which was reinstated at 1% percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on).

[2] The Bank includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

[3] The 2023 foreign banking entity disclosures are unaudited.

[4] Solvency capital requirement (SCR): calibrated to correspond to the VaR of an insurer's qualifying capital at a confidence level of 99.5% over a one-year period, as prescribed by the Financial Soundness Standards for Insurers (FSI).

6. Capital and liquidity risk

Operations	Regulator	2022 Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total regulatory minimum %
Local entities (South Africa)					
Group	SARB				
Including unappropriated profits		167 905	14.4	16.6	
Excluding unappropriated profits		158 767	13.6	15.8	12.5[1]
Absa Bank[2]	SARB				
Including unappropriated profits		116 381	14.8	17.6	
Excluding unappropriated profits		112 835	14.2	17.0	12.5[1]
Foreign banking entities[3]					
Absa Bank Mozambique	Banco de Mozambique	1 982	20.2	20.0	13.0
Absa Bank Botswana	Bank of Botswana	4 900	13.9	22.0	12.5
Absa Bank Ghana	Bank of Ghana	3 328	19.4	21.4	13.0
Absa Bank Kenya	Central Bank of Kenya	9 675	14.4	18.5	14.5
Absa Bank Mauritius	Bank of Mauritius	6 511	16.6	17.2	14.0
National Bank of Commerce	Bank of Tanzania	2 259	16.0	17.8	14.5
Absa Bank Tanzania	Bank of Tanzania	1 162	20.6	22.0	14.5
Absa Bank Uganda	Bank of Uganda	2 702	21.3	24.2	12.0
Absa Bank Seychelles	Bank of Seychelles	888	12.5	17.3	12.0
Absa Bank Zambia	Bank of Zambia	2 169	13.3	15.4	10.0
Insurance entities					
Absa Life Limited	Prudential Authority	5 505		1.42xSCR[4]	1.0xSCR[4]
Absa Insurance Company Limited	Prudential Authority	1 258		1.44xSCR[4]	1.0x SCR[4]

[1] The 2022 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A was reinstated at 1% percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on).

[2] The Bank includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

[3] The 2022 foreign banking entity disclosures are unaudited.

[4] SCR: calibrated to correspond to the VaR of an insurer's qualifying capital at a confidence level of 99.5% over a one-year period, as prescribed by the Financial Soundness Standards for Insurers (FSI).

6. Capital and liquidity risk

Capital supply

Breakdown of qualifying capital

Group	2023 Rm	2023 %[2]	2022[1] Rm	2022[1] %[2]
CET1	127 898	12.1	120 390	12.0
Additional Tier 1 capital	18 635	1.7	16 245	1.6
Tier 1 capital	146 533	13.8	136 635	13.6
Tier 2 capital	15 982	1.5	22 084	2.2
Total qualifying capital (excluding unappropriated profits)	162 515	15.4	158 719	15.8
Qualifying capital (including unappropriated profits)				
CET1 including unappropriated profits	132 154	12.5	128 528	12.8
CET1	127 898	12.1	120 390	12.0
Unappropriated profits	4 256	0.4	8 138	0.8
Additional Tier 1 capital	18 635	1.7	16 245	1.6
Tier 1 capital	150 789	14.2	144 773	14.4
Tier 2 capital	15 982	1.5	22 084	2.2
Total qualifying capital (including unappropriated profits)	166 771	15.8	166 857	16.6

Bank[3]	2023 Rm	2023 %[2]	2022[1] Rm	2022[1] %[2]
CET1	79 020	11.6	79 249	12.0
Additional Tier 1 capital	16 778	2.5	15 085	2.3
Tier 1 capital	95 798	14.0	94 334	14.2
Tier 2 capital	12 294	1.8	18 501	2.8
Total qualifying capital (excluding unappropriated profits)	108 092	15.8	112 835	17.0
Qualifying capital (including unappropriated profits)				
CET1 including unappropriated profits	81 414	11.9	82 795	12.5
CET1	79 020	11.6	79 249	12.0
Unappropriated profits	2 394	0.4	3 546	0.5
Additional Tier 1 capital	16 778	2.5	15 085	2.3
Tier 1 capital	98 192	14.4	97 880	14.8
Tier 2 capital	12 294	1.8	18 501	2.8
Total qualifying capital (including unappropriated profits)	110 486	16.2	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.

6. Capital and liquidity risk

Economic capital adequacy

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 ICAAP and in capital allocation decisions, which supports shareholder value creation. EC considers risk types that not only lead to potential operating losses but can also result in lower-than-expected earnings.

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

Economic capital	2023 Rm	2022 Rm
Credit risk[1]	72 583	69 982
Market risk	13 094	12 934
Trading book risk	4 468	5 138
Banking book risk	8 626	7 796
Insurance risk	6 339	5 709
Strategic, sustainability and reputational risk	7 800	7 039
Model risk	1 663	1 644
Operational and resilience risk[2]	11 744	11 413
Total EC requirement	113 223	108 721
Total EC AFR	169 820	168 848
Total EC surplus	56 597	60 127
EC coverage ratio	1.5	1.6

[1] Credit risk includes equity risk, CCR, CVA and securitisation.

[2] Operational and resilience risk includes fixed asset risk, non-customer assets and compliance risk.

6. Capital and liquidity risk

Composition of regulatory capital [CC1]

		a	b	a
		31 Dec 2023		30 Jun 2023
		Amounts		Amounts
	Group	Rm	Ref.[1]	Rm
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	12 121	(a)	12 287
2	Retained earnings	126 052	(b)	119 265
3	Accumulated other comprehensive income (and other reserves)	2 157	(c)	2 663
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	5 245	(d)	5 244
6	CET1 capital before regulatory adjustments	145 575		139 459
	CET1 capital: regulatory adjustments			
7	Prudent valuation adjustments	374		403
8	Goodwill (net of related tax liability)	769	(e)	722
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	12 661	(f)	11 650
10	DTA that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	108		255
11	Cash-flow hedge reserve	(1 280)		(3 411)
12	Shortfall of provisions to expected losses	-		-
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	-		-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(379)		(203)
15	Defined-benefit pension fund net assets	477		477
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	3		3
17	Reciprocal cross-holdings in common equity	-		-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		-
20	Mortgage servicing rights (amount above 10% threshold)	-		-
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
22	Amount exceeding the 15% threshold	-		-
23	of which: significant investments in the common stock of financials	-		-
24	of which: mortgage servicing rights	-		-
25	of which: DTA arising from temporary differences	-		-
26	National specific regulatory adjustments	4 944		4 425
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		-
28	Total regulatory adjustment to CET1	17 677		14 321
29	CET1 capital	127 898		125 138
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	16 778		15 974
31	of which: classified as equity under applicable accounting standards	8 262	(g)	7 503
32	of which: classified as liabilities under applicable accounting standards	8 516	(h)	8 471
33	Directly issued capital instruments subject to phase out from additional Tier 1	-		-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	1 396		1 110

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

		a	b	a
		31 Dec 2023		30 Jun 2023
		Amounts		Amounts
	Group (cont.)	Rm	Ref.[1]	Rm
35	of which: instruments issued by subsidiaries subject to phase out	-		-
36	**Additional Tier 1 capital before regulatory adjustments**	**18 174**		17 084
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own additional Tier 1 instruments	-		-
38	Reciprocal cross-holdings in additional Tier 1 instruments	-		-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
41	National specific regulatory adjustments	(461)		(483)
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
43	**Total regulatory adjustments to additional Tier 1 capital**	**(461)**		(483)
44	**Additional Tier 1 capital (AT1)**	**18 635**		17 567
45	**Tier 1 capital (T1 = CET1 + AT1)**	**146 533**		142 705
	Tier 2 capital instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	9 843	(i)	9 174
47	Directly issued capital instruments subject to phase out from Tier 2	-		-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		-
49	of which: instruments issued by subsidiaries subject to phase out	-		-
50	Provisions	5 621		6 104
51	**Tier 2 capital before regulatory adjustments**	**15 464**		15 278
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-		-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-		-
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for GSIBs only)	-		-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-
56	National specific regulatory adjustments	(518)		(405)
57	**Total regulatory adjustments to Tier 2 capital**	**(518)**		(405)
58	**Tier 2 capital (T2)**	**15 982**		15 683
59	**Total capital (TC = T1 + T2)**	**162 515**		158 388
60	**Total RWA**	**1 058 480**		1 018 726
	Capital ratios and buffers			
61	**CET1 (as a percentage of RWA)**	**12.1**		12.3
62	**Tier 1 (as a percentage of RWA)**	**13.8**		14.0
63	**Total capital (as a percentage of RWA)**	**15.4**		15.5

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

		a	b	a
		31 Dec 2023		30 Jun 2023
		Amounts		Amounts
	Group (cont.)	Rm	Ref.[1]	Rm
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA	8.5		8.5
65	of which: capital conservation buffer requirement	2.5		2.5
66	of which: bank-specific countercyclical buffer requirement	-		-
67	of which: higher loss absorbency requirement	1.0		1.0
68	CET1 available to meet buffers (as a percentage of RWA) available after meeting the bank's minimum capital requirements	3.6		3.8
	National minima (if different from Basel III minimum)			
69	National CET1 minimum ratio	8.5		8.5
70	National Tier 1 minimum ratio	10.3		10.3
71	National total capital minimum ratio	12.5		12.5
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	1 631		2 485
73	Significant investments in the common stock of financial entities	2 478		2 516
74	Mortgage servicing rights (net of related tax liability)	-		-
75	DTA arising from temporary differences (net of related tax liability)	7 977		8 065
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3 226		3 145
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3 291		3 368
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to IRBA (prior to application of cap)	2 395		2 839
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	2 395		2 960
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-		-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-
82	Current cap on AT1 instruments subject to phase out arrangements	-		-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-
84	Current cap on T2 instruments subject to phase out arrangements	-		-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

	Bank	a 31 Dec 2023 Amounts Rm	b Ref.[1]	a 30 Jun 2023 Amounts Rm
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	37 184	(a)	37 184
2	Retained earnings	49 749	(b)	48 714
3	Accumulated other comprehensive income (and other reserves)	3 077	(c)	514
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		-
6	**CET1 capital before regulatory adjustments**	**90 010**		86 412
	CET1 capital: regulatory adjustments			
7	Prudent valuation adjustments	266		289
8	Goodwill (net of related tax liability)	112	(d)	112
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	11 773	(e)	10 804
10	DTA that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-		-
11	Cash-flow hedge reserve	(1 251)		(3 409)
12	Shortfall of provisions to expected losses	-		-
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	-		-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(379)		(203)
15	Defined-benefit pension fund net assets	466		466
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	3		3
17	Reciprocal cross-holdings in common equity	-		-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		-
20	Mortgage servicing rights (amount above 10% threshold)	-		-
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
22	Amount exceeding the 15% threshold	-		-
23	of which: significant investments in the common stock of financials	-		-
24	of which: mortgage servicing rights	-		-
25	of which: DTA arising from temporary differences	-		-
26	National specific regulatory adjustments	-		-
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		-
28	**Total regulatory adjustment to CET1**	**10 990**		8 062
29	**CET1 capital**	**79 020**		78 350
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	16 778		15 974
31	of which: classified as equity under applicable accounting standards	8 262	(f)	7 503
32	of which: classified as liabilities under applicable accounting standards	8 516	(g)	8 471
33	Directly issued capital instruments subject to phase out from additional Tier 1	-		-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group Additional Tier 1)	-		-

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

		a	b	a
		31 Dec 2023		30 Jun 2023
		Amounts		Amounts
	Bank (cont.)	Rm	Ref.[1]	Rm
35	of which: instruments issued by subsidiaries subject to phase out	-		-
36	**Additional Tier 1 capital before regulatory adjustments**	16 778		15 974
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own additional Tier 1 instruments	-		-
38	Reciprocal cross-holdings in additional Tier 1 instruments	-		-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
41	National specific regulatory adjustments	-		-
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
43	**Total regulatory adjustments to additional Tier 1 capital**	-		-
44	**Additional Tier 1 capital (AT1)**	16 778		15 974
45	**Tier 1 capital (T1 = CET1 + AT1)**	95 798		94 324
	Tier 2 capital instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	9 843	(h)	9 174
47	Directly issued capital instruments subject to phase out from Tier 2	-		-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		-
49	of which: instruments issued by subsidiaries subject to phase out	-		-
50	Provisions	2 451		2 737
51	**Tier 2 capital before regulatory adjustments**	12 294		11 911
	Tier 2 capital: regulatory adjustments			-
52	Investments in own Tier 2 instruments	-		-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-		-
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for GSIBs only)	-		-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-
56	National specific regulatory adjustments	-		-
57	**Total regulatory adjustments to Tier 2 capital**	-		-
58	**Tier 2 capital (T2)**	12 294		11 911
59	**Total capital (TC = T1 + T2)**	108 092		106 235
60	**Total RWA**	682 695		637 677
	Capital ratios and buffers			
61	**CET1 (as a percentage of RWA)**	11.6		12.3
62	**Tier 1 (as a percentage of RWA)**	14.0		14.8
63	**Total capital (as a percentage of RWA)**	15.8		16.7

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

		a	b	a
		31 Dec 2023		30 Jun 2023
		Amounts		Amounts
	Bank (cont.)	Rm	Ref.[1]	Rm
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA)	8.5		8.5
65	of which: capital conservation buffer requirement	2.5		2.5
66	of which: bank-specific countercyclical buffer requirement	-		-
67	of which: higher loss absorbency requirement	1.0		1.0
68	CET1 available to meet buffers (as a percentage of RWA) available after meeting the bank's minimum capital requirements[2]	3.1		3.8
	National minima (if different from Basel III minimum)			
69	National CET1 minimum ratio	8.5		8.5
70	National Tier 1 minimum ratio	10.3		10.3
71	National total capital minimum ratio	12.5		12.5
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	335		619
73	Significant investments in the common stock of financial entities	657		707
74	Mortgage servicing rights (net of related tax liability)	-		-
75	DTA arising from temporary differences (net of related tax liability)	4 730		5 142
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-		-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-		-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to IRBA (prior to application of cap)	2 451		2 545
79	Cap for inclusion of provisions in Tier 2 under internal ratings based approach	2 451		2 545
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-		-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-
82	Current cap on AT1 instruments subject to phase out arrangements	-		-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-
84	Current cap on T2 instruments subject to phase out arrangements	-		-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-

[1] References refer to the reconciliation of accounting capital to regulatory capital.

6. Capital and liquidity risk

Reconciliation of regulatory capital to balance sheet [CC2]

	a	b	c	a	b
	31 Dec 2023			30 June 2023	
Group	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[1] Rm	Ref.[2]	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[1] Rm
Assets					
Cash, cash balances and balances with central banks	77 815	74 397		86 795	85 366
Investment securities	236 498	229 653		230 223	223 314
Trading portfolio assets	191 097	190 927		214 153	214 153
Hedging portfolio assets	5 441	5 441		6 856	6 856
Other Assets	27 805	26 811		33 913	33 010
Current tax assets	627	485		639	563
Non-current assets held for sale	197	197		182	182
Loans and advances	1 271 357	1 269 216		1 250 562	1 249 254
Insurance contract assets	693	-		10 794	-
Reinsurance assets	972	3		4 048	-
Investment linked to Investment contracts	21 045	-		20 307	-
Investments in associates and joint ventures	2 644	1 839		2 527	2 526
Investment properties	378	224		399	226
Property and equipment	16 016	15 911		15 527	15 384
Goodwill and intangible assets	14 442	13 431		13 334	12 874
of which goodwill	769	769	(e)	722	722
of which other intangibles	13 673	13 104	(f)	12 612	12 153
net of deferred tax	-	(442)	(f)	-	(503)
Deferred tax assets	7 849	7 725		8 081	7 988
Total assets	1 874 876			1 898 340	

[1] Relates to Absa Group Limited balance sheet, including insurance entities.
[2] References to composition of capital disclosure table.

6. Capital and liquidity risk

	a	b	c	a	b
	31 Dec 2023			30 Jun 2023	
Group	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[1] Rm	Ref.[2]	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[1] Rm
Liabilities					
Trading portfolio liabilities	62 548	63 378		79 952	79 952
Hedging portfolio liabilities	1 688	1 688		2 499	2 499
Other liabilities	42 093	40 753		52 912	51 161
Provisions	6 045	5 825		3 877	3 802
Current tax liabilities	833	853		1 027	1 042
Non-current liabilities held for sale	-	-		18	18
Deposits	1 339 536	1 339 969		1 323 746	1 323 746
Debt securities in issue	211 128	211 128		213 133	213 133
Liabilities under investment contracts	21 247	-		20 484	-
Policyholder liabilities under insurance contracts	6 426	29		17 035	501
Borrowed funds	18 502	18 359		20 585	17 645
of which directly qualifying AT1 instruments		8 516	(h)		8 471
of which directly issued qualifying Tier 2 instruments		9 843	(i)		9 174
of which relates to subsidiaries		-			-
Deferred tax liabilities	181	126		217	171
Reinsurance contract liabilities	252	-		2 850	-
Total liabilities	1 710 479			1 738 335	
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Paid-in share capital	12 121	12 121	(a)	12 287	12 287
Retained earnings including unappropriated profits	130 308	130 308		126 108	126 108
of which amount eligible for CET1		126 052	(b)		119 265
of which unappropriated profits		4 256			6 843
Accumulated other comprehensive income	2 157	2 157	(c)	2 749	2 663
Non-controlling Interest - Ordinary shares	6 905	6 641		6 714	6 354
of which relate to eligible CET1		5 245	(d)		5 244
of which relates to eligible AT1		1 396			1 110
Non-controlling Interest - Preference shares	4 644	-		4 644	-
Non-controlling Interest - Additional Tier 1 Capital	8 262	8 262	(g)	7 503	7 503
Total equity	164 397			160 005	
Total liabilities and equity	1 874 876			1 898 340	

[1] Relates to Absa Group Limited balance sheet, including insurance entities.
[2] References to composition of capital disclosure table.

6. Capital and liquidity risk

	a	b	c	a	b
	31 Dec 2023			30 Jun 2023	
Bank[1]	Accounting balance sheet per published financial statements Rm	Balance sheet per regulatory scope of consolidation Rm	Ref.[2]	Accounting balance sheet per published financial statements Rm	Balance sheet per regulatory scope of consolidation Rm
Assets					
Cash, cash balances and balances with central banks	41 510	41 510		45 165	45 165
Investment securities	151 777	151 777		146 344	146 344
Trading portfolio assets	144 427	144 427		161 326	161 326
Hedging portfolio assets	5 441	5 441		6 856	6 856
Other Assets	17 264	17 264		21 274	21 274
Current tax assets	12	12		69	69
Non-current assets held for sale	191	191		77	77
Loans and advances	1 078 487	1 078 487		1 054 449	1 054 449
Loans to Absa Group companies	61 448	-		67 501	-
Investments in associates and joint ventures	1 839	1 839		1 767	1 767
Subsidiaries	-	-		-	-
Property and equipment	11 747	11 747		11 472	11 472
Goodwill and intangible assets	12 299	11 886		11 419	10 916
of which goodwill	112	112	(d)	112	112
of which other intangibles	12 187	12 187	(e)	11 307	11 307
net of deferred tax	-	(413)	(e)	-	(503)
Deferred tax assets	4 360	4 360		4 664	4 664
Total assets	1 530 802			1 532 383	

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates, and offshore holdings.

[2] References to composition of capital disclosure table.

6. Capital and liquidity risk

	a	b	c	a	b
	31 Dec 2023			30 Jun 2023	
Bank	Accounting balance sheet per published financial statements Rm	Balance sheet per regulatory scope of consolidation Rm	Ref.[1]	Accounting balance sheet per published financial statements Rm	Balance sheet per regulatory scope of consolidation Rm
Liabilities					
Trading portfolio liabilities	58 493	58 493		76 481	76 481
Hedging portfolio liabilities	1 688	1 688		2 499	2 499
Other liabilities	30 370	30 370		34 395	34 395
Provisions	4 131	4 131		2 567	2 567
Current tax liabilities	219	219		487	487
Deposits	1 089 483	1 089 483		1 071 406	1 071 406
Debt securities in issue	209 895	209 895		210 044	210 044
Loans from Absa Group companies	12 831	12 831		11 094	11 094
Insurance contract liabilities	13	13		11 094	11 094
Borrowed funds	18 358	18 359		20 440	17 645
of which directly qualifying AT1 instruments		8 516	(g)		8 471
of which directly issued qualifying Tier 2 instruments		9 843	(h)		9 174
of which relates to subsidiaries		-			-
Deferred tax liabilities	12	12		25	25
Total Liabilities	1 425 493			1 429 438	
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Paid-in share capital	37 184	37 184	(a)	37 184	37 184
Retained earnings including unappropriated profits	52 142	52 143		53 099	53 112
of which amount eligible for CET1		49 749	(b)		48 714
of which unappropriated profits		2 394			4 398
Accumulated other comprehensive income	3 077	3 077	(c)	515	515
Non-controlling Interest - Ordinary shares	-	-		-	-
Non-controlling Interest - Preference shares	4 644	-		4 644	-
Non-controlling interest – Additional Tier 1 capital	8 262	8 262	(f)	7 503	7 503
Total equity	105 309			102 945	
Total liabilities and equity	1 530 802			1 532 383	

[1] References to composition of capital disclosure table.

6. Capital and liquidity risk

Main features of RC instruments and of other total loss-absorbing capacity (TLAC)-eligible instruments [CCA]

Group	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Issuer	The Group												
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000 255915	ZAG000 159476	ZAG000 164906	ZAG000 171893	XS23391 0287	ZAG000 191925	ZAG000 200395	ZAG000 146002	ZAG000 147026	ZAG000 158452	ZAG000 166125	ZAG000 189580	ZAG000 198334
3 Governing law(s) of the instrument	South Africa				United Kingdom (Except certain provisions under South African law)	South Africa							
3a Means by which enforceability requirement of Section 13 of the TLAC term sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	-												
Regulatory treatment													
4 Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1						Tier 2					
5 Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1						Tier 2					
6 Eligible at solo/Group /Group and solo	Group												
7 Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Additional Tier 1 callable notes						Sub ordinated callable notes					
8 Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	R11 845	R1 678	R1 376	R1 209	USD500	R1 999	R2 000	R396	R1 015	R1 618	R2 710	R1 924	R2 179
9 Par value of instrument	R1 694	R1 678	R1 376	R1 209	USD500	R1 999	R2 000	R390	R1 014	R1 580	R2 676	R1 916	R2 158
10 Accounting classification	Shareholders' equity				Liability amortised cost								
11 Original date of issuance	1986	28 May 2019	05 Dec 2019	26 Oct 2020	27 May 2021	15 Nov 2022	30 Oct 2023	14 Aug 2017	29 Sep 2017	10 Apr 2019	17 Feb 2020	15 Sep 2022	25 Aug 2023
12 Perpetual or dated	Perpetual							Dated					
13 Original maturity date	NA							14 Aug 2029	29 Sep 2029	11 Apr 2029	17 May 2030	16 Sep 2032	26 Aug 2033
14 Issuer call subject to prior supervisory approval	NA	Yes											
15 Optional call date, contingent call dates and redemption amount	NA	28 Nov 2024, R1 678	05 Jun 2025, R1 376	27 Oct 2025, R1 209	28 May 2026, USD500	16 Nov 2027, R 1 999	31 Oct 2028, R 2 000	14 Aug 2024, R390	29 Sep 2024, R1 014	11 Apr 2024, R1 580	17 May 2025, R2 676	16 Sep 2027, R1 916	26 Aug 2025, R2 158
16 Subsequent call dates, if applicable	NA	Quarterly after the first optional call date until maturity			Semi annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity							
Coupons / dividends													
17 Fixed or floating dividend/ coupon	Floating												
18 Coupon rate and any related index	NA	3M JIBAR +450bps	3M JIBAR +425 bps	3M JIBAR +455 bps	6.375%	3M JIBAR +358 bps	3M JIBAR +294 bps	3M JIBAR +385 bps	3M JIBAR +345 bps	3M JIBAR +240 bps	3M JIBAR +213 bps	3M JIBAR +210 bps	3M JIBAR +172 bps
19 Existence of a dividend stopper	No	Yes			No	Yes		No					
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary				Mandatory	Fully discretionary		Mandatory					
21 Existence of step up or other incentive to redeem	N/A	No											
22 Non-cumulative or cumulative	Non-cumulative												
23 Convertible or non-convertible	NA	Non-convertible											
24 If convertible, conversion trigger (s)	NA												
25 If convertible, fully or partially	NA												
26 If convertible, conversion rate	NA												

6. Capital and liquidity risk

Group	1	2	3	4	5	6	7	8	9	10	11	12	13
27 If convertible, mandatory or optional conversion	NA												
28 If convertible, specify instrument type convertible into	NA												
29 If convertible, specify issuer of instrument it converts into	NA												
30 Write-down feature	No	Yes											
31 If write-down, write-down trigger(s)	NA	At SARB's discretion											
32 If write-down, full or partial	NA	Full or partial											
33 If write-down, permanent or temporary	NA	Permanent											
34 If temporary write-own, description of write-up mechanism	NA												
34a Type of subordination	-												
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarch of the legal entity concerned)	Columns 8 to 13, then Columns 2 to 7	Columns 8 to 13						Deposits and other general debits of the bank including non-subordinated notes					
36 Non-compliant transitioned features	NA												
37 If yes, specify non-compliant features	NA												

Bank	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Issuer	The Bank												
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000 079810	ZAG000 159484	ZAG000 164955	ZAG000 171976	NA	ZAG000 192063	ZAG000 200320	ZAG000 146010	ZAG000 147034	ZAG000 158494	ZAG000 166174	ZAG000 189598	ZAG000 198888
3 Governing law(s) of the instrument	South Africa												
3a Means by which enforceability requirement of Section 13 of the TLAC term sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	-												
Regulatory treatment													
4 Transitional Basel III rules	Common Equity Tier 1				Additional Tier 1				Tier 2				
5 Post-transitional Basel III rules	Common Equity Tier 1				Additional Tier 1				Tier 2				
6 Eligible at Solo/Group /Group & Solo	Solo												
7 Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium				Additional Tier 1 callable notes				Subordinated callable notes				
8 Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	R37 184	R1 678	R1 376	R1 209	USD500	R1 999	R2 000	R396	R1 015	R1 618	R2 711	R1 924	R2 179
9 Par value of instrument	R304	R1 678	R1 376	R1 209	USD500	R1 999	R2 000	R390	R1 014	R1 580	R2 676	R1 916	R2 158
10 Accounting classification	Share holders' equity			Liability amortised cost			Share holders' equity			Liability amortised cost			
11 Original date of issuance	1986	28 May 2019	05 Dec 2019	26 Oct 2020	27 May 2021	15 Nov 2020	30 Oct 2023	14 Aug 2017	29 Sep 2017	10 Apr 2019	17 Feb 2020	15 Sep 2022	25 Aug 2023
12 Perpetual or dated	Perpetual						Dated						
13 Original maturity date	NA	14 Aug 2029		29 Sep 2029		11 Apr 2029		17 May 2030		16 Sep 2032		26 Aug 2033	
14 Issuer call subject to prior supervisory approval	NA						Yes						
15 Optional call date, contingent call dates and redemption amount	NA	28 Nov 2024, R1 678	05 Jun 2025, R1 376	27 Oct 2025, R1 209	28 May 2026, USD500	16 Nov 2027, R1 999	31 Oct 2028, R2 000	14 Aug 2024, R390	29 Sep 2024, R1 014	11 Apr 2024, R1 580	17 May 2025, R2 676	16 Sep 2027, R1 916	26Aug 2028, R2 158
16 Subsequent call dates, if applicable	NA			Quarterly after the first optional call date until maturity			Semi annually after the first optional call date until maturity			Quarterly after the first optional call date until maturity			

6. Capital and liquidity risk

Bank	1	2	3	4	5	6	7	8	9	10	11	12	13
Coupons / dividends													
17 Fixed or floating dividend/ coupon	Floating												
18 Coupon rate and any related index	NA	3M JIBAR +450bps	3M JIBAR +425bps	3M JIBAR +455bps	6.375%	3M JIBAR +358bps	3M JIBAR +294bps	3M JIBAR +385bps	3M JIBAR +345bps	3M JIBAR +240bps	3M JIBAR +213bps	3M JIBAR +210bps	3M JIBAR +172 bps
19 Existence of a dividend stopper	No		Yes			No			Yes		No		
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary			Manda-tory			Fully discretionary			Mandatory			
21 Existence of step up or other incentive to redeem	NA						No						
22 Non-cumulative or cumulative	Non-cumulative												
23 Convertible or non-convertible	NA						Non-convertible						
24 If convertible, conversion trigger(s)	NA												
25 If convertible, fully or partially	NA												
26 If convertible, conversion rate	NA												
27 If convertible, mandatory or optional conversion	NA												
28 If convertible, specify instrument type convertible into	NA												
29 If convertible, specify issuer of instrument it converts into	NA												
30 Write-down feature	No						Yes						
31 If write-down, write-down trigger(s)	NA						At SARB's discretion						
32 If write-down, full or partial	NA						Full or partial						
33 If write-down, permanent or temporary	NA						Permanent						
34 If temporary write-own, description of write-up mechanism	NA												
34a Type of subordination	-												
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarch of the legal entity concerned)	Columns 8 to 13, then Columns 2 to 7				Columns 8 to 13				Deposits and other general debits of the bank including non-sub ordinated notes				
36 Non-compliant transitioned features	NA												
37 If yes, specify non-compliant features	NA												

6. Capital and liquidity risk

Summary comparison of accounting assets versus leverage ratio exposure measure [LR1]

Group		31 Dec 2023 Rm	30 Sep 2023 Rm
1	Total consolidated assets	1 874 876	1 908 819
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(34 536)	(46 138)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	8 230	(391)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	121 882	118 846
7	Other adjustments	(14 783)	(16 959)
8	Leverage ratio exposure measure	1 955 669	1 964 177

Bank		31 Dec 2023 Rm	30 Sep 2023 Rm
1	Total consolidated assets	1 530 802	1 548 282
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	6 990	(1 999)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	91 321	88 539
7	Other adjustments	(14 117)	(15 974)
8	Leverage ratio exposure measure	1 614 996	1 618 848

6. Capital and liquidity risk

Leverage ratio common disclosure template [LR2]

		Group		Bank	
		a	b	a	b
		31 Dec 2023	30 Sep 2023	31 Dec 2023	30 Sep 2023
		Rm	Rm	Rm	Rm
	On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 704 916	1 723 503	1 397 712	1 409 181
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(14 783)	(16 959)	(14 117)	(15 974)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	1 690 133	1 706 544	1 383 595	1 393 207
	Derivative exposures				
4	Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	19 884	21 502	19 355	20 675
5	Add-on amounts for PFE associated with all derivative transactions	34 538	28 976	33 671	28 243
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(1 263)	(2 113)	(1 263)	(2 113)
8	(CCP leg of client-cleared trade exposures)	-	-	-	-
9	Adjusted effective notional amount of written credit derivative	11 963	13 904	11 963	13 904
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	Total derivative exposures (sum of rows 4 to 10)	65 122	62 269	63 726	60 709
	Security financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	78 532	76 518	76 354	76 394
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-
15	Agent transaction exposures	-	-	-	-
16	Total securities financing transaction exposures (sum of rows 12 to 15)	78 532	76 518	76 354	76 394
	Other off-balance sheet exposures				
17	Off-balance sheet exposures at gross notional amount	459 497	434 160	389 936	364 783
18	(Adjustments for conversion to credit equivalent amounts)	(337 615)	(315 314)	(298 615)	(276 244)
19	Off-balance sheet items (sum of rows 17 and 18)	121 882	118 846	91 321	88 539
	Capital and total exposures				
20	Tier 1 capital (excluding unappropriated profits)	146 533	141 373	95 798	92 147
21	Total exposures (sum of lines 3, 11, 16 and 19)	1 955 669	1 964 177	1 614 996	1 618 848
	Leverage ratio				
22	Basel III leverage ratio	7.5	7.2	5.9	5.7

6. Capital and liquidity risk

6.3 Liquidity risk

Liquidity risk is 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.

6.3.1 Review of the current reporting period

Key risk metrics	2023	2022
Sources of liquidity (Rbn)	**333.0**	292.8
NSFR (%)	**118.1**	113.4
LCR (%)[1]	**124.0**	124.6
Loan-to-deposit ratio (%)[2]	**82.7**	84.2
Loans and advances to customers and banks (Rbn)	**1 253.6**	1 156.4
South Africa	1 071.5	1 000.6
ARO	182.1	155.8
Deposits from customers and banks (including debt securities) (Rbn)	**1 515.1**	1 373.9
South Africa	1 255.6	1 156.4
ARO	259.5	217.5

- 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 HQLA buffer in excess of the minimum regulatory requirements, based on stress testing performed.
  - Asset growth continued, 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 amounted to 27.4% (December 2022: 26.3%) of deposits from customers. The Group continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at R256.5bn (December 2022: R240.9bn).
  - Loan growth was funded by growth in customer deposits and supported by raising wholesale funding, of appropriate tenor, ensuring a sustainable and diverse funding base.
  - The overall reliance on wholesale funding was managed appropriately to support asset growth and to further strengthen the NSFR over the 5-year phase out period 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.
  - The demand from investors for Absa bond issuances was robust, leading to successfully raising R14.9bn in Senior debt, R2.2bn Green Tier 2 and R2bn additional tier 1 (AT1) capital within the local South African market. The Tier 2 issuance was issued under the Absa Banks' Sustainable Finance Issuance Framework and the funds are allocated towards wind and solar renewable projects. In addition, Absa Bank entered into a 5-year R4.5bn green loan agreement with the International Finance Corporation. The proceeds of which are to be used to support the expansion of Absa's green commercial property finance and green affordable home loans portfolios. USD term funding in 2023 included a 3-year $200m working capital facility with China Development Bank.
  - The cost of wholesale funding in domestic markets remained at lower levels in 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.
- 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.

[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.

6. Capital and liquidity risk

6.3.2 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 5-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.

6.3.3 General information about liquidity risk [LIQA]

Liquidity risk is monitored at Group level under a single comprehensive Capital and Liquidity Risk Framework. The Capital and Liquidity Risk Framework was designed to deliver an appropriate tenor structure and composition of funding consistent with the risk appetite set by the Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

6.3.3.1 Risk identification and management

The efficient management of liquidity is essential for safeguarding the Group's depositors, preserving market confidence and maintaining the Group's reputation. The Group considers sustainable access to appropriate liquidity for each of its entities to be vital. Liquidity risk is managed under the Liquidity Risk Policy in line with the Capital and Liquidity Risk Framework to:

- Maintain liquidity resources that are sufficient in amount and quality together with a funding profile that is appropriate to meet the risk appetite as expressed by the Board.
- Maintain market confidence.
- Set limits to manage liquidity risk within and across lines of business and legal entities.
- Price liquidity costs accurately and incorporate these into product pricing and performance measurement.
- Monitor early warning indicators (EWIs) to immediately identify the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources.
- Fully project over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items.
- Maintain a recovery plan that incorporates a contingent funding plan (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and regularly tested to ensure it is operationally robust.

The liquidity risk management processes are summarised in the table below:

Funding planning	Liquidity risk monitoring	Execution and intra-day liquidity risk	Contingent funding planning	Regulatory compliance
• Funding plan • Concentration risk • Customer behaviour • Pricing liquidity risk through funds transfer pricing	• Capital and Liquidity Risk Framework and policies • Internal liquidity stress metrics (ILSM) • Stress testing • Limits and metrics • Intra-day liquidity risk monitoring • Monitoring other contingent liquidity risks • New product review • Debt buyback monitoring	• Liquidity buffers • Funding execution • Daily clearing and settlement • Contingent liquidity risks in transaction documentation	• EWIs • Liquidity simulations • Contingency planning and Recovery planning	• Cash reserving • Liquid assets • Regulatory reporting • LCR • NSFR

6. Capital and liquidity risk

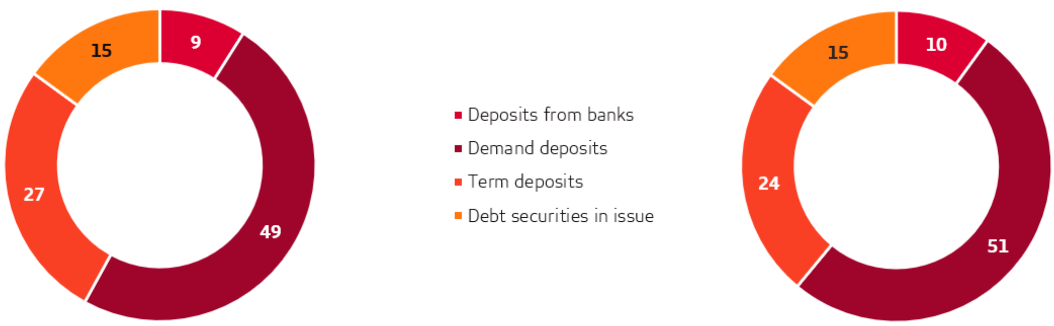
Funding structure

Funding is sourced from a variety of depositors representing a diversity of economic sectors, with a wide range of products and maturities.

Funding sources by product

The graphs below show the Group's funding sources:

2023 (%) 2022 (%)



NSFR

The NSFR aims to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis.

	Group		Bank	
	2023	2022	2023	2022
	NSFR Rm	NSFR Rm	NSFR Rm	NSFR Rm
ASF (Rm)[1]	1 192 178	1 081 769	974 139	895 875
RSF (Rm)[1]	1 009 111	954 359	869 936	826 055
Actual NSFR (%)	118.1	113.4	112.0	108.5
Required NSFR (%)	100	100	100	100

Diversification

The Group maintained a well-diversified deposit base. Concentration risk is managed within appropriate guidelines. Sources of funding were managed to maintain a diversity of depositors, products, tenors and currencies.

The Group's foreign currency funding position remains robust, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

Each geographic entity in the Group is required to ensure funding diversification is taken into account in its business planning process and to maintain a funding plan. This takes into account market conditions and the changes in factors that affect the entity's ability to raise funds.

Stress and scenario testing

Under the Capital and Liquidity Risk Framework, the Group established the ILSM, which sets the level of liquidity risk the Group chooses to take to achieve its business objectives and in meeting its regulatory requirements. It is measured with reference to the anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the appropriate size of the liquidity pool, along with the LCR.

Each entity in the Group undertakes a range of stress tests appropriate to its business. Stress tests consider both name-specific and market-wide scenarios. The results of the stress tests are used to determine the liquid asset buffer, to develop the CFP which is a component of the Group's recovery plan. Stress testing results are also considered when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the relevant liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price-sensitive overnight loans.

Contingency funding planning

Each banking entity in the Group maintains its own CFP, which includes, inter alia:

- The roles and responsibilities of senior management in a crisis.
- Authorities for invoking the plan.
- Communications strategy.
- An analysis of a realistic range of market-wide and Group-specific liquidity stress tests.
- Scenario analyses and the extent to which each stress test and scenario can be mitigated by the management of the balance sheet.
- A range of EWIs, which assist in informing management when deciding whether the CFP should be invoked.

[1] The December 2022 figures were revised to align with final regulatory submissions.

6. Capital and liquidity risk

Each banking entity in the Group must establish local processes and procedures to manage local liquidity stresses that are consistent with the Group's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. For the Bank the CFP was merged with the recovery plan.

6.3.3.2 Reporting

Short-term liquidity stress

The Group's sources of liquidity

	2023 Rm	2022 Rm
Total Group sources of liquidity	332 986	292 845
HQLA[1]	222 019	202 401
Other liquid assets (ARO)	82 477	69 772
Other sources of liquidity	28 490	20 672

LCR[2]

The LCR aims to ensure banks maintain an adequate stock of HQLA to survive a significant stress scenario lasting 30 days. The table below represents the average LCR for the quarter:

	Group		Bank	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
HQLA (Rm)	256 548	240 876	229 944	208 117
Net cash outflows (Rm)	206 904	193 299	180 301	161 347
LCR (%)	124.0	124.6	127.5	129.0
Required LCR (%)	100	100	100	100

HQLA

Each bank holds a stock of HQLA to meet any unexpected liquidity outflows. In the majority of locations, local regulators impose rules on the quantum of reserve liquidity to be held.

The HQLA portfolio is well diversified and consists of cash and cash equivalents, deposits with central banks, government debt, and other qualifying instruments under the Basel III framework. Each entity in the Group maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold. Each operation ensures its buffer can be liquidated at short notice.

Composition of liquid assets by country (%)

[1] The values disclosed represent the spot values of HQLA.

[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.

6. Capital and liquidity risk

Liquidity coverage ratio common disclosure template and summary [LIQ1]

		a	b	a	b
		31 Dec 2023		30 Sep 2023	
Group[1]		Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm
High-quality liquid assets (HQLA)					
1	Total HQLA		256 548		265 705
Cash outflows					
2	Retail deposits and deposits from small business customers of which:	486 064	40 855	477 147	40 189
3	Stable deposits	-	-	-	-
4	Less stable deposits	486 064	40 855	477 147	40 189
5	Unsecured wholesale funding of which:	542 317	270 592	533 405	263 171
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	143 100	35 775	147 736	36 934
7	Non-operational deposits (all counterparties)	390 810	226 410	378 717	219 285
8	Unsecured debt	8 407	8 407	6 952	6 952
9	Secured wholesale funding		1 058		857
10	Additional requirements of which:	367 636	42 792	354 132	44 740
11	Outflows related to derivative exposures and other collateral requirements	16 185	16 185	17 922	17 922
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	351 451	26 607	336 210	26 818
14	Other contractual funding obligations	-	-	700	700
15	Other contingent funding obligations	240 161	10 233	239 160	10 266
16	Total cash outflows (Sum of lines 2+5+9+10+14+15)		365 530		359 923
Cash inflows					
17	Secured lending (e.g., reverse repos)	48 349	8 950	42 146	11 855
18	Inflows from fully performing exposures	166 652	135 379	173 769	143 988
19	Other cash inflows	15 714	14 297	12 567	11 680
20	Total cash inflows (Sum of lines 17-19)	230 715	158 626	228 482	167 523

		Total weighted value	Total weighted value
High-quality liquid assets (HQLA)			
21	Total HQLA (Rm)	256 548	265 705
22	Total net cash outflows (Rm)	206 904	192 400
23	LCR (%)	124.0	138.1

[1] The Group LCR reflects an aggregation of the Bank LCR and the LCR of ARO. For this purpose, a simple average of the relevant three month-end data points is used for ARO, noting that 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.

6. Capital and liquidity risk

		a	b	a	b
			31 Dec 2023		30 Sep 2023
Bank[1]		Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm
High-quality liquid assets (HQLA)					
1	Total HQLA		229 944		234 755
Cash outflows					
2	Retail deposits and deposits from small business customers of which:	384 582	32 399	374 893	31 655
3	Stable deposits	-	-	-	-
4	Less stable deposits	384 582	32 399	374 893	31 655
5	Unsecured wholesale funding of which:	429 506	220 552	419 974	212 719
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	143 100	35 775	147 736	36 935
7	Non-operational deposits (all counterparties)	278 055	176 426	265 393	168 939
8	Unsecured debt	8 351	8 351	6 845	6 845
9	Secured wholesale funding		1 058		857
10	Additional requirements of which:	336 301	37 544	322 741	39 358
11	Outflows related to derivative exposures and other collateral requirements	13 520	13 520	15 122	15 122
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	322 781	24 024	307 619	24 236
14	Other contractual funding obligations	-	-	700	700
15	Other contingent funding obligations	207 256	8 845	205 856	8 881
16	Total cash outflows (Sum of lines 2+5+9+10+14+15)		300 398		294 170
Cash inflows					
17	Secured lending (e.g. reverse repos)	48 349	8 950	42 147	11 854
18	Inflows from fully performing exposures	125 547	103 452	135 304	112 981
19	Other cash inflows	9 112	7 695	8 770	7 884
20	Total cash inflows (Sum of lines 17-19)	183 008	120 097	186 221	132 719

		Total weighted value	Total weighted value
High-quality liquid assets (HQLA)			
21	Total HQLA (Rm)	229 944	234 755
22	Total net cash outflows (Rm)	180 301	161 451
23	LCR (%)	127.5	145.4

[1] The Bank LCR was calculated as a simple average of 90 calendar-day LCR observations.

6. Capital and liquidity risk

Net stable funding ratio [LIQ2]

		a	b	c	d	e
		31 Dec 2023				
		Unweighted value by residual maturity				
Group		No maturity Rm	<6 months Rm	6 months to <1 year Rm	≥1 year Rm	Weighted Value Rm
ASF item						
1	Capital	143 226	-	-	16 074	159 300
2	Regulatory capital	137 388	-	-	16 074	153 462
3	Other capital instruments	5 838	-	-	-	5 838
4	Retail deposits and deposits from small business customers:	269 312	166 106	35 515	23 015	446 856
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	269 312	166 106	35 515	23 015	446 856
7	Wholesale funding:	207 915	577 405	78 183	228 744	575 860
8	Operational deposits	117 035	39 633	-	78	78 412
9	Other wholesale funding	90 880	537 772	78 183	228 666	497 448
10	Liabilities with matching interdependent assets	-	2 830	-	-	-
11	Other liabilities:	15 161	36 613	314	57 495	10 162
12	NSFR derivative liabilities		-	-	49 553	
13	All other liabilities and equity not included in the above categories	15 161	36 613	314	7 942	10 162
14	Total ASF					1 192 178
Required stable funding (RSF) item						
15	Total NSFR HQLA					19 779
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	2 217	352 657	101 699	869 798	874 744
18	Performing loans to financial institutions secured by Level 1 HQLA	-	44 154	918	360	5 235
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	158 888	26 208	110 292	147 229
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	146 030	69 199	566 348	587 485
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	7 630	4 959
22	Performing residential mortgages, of which:	-	2 950	3 080	177 240	118 221
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	2 950	3 080	177 240	118 221
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2 217	635	2 294	15 558	16 574
25	Assets with matching interdependent liabilities	-	2 830	-	-	-
26	Other assets:	1 093	9 014	-	128 773	91 712
27	Physical traded commodities, including gold	1 011				860
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	6 487	5 514
29	NSFR derivative assets		-	-	37 367	419
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	5 151	5 151
31	All other assets not included in the above categories	82	9 014	-	79 768	79 768
32	Off-balance sheet items		-	-	457 527	22 876
33	Total RSF					1 009 111
34	Net stable funding ratio (%)					118.1

6. Capital and liquidity risk

		a	b	c	d	e
		30 Sep 2023				
		Unweighted value by residual maturity				Weighted
Group		No maturity Rm	<6 months Rm	6 months to <1 year Rm	≥1 year Rm	Value Rm
ASF item						
1	Capital	139 989	-	-	17 017	157 006
2	Regulatory capital	131 407	-	-	17 017	148 424
3	Other capital instruments	8 582	-	-	-	8 582
4	Retail deposits and deposits from small business customers:	261 905	167 795	35 451	21 843	440 479
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	261 905	167 795	35 451	21 843	440 479
7	Wholesale funding:	208 664	597 229	93 569	217 183	575 485
8	Operational deposits	117 710	43 838	7	80	80 857
9	Other wholesale funding	90 954	553 391	93 562	217 103	494 628
10	Liabilities with matching interdependent assets	-	5 645	-	-	-
11	Other liabilities:	18 170	35 146	835	50 398	8 096
12	NSFR derivative liabilities		-	-	44 836	
13	All other liabilities and equity not included in the above categories	18 170	35 146	835	5 562	8 096
14	Total ASF					1 181 066
Required stable funding (RSF) item						
15	Total NSFR HQLA					19 546
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	2 209	359 805	96 144	839 742	849 977
18	Performing loans to financial institutions secured by Level 1 HQLA	-	36 917	-	526	4 218
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	172 199	30 577	131 993	173 112
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	146 399	61 858	522 333	544 959
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	15 761	10 245
22	Performing residential mortgages, of which:	-	2 943	3 059	176 731	117 876
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	2 943	3 059	176 731	117 876
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2 209	1 347	650	8 159	9 812
25	Assets with matching interdependent liabilities	-	5 645	-	-	-
26	Other assets:	1 775	20 231	-	136 724	106 746
27	Physical traded commodities, including gold	1 376				1 170
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	7 480	6 358
29	NSFR derivative assets		-	-	30 261	235
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	4 627	4 627
31	All other assets not included in the above categories	399	20 231	-	94 356	94 356
32	Off-balance sheet items		-	-	432 537	21 627
33	Total RSF					997 896
34	Net stable funding ratio (%)					118.4

6. Capital and liquidity risk

		a	b	c	d	e
		31 Dec 2023				
		Unweighted value by residual maturity				
Bank		No maturity Rm	<6 months Rm	6 months to <1 year Rm	≥1 year Rm	Weighted Value Rm
ASF item						
1	**Capital**	**102 732**	**-**	**-**	**16 074**	**118 806**
2	Regulatory capital	96 894	-	-	16 074	112 968
3	Other capital instruments	5 838	-	-	-	5 838
4	**Retail deposits and deposits from small business customers:**	**269 312**	**68 860**	**31 205**	**21 630**	**354 069**
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	269 312	68 860	31 205	21 630	354 069
7	**Wholesale funding:**	**207 915**	**441 030**	**65 954**	**210 121**	**494 511**
8	Operational deposits	117 035	39 633	-	78	78 412
9	Other wholesale funding	90 880	401 397	65 954	210 043	416 099
10	Liabilities with matching interdependent assets	-	2 830	-	-	-
11	**Other liabilities:**	**15 161**	**28 304**	**314**	**51 435**	**6 753**
12	NSFR derivative liabilities		-	-	46 902	
13	All other liabilities and equity not included in the above categories	15 161	28 304	314	4 533	6 753
14	Total ASF					974 139
Required stable funding (RSF) item						
15	Total NSFR HQLA					14 546
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	**Performing loans and securities:**	**2 217**	**263 511**	**85 598**	**770 586**	**747 670**
18	Performing loans to financial institutions secured by Level 1 HQLA	-	44 154	918	360	5 235
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	128 846	24 079	106 062	137 429
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	86 926	55 241	471 396	470 244
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	7 630	4 959
22	Performing residential mortgages, of which:	-	2 950	3 080	177 240	118 221
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	2 950	3 080	177 240	118 221
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2 217	635	2 280	15 528	16 541
25	Assets with matching interdependent liabilities	-	2 830	-	-	-
26	**Other assets:**	**1 093**	**9 014**	**-**	**125 259**	**87 779**
27	Physical traded commodities, including gold	1 011				860
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	6 487	5 514
29	NSFR derivative assets		-	-	37 367	-
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	4 888	4 888
31	All other assets not included in the above categories	82	9 014	-	76 517	76 517
32	Off-balance sheet items		-	-	398 820	19 941
33	Total RSF					869 936
34	Net stable funding ratio (%)					112.0

6. Capital and liquidity risk

Bank		a	b	c	d	e
		30 Sep 2023				
		Unweighted value by residual maturity				
		No maturity Rm	<6 months Rm	6 months to <1 year Rm	≥1 year Rm	Weighted Value Rm
ASF item						
1	Capital	98 673	-	-	17 017	115 690
2	Regulatory capital	90 091	-	-	17 017	107 108
3	Other capital instruments	8 582	-	-	-	8 582
4	Retail deposits and deposits from small business customers:	261 905	70 098	30 642	18 673	345 054
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	261 905	70 098	30 642	18 673	345 054
7	Wholesale funding:	208 664	456 279	83 242	199 680	492 788
8	Operational deposits	117 710	43 838	7	80	80 857
9	Other wholesale funding	90 954	412 441	83 235	199 600	411 931
10	Liabilities with matching interdependent assets	-	5 645	-	-	-
11	Other liabilities:	18 170	25 590	994	45 502	6 401
12	NSFR derivative liabilities		-	-	41 715	
13	All other liabilities and equity not included in the above categories	18 170	25 590	994	3 787	6 401
14	Total ASF					959 933
Required stable funding (RSF) item						
15	Total NSFR HQLA					14 090
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	2 209	274 161	82 647	747 628	734 408
18	Performing loans to financial institutions secured by Level 1 HQLA	-	36 657	-	526	4 192
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	138 005	29 951	127 635	163 312
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	95 209	49 002	434 607	439 250
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	11 359	7 383
22	Performing residential mortgages, of which:	-	2 943	3 059	176 731	117 876
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	2 943	3 059	176 731	117 876
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2 209	1 347	635	8 129	9 778
25	Assets with matching interdependent liabilities	-	5 645	-	-	-
26	Other assets:	1 775	20 231	-	117 385	87 172
27	Physical traded commodities, including gold	1 376				1 170
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	7 480	6 358
29	NSFR derivative assets		-	-	30 261	-
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	4 318	4 318
31	All other assets not included in the above categories	399	20 231	-	75 326	75 326
32	Off-balance sheet items		-	-	374 699	18 735
33	Total RSF					854 405
34	Net stable funding ratio (%)					112.4

7. Operational and resilience risk

7. Operational and resilience risk

Operational and resilience risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events

7.1 Review of current reporting period

Key risk metrics	2023	2022
Total operational risk losses as a percentage of gross income (%)	0.5	(0.02)
Total operational risk losses (Rm)	524	(18)
Operational risk EC (Rbn)[1]	11.7	11.4
Total operational risk RWA (Rbn)	177.1	159.1[2]
Operational risk (Rbn)	145.1	132.0
Non-customer assets (Rbn)	32.0	27.1

- 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, macro-economic 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 risks experienced. Key areas of focus included:
  - Business continuity protocols considering the impact of loadshedding and blackout planning 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.
- Advanced the implementation of the new standardised approach requirements per the Basel III finalisation.
- Operational risk losses for the period returned to normalised levels mainly as a result of reduced insurance recoveries.
- RWA increased to R177.1bn (31 December 2022: R159.1bn) due to the growth in revenue and changes in the foreign exchange rates of the ARO countries.
- EC increased to R11.7bn (31 December 2022: R11.4bn) reflective of the combined effect of an improved risk profile and growth in revenue.

7.2 Priorities

- Maintain a satisfactory and robust control environment that continues to deliver operational resilience through:
  - Ongoing refinement of business continuity responses and scenario planning.
  - Ongoing enhancement and optimisation of fraud, 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 the Basel III finalisation, which is expected come into effect on 1 July 2025.
- Climate change initiatives will continue to assess and respond to the risk of continued adverse weather conditions comprehensively as part of broader ESG activities.

7.3 General information about operational and resilience risk

Operational and resilience risk occurs in the natural course of business activity. Therefore, it is not possible to eliminate all operational and resilience risk exposure. Operational and resilience risk is recognised as a principal risk type and the Operational Risk Management Framework (ORRMF) establishes a set of inter-related quantitative and qualitative tools and processes to identify, assess, measure, mitigate, monitor, and remediate risks within a defined appetite.

The ORRMF is underpinned by the BCBS principles for the sound management of operational risk (PSMOR) which has been localised in South Africa by the Prudential Authority as the operational risk maturity assessment questionnaire (ORMAQ), the BCBS's principles for operational resilience, the Single Regulatory Board's (SRB) operational guidance on operational continuity in resolution (OCIR) and the ERMF.

The leveraging of operational processes and capabilities is pivotal to the achievement of the Group's strategy and objectives and the management of operational and resilience risk aims to ensure these processes and capabilities are safeguarded and resilient.

7.3.1 Approach to the management of operational and resilience risk

The Group's objectives in the management of operational and resilience risk are to:

- Articulate and cascade an appropriate level of risk appetite for operational and resilience risk, which supports the business strategy.
- Manage risk and control effectively, thus maintaining the operational and resilience risk profile within appetite.
- Embed a positive risk culture across the organisation.
- Minimise the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme or unexpected loss.

The management of operational and resilience risk aligns to the 'lines of defence' model as set out in the ERMF, and encompasses all of the elements across the risk activity value chain (i.e., strategy alignment, risk appetite setting, policy and standard development and/or maintenance. The heads of business and

[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.

7. Operational and resilience risk

infrastructure functional units are required to implement appropriate organisational structures and processes in line with the ORRMF to identify, assess, measure, mitigate, monitor, and remediate risks in their respective areas within an agreed appetite. Business-aligned operational and resilience risk heads (second line of defence), reporting to the business unit CROs, are responsible for the management of the risk profile of their respective portfolios within risk appetite as defined within the ORRMF.

Enterprise-wide specialist risk type owners (second line of defence), reporting to RTOs define the risk type strategy and framework and facilitate the group-wide governance to effectively enable risk type appetite, aggregation of risk type profiles, oversight, and challenge processes. Group operational and resilience risk (second line of defence) is accountable for the Group-wide management of operational and resilience risk, establishing strategic direction and Group risk appetite, ownership of the ORRMF and its supporting policies and enterprise-wide standards, and independent oversight over businesses and functions.

7.3.2 Governance of operational and resilience risk

The key committees involved in the governance of operational and resilience risk are depicted below:

7. Operational and resilience risk

The GCRO appoints the Operational Risk RTO, who is accountable for the design, implementation, and maintenance of an effective, efficient and regulatory compliant ORRMF.

A Group Operational and Resilience Risk Management Committee (ORRMC) chaired by the RTO is in place, thereby providing an aggregation and challenge viewpoint of the Group's operational and resilience risk profile, prior to submission to the ERC. Additionally, it serves as the vehicle to drive development, implementation, embedment and optimisation of the framework, policies, and Group-wide standards.

The GCRO presents the Group's operational and resilience risk profile, alongside the other risk types as specified by the ERMF, to the GRCMC.

Business and infrastructure functional unit risk committees monitor risk management and control effectiveness, with progress reporting to the ERC by the respective executive.

7.3.3 Management of operational and resilience risk

The suite of risks considered within the remit of operational and resilience risk include:

- Transaction Processes and Management
- Fraud
- Financial Reporting
- Tax
- Physical Assets
- Third Party
- People
- Legal
- Change
- Information Security and Cyber
- Technology
- Data and Records Management
- Business Continuity

While conduct and financial crime are managed individually under the umbrella of compliance risk, they are incorporated into operational and resilience risk for capital requirement and measurement purposes.

To address the wide remit of operational and resilience risk, the ORRMF establishes a suite of management techniques applicable to its underlying risk types. These include:

7.3.3.1 Critical process assessments (CPAs)

CPA is an integrated assessment that enables the Group to focus on processes which are essential to executing on strategy and delivering for customers and stakeholders. This approach ensures that material risks and rewards are holistically understood and decisively managed, resulting in consistent monitoring of the operational and resilience risk profile in the context of business objectives and appetite. It requires the assessment of risks and controls in critical processes on an end-to-end basis, enabling a view across functions and supporting enablers, such as systems and suppliers. This approach promotes performance and service efficiencies through using key indicators that monitor risks, controls, and process performance.

Further, a comprehensive understanding of all business enablers is obtained by considering all supporting dependencies and the end-to-end resilience of processes and capabilities. CPA enables management of the prioritised enablers and a focus on the most material risks and key controls. The outcome of CPA is a consolidated view of all material risks in the critical business processes and information on the drivers of risk, such as risk events, root causes, indicators, issues and management responses.

7.3.3.2 Internal risk events

An operational and resilience risk event is any circumstance where there is a potential or actual impact to the Group resulting from inadequately controlled or failed internal processes, people and systems, or from an external event. The definition includes situations where a loss could have been incurred, but a gain was realised, as well as incidents resulting in customer, legal, reputational, conduct or regulatory impacts. Operational losses incurred from internal risk events must be captured on the Group operational and resilience risk management system. Boundary events, such as operational and resilience risk materialising within credit risk, are also tracked. The analysis of internal risk events assists the Group in identifying areas of improvements to processes or controls, to reduce the likelihood of recurrence and/or magnitude of risk events.

The analysis of risk events assists the Group in identifying control deficiencies to prevent future losses. In addition, it aids monitoring of a changing risk.

7.3.3.3 External risk events

Applicable external loss information is regularly considered to support and inform risk identification, assessment, and measurement, and provide management with insight into possible emerging risks. External data is used to provide insight into the magnitude of events/losses emanating from scenarios and risks which Absa has never experienced and are complex to quantify. The Group's primary source of external data is through membership of the Operational Risk Data Exchange (ORX), a non-profit association of international banks formed to share anonymous loss data information.

7.3.3.4 Risk mitigation

It is not always possible or cost effective to eliminate all operational and resilience risks, nor is this the objective of operational and resilience risk management. Achieving the correct balance of focus and effort is pivotal to the Group's operational and resilience risk management strategy. This is underpinned by a defined risk appetite, established governance and oversight structures, monitoring and escalation criteria, clarity of roles across the three lines of defence and clear direction and tone from the top, driving a transparent and accountable risk culture in the organisation. Operational and resilience risk is managed in accordance with the Group Risk Appetite Framework that formalises and articulates how risk appetite is established, communicated, cascaded, governed, and monitored across the organization. It provides a common and consistent platform for how risk appetite is managed.

7. Operational and resilience risk

The mitigation of residual risks (i.e., risks post-consideration of existing controls), depending on their likelihood and impact, is achieved by one or a combination of the following response strategies:

- **Accept:** Maintain the control environment.
- **Mitigate the risk:** Implement actions and strategies to reduce the residual risk level to within acceptable levels.
- **Avoid the risk:** Do not take the risk and stop the related activity.
- **Transfer the risk:** This involves a third party sharing some part of the risk or taking over all the risk. This could be in the form of insurance, partnerships, outsourcing or joint ventures.

7.3.3.5 Lessons learnt reviews

Lessons learnt is a targeted root cause analysis of significant risk events experienced in the Group with the outcomes of such reviews including:

- Establishing what went wrong.
- Early detection and prevention of systemic issues.
- Address of thematic concerns.
- Determining whether cultural, operating model, governance or risk practices may have contributed to the risk event.

This process enables sustained and shared learning across the organisation, promoting stronger risk management.

7.3.3.6 Key indicators

Key indicators are metrics used to monitor the Group's operational and resilience risk profile. They include measurable thresholds that reflect the risk appetite of the business and are designed to monitor risk, control and business factors that influence the operational and resilience risk profile. Key indicators serve as alerts to management when risk levels exceed acceptable ranges and drive timeous decision-making and actions.

7.3.4 Measurement of operational and resilience risk

The Group assesses its operational and resilience risk capital requirements using the AMA which involves estimating the potential range of losses that could be incurred in a year from operational and resilience risk events, using statistical distributions. The BIA or TSA is used in certain operations outside South Africa and joint ventures and associates where the Group is not able to apply the AMA model.

The potential frequency and severity of losses is estimated for each risk in the suite of operational and resilience risks (refer to 7.3.3) based on internal loss data, extreme scenarios (from the key risk scenario process) as well as external loss data from ORX. The capital calculation also considers the possibility of correlations between operational and resilience risk losses occurring in a year.

RC requirements are set to cover 99.9% of estimated unexpected losses with EC requirements covering estimated losses that exceed the expected losses.

7.3.4.1 Key risk scenarios

Key risk scenarios are a summary of the extreme potential risk exposure for each risk in the suite of operational and resilience risks (refer 7.3.3) and includes quantitative and qualitative assessments of the potential frequency of risk events, the average size of losses and extreme scenarios. The assessments consider internal and external loss experiences, key indicators, CPAs and other relevant risk information.

Factors incorporated into the analysis of potential extreme scenarios include:

- The circumstances and contributing factors that could lead to an extreme event.
- The potential financial and non-financial impacts (e.g., reputational damage).
- The controls and other mitigants that seek to limit the likelihood of such an event occurring, and the actions that would be taken if the event were to occur (e.g., crisis management procedures, business continuity or disaster recovery plans, etc.).

7.3.5 Insurance

The Group utilises insurance to mitigate certain operational and resilience risks. However, it is not used to offset operational and resilience risk capital requirements. The cover and associated cost are regularly reviewed and are presented annually to the GRCMC.

8. Model risk

8. Model risk

Model risk is the risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and report.

8.1 Review of current reporting period

Key risk metrics	2023	2022
Model risk EC (Rbn)	1.7	1.6

- Ongoing improvement in the accuracy and robustness of models.
- Enhancement to the model risk control environment through:
  - Releasing the second-generation versions of the model risk appetite statement 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 and ARO retail portfolio for regulatory credit capital, credit impairment and behavioural scorecard models.
  - Enhancement of the model risk management workflow system.

8.2 Priorities

- Strengthen the Group's capabilities to manage the increasing quantity and complexity of models.
- Continue to optimise the governance of model risk through differentiated, risk-based approaches.
- Optimise the architecture and capabilities of the model development, validation and deployment platforms.
- Support the Group's ESG programmes' modelling needs.
- Prioritise credit decisioning, impairments and recovery models in the current macro-economic environment.
- Update existing models and develop new models in accordance with business priorities and the outcomes of the independent model validations.
- Improve and structure model development methodologies. Where appropriate, develop standardised methodologies to expedite the model lifecycle.
- Continue the automation of model performance monitoring, which will lead to an increase in frequency and consistency of model performance assessments and earlier detection of non-performance.
- Attract and retain staff through talent pipeline development, succession planning, community of practice, broadened career opportunities and ongoing training and development.
- Prioritise credit decisioning, impairments and recovery models in the current macro-economic environment.

8.3 General information about model risk

8.3.1 Risk identification and management

A model is a quantitative method, system or approach that applies statistical, economic, financial or mathematical theories, techniques, parameters and assumptions to process input data into outputs. A model is comprised of risk driver inputs, methodology, parameters and calculations that produce outputs. A model is considered an end-to-end concept, including the sourcing of risk driver input data, the selection and specification of methodology, the calibration of parameters, the implementation of the model and the usage of the outputs. The use of models invariably presents model risk, defined as the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. Model risk may lead to financial loss, poor business and strategic decision-making, or damage to the Group's reputation.

Model risk is a principal risk managed under the Group's ERMF. The model risk RTO oversees the Model Risk Management Framework, established to manage model risk in accordance with the Group's tolerances. Through its policies and standards, the Model Risk Management Framework identifies risks and specifies controls in order to establish a consistent approach to the management of model risk across the Group. Compliance to controls is assessed through key risk assessments (KRAs) and control testing is conducted to provide assurance around the effective design and operation of controls.

All models are governed by the GMRP, which specifies the model lifecycle, together with the control activities to be conducted at each stage thereof; assigns stakeholder responsibilities and accountabilities for the management of model risk; mitigates model risk through controlled model design, development, implementation, use and change processes; and institutionalises independent validation and approval of models. The GMRP is supported by the following detailed standards:

- Model development and documentation
- Independent model validation
- Model performance monitoring
- Model implementation and decommissioning
- Model owner review
- Post model adjustment, management adjustment and model override
- Model risk appetite and EC

Model risk appetite is defined as the types and amount of risk that the Group, it's business units and legal entities are prepared to accept to meet strategic objectives. It explicitly defines the risk boundaries within which management is expected to operate under business-as-usual and stressed conditions when pursuing the business strategy. As the Group does not actively seek model risk, its appetite is expressed in terms of risk tolerance thresholds and does not have a target range. The Group holds EC in respect of model risk, based on the outcome of the model risk appetite assessment against the risk tolerance thresholds.

The model risk second line of defence is comprised of the Model Governance and Control (MGC) team, the independent validation unit (IVU) – incorporating the central model monitoring team, the model methodology team and the model risk processing centre (MRPC).

The MGC team develops the framework, policy and standards to manage model risk, sets limits consistent with the Group's risk appetite and monitors performance of the model ownership areas against these limits. It performs regular conformance reviews to provide assurance around control effectiveness.

8. Model risk

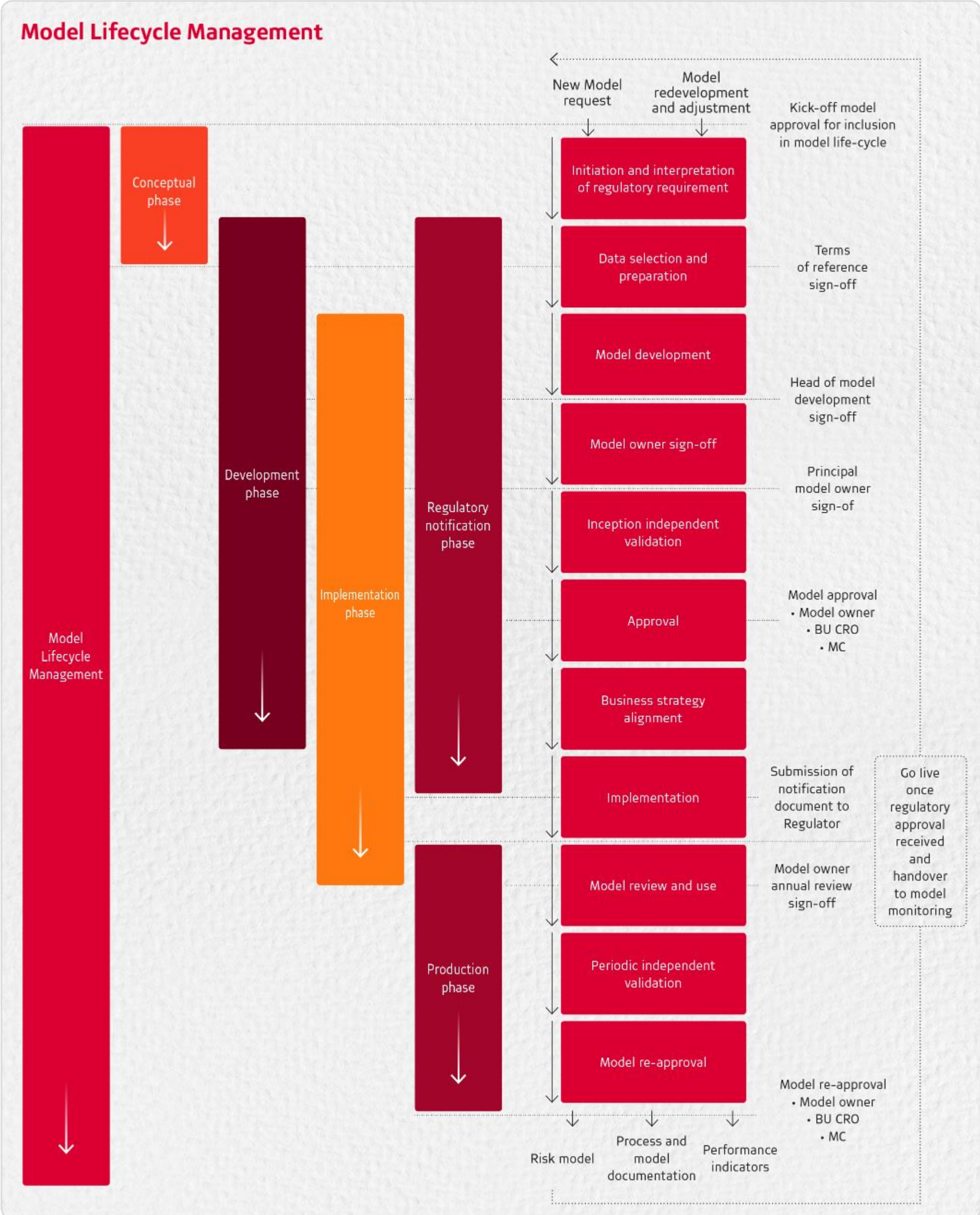
IVU is responsible for the independent validation of models (developed by the model development teams residing in the business units), prior to the initial approval thereof and at regular intervals thereafter (including any subsequent model changes). The independent validation is an assessment of a model across multiple dimensions (e.g., performance, regulatory compliance, etc.), in the context of the model's objectives. The IVU also conducts the ongoing independent performance monitoring for regulatory capital and their feeder models (e.g. behavioural scorecards and application/sanctioning models) as well as credit impairment models.

The model methodology team assists with developing and aligning model methodology across the Group. It also facilitates the technical training of the modelling resources throughout the Group.

MRPC oversees model implementation controls, maintains a central implementation/processing environment for behavioural scorecard, credit impairment and regulatory credit capital models and executes these models within the impairment and regulatory credit capital reporting processes.

8.3.2 Governance

The model lifecycle and associated controls are depicted in the diagram below.



8. Model risk

The model approvers are assigned based on the materiality of models. Material models are routed to the MC (Board committee) for approval, and models of lesser materiality are approved by the business unit CROs, RTOs or CFO (in the case of Finance models) through business unit model approval forums. Overall model ownership vests with the business units that use the output of models to quantify risk.

The key committees involved in the governance of model risk are depicted below:

8.3.3 Reporting

A monthly model risk group and business unit report is produced by the MGC team and submitted to the committees and forums attended by senior management, the MC and the ERC. The report covers:

- Progress on regulatory and other model development.
- Adherence to policy and standards including any model related audit findings and control issues.
- Models in governance coverage, i.e., models monitored, reviewed and validated.
- Individual model's risk assessment (high, medium or low).
- Model risk appetite status.

Model development and implementation progress update reports are produced by the business units, to be tabled at the Model Risk Committee.

A report on the status of resolution of material control gaps and the existing dispensations, waivers and breaches is also tabled at the Model Risk Committee.

9. Remuneration

9. Remuneration

9.1 Remuneration policy [REMA]

The Group's remuneration policy, which describes the key features of the remuneration framework, will be outlined in the 2023 Remuneration Report. This will be published with the Group's Integrated Reporting Suite on 28 March 2024.

The salient features are set out below:

9.1.1 Oversight of remuneration

The Group Remuneration Committee (RemCo), a committee of the Board, oversees the Group remuneration policy and its implementation. The remuneration policy and the RemCo's mandate cover all elements of remuneration and benefits, including for all subsidiaries, and with a specific focus on executive and senior management remuneration.

Deloitte is the independent advisor to the RemCo and provided advice on the remuneration frameworks and executive remuneration.

Other firms are engaged by management to provide remuneration advisory services and market benchmarking data, including RemChannel, McLagan, Willis Towers Watson, Mercer, KornFerry, and Vasdex Associates.

In the following tables, senior managers are defined as members of the Group Executive Committee (ExCo) and other individuals with management responsibility for a material portion of the Group's business. Other material risk takers are identified in accordance with the Group's material risk taker methodology, which is approved by the RemCo. Material risk takers are those who:

- Define the Group's strategy.
- Define the strategy of the individual material businesses.
- Provide oversight on the Group's risk profile.
- Approve significant transactions or recommend these to the Board for approval.

In 2023, a total of 15 individuals were classified as senior managers and 76 individuals as other material risk takers. There were no material changes in 2023 to the methodology to classify material risk takers.

The Pillar 3 reporting includes all individuals who held material risk taker roles during the year, which includes pro-rating and possible overlap in roles. Also included are additions to or removals from the list of roles deemed to be material risk takers, based on the application of our material risk taker approach from time to time.

9.1.2 Design and structure of remuneration processes

The Group's remuneration principles, which guide the development and implementation of remuneration practices are consistent with those applied in prior years. These are:

- Support the realisation of the Group's stakeholder aspirations.
- Align the long-term interests of executives and shareholders.
- Attract, retain and engage high calibre individuals.
- Drive the Group's culture.
- Pay for performance.
- Deliver fair and responsible remuneration.
- Build confidence and trust in remuneration outcomes.

Remuneration for most employees consists of fixed remuneration (salary and benefits) and eligibility for a short-term incentive based on performance. Senior managers and executives in roles that have strategic impact, and those who are regarded as key to the future performance of the organisation (including key talent, and holders of scarce and critical skills) may be eligible to receive a long-term incentive. The Group's short-term incentive and long-term incentive scorecards consist of a mix of financial and non-financial performance targets, aligned respectively to the Board-approved short-term plan (STP) and medium-term plan. These, and the Group's approach to the assessment of outcomes, will be in the Group's 2023 Remuneration Report.

The RemCo conducts reviews of the remuneration policy at least annually, and there were no changes made to it in 2023.

In terms of remuneration of control function employees and material risk takers:

- Remuneration of Compliance, Internal Audit, and Risk employees is considered independently by the head of the function and is based on the employee's performance and the performance of the function.
- Board committees assess the independent control functions' performance, particularly evaluating the performance of the Chief Internal Auditor, the Chief Compliance Officer, and the GCRO.
- Final performance and remuneration outcomes for control function heads and remuneration outcomes for senior control function employees in the population subject to RemCo oversight are subject to RemCo approval.
- Remuneration of all material risk takers is subject to RemCo approval.

9.1.3 Risk and remuneration

The RemCo considers the Group short-term incentive performance pool in the context of the quality of the Group's earnings (with inputs from the GACC) and whether any further risk adjustment is required. No adjustments were deemed necessary for 2023 performance.

The RemCo conducted an assessment in terms of the Banks Act Regulation 39(16)(a), confirming that effective governance was in place in respect of compensation/remuneration policies, processes, practices, procedures; and that these were aligned with approved tolerance for risk or risk appetite and appropriate capital management.

The Group's Remuneration Review Panel, a sub-committee of the ExCo, is chaired by the Chief Compliance Officer. This panel makes recommendations on adjustments to individual awards and malus adjustments and clawbacks in the event of conduct, compliance, control, regulatory or ethical issues arising that impact on, or are impacted by, remuneration. In the event of senior executives possibly being implicated in any matter of concern, this would be escalated to the Group Chief Executive and, when required, to the Directors' Affairs Committee, and the RemCo would consider the remuneration implications.

9.1.4 Linking performance and reward

The Group performance short-term incentive pool is determined by the RemCo based on a scorecard of measures aligned to the Board-approved STP. This takes account of the Group's performance against the scorecard metrics and relative market performance. This will be described in detail in our 2023 Remuneration Report.

9. Remuneration

The pool is distributed to the various businesses and functions based on performance relative to scorecards and contribution to Group performance. Individual awards are differentiated in favour of higher performers, aligned with our pay for performance philosophy.

9.1.5 Adjustment to reward taking account of longer-term performance

Long-term incentives vest subject to achievement of Group performance targets which are set over a three-year performance period. Awards made to executive directors, prescribed officers and other participants in strategic impact roles are subject entirely to Group performance conditions. Vesting of performance awards may occur in a range of 0% of the value of the award for underperformance to 150% for significant outperformance. For the awards made to other participants, 50% is subject to Group performance conditions and 50% is subject to the requirement that the participant has met or exceeded the performance requirement of their role for all the three performance years, and to continued employment. Long-term incentives are awarded in Absa Group shares (or phantom shares in certain ARO markets where legislatively required), thus linking the awards to the Group share price. These vest over three years for all participants.

Share-based short-term incentive deferrals do not have future performance conditions, but outcomes are linked to the performance of the the Group share price over the vesting period. Vesting occurs on a pro-rata basis over three years.

Deferred remuneration (short-term and long-term) is subject to malus and clawback provisions. Details of these arrangements will be set out in the 2023 Remuneration Report.

9.1.6 Variable remuneration

Variable remuneration arrangements include:

- Cash short-term incentives (all employees).
- Deferred short-term incentives for employees, for a portion of the award above the deferral threshold of R1m. Short-term incentive deferrals vest pro-rata over 3 years.
- Long-term incentives, for eligible employees, vesting at the end of 3 years from the award date.
- Employees in specifically designated sales roles may participate in formulaic incentive schemes, which may include pay-out frequencies of monthly, quarterly, half-yearly or annually.

The proportion of the total remuneration mix that is variable and therefore subject to performance generally increases for more senior employees, with a substantial proportion of total remuneration being "at risk" for the most senior employees. At bargaining unit levels, variable remuneration will typically be a smaller component of total remuneration.

9.2 Remuneration awarded during the financial year [REM1]

			a	b
			2023	
Aggregate remuneration for senior managers and material risk takers			Senior managers Rm	Other material risk takers Rm
1	Fixed remuneration	Number of employees	15	76
2		Total fixed remuneration	86	348
3		Of which: cash based[1]	86	348
4		Of which: deferred	-	-
5		Of which: shares or other share linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	15	76
10		Total variable remuneration	201	545
11		Of which: cash based[2]	47	181
12		Of which: deferred	-	-
13		Of which: shares or other share linked instruments[3, 4]	154	364
14		Of which: deferred	154	364
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	Total		287	893

[1] Total fixed remuneration for this disclosure includes the full value of leave encashments during the year, where applicable.

[2] This includes, for 2023, the cash short-term incentive payable in March 2024 in respect of performance for the 2023 financial year.

[3] Includes, for 2023, the Share Incentive Plan awards made during the 2023 financial year and deferred short-term incentives in respect of the 2023 financial year to be made in April 2024. All awards are subject to continued service and malus and clawback provisions.

[4] Includes the value of the Absa eKhaya Colleague Share Scheme awards outstanding on 31 December 2023.

9. Remuneration

9.3 Special payments [REM2]

		a	b	C	d	e	f
		2023					
		Guaranteed bonus		Sign – on awards		Severance payments[1]	
		Number of employees	Total amounts Rm	Number of employees	Total amount Rm	Number of employees	Total amount Rm
1	Senior management	-	-	-	-	-	-
2	Other material risk-takers	-	-	-	-	-	-

9.4 Deferred remuneration [REM3]

		a	b	c	d	e
		2023				
	Deferred and retained remuneration	Total amount of outstanding deferred remuneration Rm	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and / or implicit adjustment Rm	Total amount of amendment during the year due to ex post explicit adjustments[2] Rm	Total amount of amendment during the year due to ex post implicit adjustments[3] Rm	Total amount of deferred remuneration paid out in the financial year Rm
1	Senior management					
2	Cash[4]	-	-	-	-	-
3	Shares[5]	358	358	15	(41)	120
4	Cash linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Other material risk takers	-	-	-	-	-
7	Cash[4]	-	-	-	-	0.1
8	Shares[5,6]	763	763	44	(88)	328
9	Cash linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	Total	1 121	1 121	59	(129)	448

[1] This includes only amounts paid in excess of contractual entitlements.

[2] Ex post explicit adjustments reflect dividend equivalents determined and paid on vesting for the share value plan (JSVP), Share Incentive Plan (deferred, performance, and retention awards) and Long-Term Incentive plan (the vesting period for senior managers for these awards is five years, if they were on ExCo at the award date) awards respectively.

[3] Ex post implicit adjustments were determined using each individual`s award dates, award values, measurement of the pre-determined performance conditions for the performance period ending 31 December 2023 and the vesting date. The RemCo approved the performance conditions for the 2021 Share Incentive Plan Performance award measured for the three-year performance period ending December 2023. The amount reflected therefore represents the value of awards that will lapse in April 2024 due to partial fulfilment of the 2021 Share Incentive Plan performance conditions based on the share price on 31 December 2023.

[4] Includes the last tranche of a cash joiner award vested in March 2023.

[5] Includes the share value plan (JSVP), Share Incentive Plan (deferred, performance and retention awards), Absa eKhaya Colleague Share Scheme, and the Long-Term Incentive Plan (for senior managers the vesting period for these awards is five years, if they were on ExCo at the award date) awards.

[6] Includes the vesting value for three employees who terminated their service after the April 2023 vesting date.

10. Abbreviations and acronyms

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A

AGCC	Absa Group Credit Committee
AFR	available financial resources
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ARO	Absa Regional Operations
ASF	available stable funding
AVM	automated valuation model

B

Bank	Absa Bank Limited
Basel	Basel Capital Accord
BCBS	Basel Committee on Banking Supervision
BIA	basic indicator approach
bps	basis points

C

CAR	capital adequacy requirement
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CET1	common equity tier 1
CFP	contingent funding plan
CIB	Corporate and Investment Banking
CLR	credit loss ratio
CoE	cost of equity
CPA	critical process assessment
CRM	credit risk mitigation
CRMF	Credit Risk Management Framework
CRO	Chief Risk Officer
CVA	credit valuation adjustment

D

DTA	deferred tax assets
D-SIBs	domestic systemically important banks
dpd	days past due
DT	downturn

E

EAD	exposure at default
EaR	earnings at risk
EC	economic capital
ECL	expected credit loss
EEPE	effective expected positive exposure
EL	expected loss
ERC	Group Executive Risk Committee
ERMF	Enterprise Risk Management Framework
ESG	environmental, social and governance
EVE	economic value of equity
EWIs	early warning indicators
ExCo	Group Executive Committee

F

FIRB	foundation internal ratings-based
FX	foreign exchange
FRTB	fundamental review of the trading book
FVAL	fair value assets and liabilities
FVTPL	fair value through profit or loss

G

GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCRC	Group Credit Risk Committee
GCCO	Group Chief Credit Officer
GCRO	Group Chief Risk Officer
GMRP	Group model risk policy
GNTMR	Group Non-Traded Market Risk Committee
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
G-SIBs	global systemically important banks

H

HQLA	high-quality liquid assets

I

IAA	internal assessment approach
ICAAP	internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
ILSM	internal liquidity stress metric
IMA	internal models approach
IMM	internal model method
IRB	internal ratings-based
IRBA	internal ratings-based approach
IRC	incremental risk charge
ISDA	International Swaps and Derivatives Association
IT	information technology
ITC	Information Technology Committee
IVU	independent validation unit

K

KCI	key control indicator
KPI	key performance indicator
KRA	key risk assessment
KRI	key risk indicator

L

LCR	liquidity coverage ratio
LGD	loss given default
LR	long run

M

MC	Models Committee
MCC	model governance and control
MRPC	model risk processing centre

10. Abbreviations and acronyms

N	
NGFS	Network for Greening the Financial System
NII	net interest income
NPL	non-performing loan
NSFR	net stable funding ratio

O	
ORRMC	Operational and Resilience Risk Management Committee
ORRMF	Operational and Resilience Risk Management Framework
ORX	operational risk data exchange
OTC	over-the-counter

P	
PA	Prudential Authority
PD	probability of default
PF	project finance
PFE	potential future exposure
PIT	point-in-time
PMAs	post-model adjustments
PnL	profit and loss
PSEs	public sector entities
PVA	prudent valuation adjustments

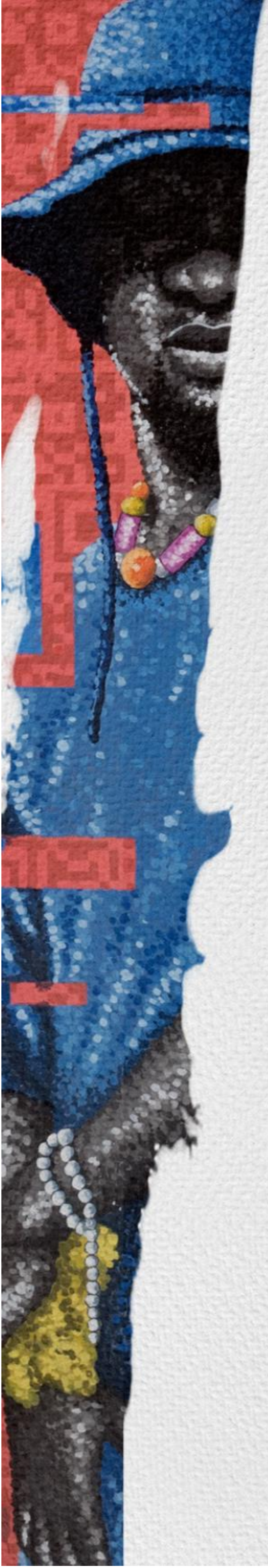
Q	
QCCP	qualifying central counterparty

R	
RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	risk data aggregation and risk reporting
RemCo	Group Remuneration Committee
RSF	required stable funding
RTO	risk type officer
RW	risk weight
RWA	risk-weighted assets

S	
SA	standardised approach
SA-CCR	standardised approach for counterparty credit risk
SARB	South African Reserve Bank
SCR	solvency capital requirement
SEC	securitisation
SFA	supervisory formula approach
SFTs	securities financing transactions
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
STP	short term plan
sVaR	stressed value at risk

T	
TLAC	total loss-absorbing capacity
TMRC	Traded Market Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V	
VaR	value at risk



www.absa.africa

Contact information

Absa Group Limited
Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
JSE share code: ABG
ISIN: ZAE000255915

Registered office
7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
+27 11 350 4000

Head: Investor Relations
Alan Hartdegen
+27 11 350 2598

Group Company Secretary
Nadine Drutman
+27 11 350 5347

Head: Financial Control
John Annandale
+27 11 350 3946

Queries
Investor relations
ir@absa.africa

Media
groupmedia@absa.africa

Absa Group shares
web.queries@computershare.co.za
groupsec@absa.africa

General queries
absa@absa.africa

Transfer secretary
Computershare Investor Services (Pty) Ltd
+27 11 370 5000 | computershare.com

Sponsors
Lead independent sponsor
J.P. Morgan Equities South Africa (Pty) Ltd
+27 11 507 0300 | jpmorgan.com/ZA/en/about-us

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

Auditors
PricewaterhouseCoopers Inc.
+27 11 797 4000 | pwc.co.za

KPMG Inc.
+27 11 647 7111 | home.kpmg/za/en/home