Absa Bank Limited

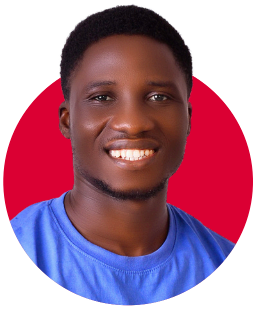
Annual consolidated and separate financial statements
for the year ended 31 December 2023

Absa Bank Limited annual consolidated and separate financial statements

At Absa, we're more than a bank; we are a united Pan-African team that is inspired by our shared purpose: 'Empowering Africa's tomorrow, together … one story at a time'. And it's this purpose that guides us every day, helps us create value, run and grow our business, partner with our clients to help them achieve their aspirations, and how we impact the communities and environments in which we operate.

One of the pillars of our Growth Strategy focuses on what it means to be 'an active force for good in everything that we do'. Our commitment to be an active force for good includes our 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, we're using our corporate reports as a vehicle to showcase this continental shift towards creativity.

Societal and natural challenges are often expressed through art, but more often, art captures the moments and stories of what we value. Our Environmental, Social and Governance (ESG) Performance Report aims to communicate our impact on material sustainability issues, such as climate change, human rights, governance and social wellbeing.



Idowu Emmanuel

2023 Absa L'Atelier Ambassador

Scan to view the artist full portfolio

Idowu Emmanuel was born in Osun State, Nigeria. He has a passion for painting and started off experimenting with a stylistic approach that blended small strokes of colour, ultimately mastering the art of visually blending colours together. His artistic style draws inspiration from African folkloric tradition, ageless wisdom, Yoruba history, spirituality, cultural heritage and storytelling techniques. Through his art, he strives to capture the essence of his subjects and convey their significance within the broader context of African heritage. Although he has no formal education, his art has transcended geographical borders and features in the homes of global and international private collectors.

Featured Artwork

Crochet Making

Contents
Annual Financial Statements

Absa Bank Limited

(1986/004794/06)

Annual consolidated and separate financial statements for the reporting period ended 31 December 2023

These audited annual consolidated and separate financial statements (financial statements) were prepared by Absa Bank Financial Reporting under the direction and supervision of the Interim Absa Group Limited Financial Director, C Snyman CA(SA).

Directors’ approval

Statement of directors’ responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors’ responsibility statement set out on page 12 is made to distinguish, for the benefit of shareholders, the respective responsibilities of the directors and the auditors in relation to the consolidated and separate financial statements of Absa Bank Limited and its subsidiaries (the Group).

In accordance with the Companies Act 71 of 2008 (Companies Act), the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants’ (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act, the JSE Listings Requirements, and fairly present the affairs of Absa Bank Limited standalone company (the Company) and Absa Bank Limited (the Group) as at 31 December 2023, and the net income and cash flows for the year then ended.

To enable the directors to meet these responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Group’s business is conducted in a manner that, in all reasonable circumstances, is above reproach and in line with the King IV code of conduct report.
- The Board of Directors of the Group (Board) sets standards and management implements systems of internal control and accounting as well as information systems aimed at providing reasonable assurance that both on- and off-statements of financial position are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Group and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems, and discipline are applied and managed within predetermined procedures and constraints.
- The Group’s Internal Audit and Compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the Group Audit and Compliance Committee (GACC), appraise, evaluate and, when necessary, recommend improvements to the systems of internal control, accounting and compliance practices, based on plans that, combined with the efforts of the Group’s risk functions, take cognisance of the relative degrees of risk of each function or aspect of the business.
- The GACC, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure. The GACC is satisfied that the external auditors (KPMG & PwC) are independent.
- The Board approves the Enterprise Risk Management Framework (ERMF) through recommendation by the Group Risk Capital Management Committee (GRCMC).
- The Board, through the GACC, which is assisted by the GRCMC in respect of risk matters, reviewed the compliance practices and procedures to enable the Board to discharge their regulatory responsibilities, by overseeing the plan and progress management makes in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions requirements; and by considering that the Group’s systems and processes appropriately reflect the current legal and regulatory environment. Refer to note 45.
- The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

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

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

- forecasts underpinned by the Group’s strategy;
- the Group’s operating environment; and
- a probability assessment based on the Group’s performance, liquidity, credit ratings, market performance and governance and control.

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

It is the responsibility of the independent external auditors to report on the financial statements. Their report to the shareholders of the Group and the Company is set out on page 12 to 16 of this report.

The Directors’ Report on pages 8 to 10 and the annual financial statements of the Group and the Company were approved by the Board and are signed on their behalf by:

S Moloko
Group Chairman

A Rautenbach
Group Chief Executive Officer

Johannesburg
10 March 2024

Group Chief Executive Officer and Interim Group Financial Director responsibility statements

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

(a) The annual financial statements, set out on pages 17 to 190, fairly present in all material respects the consolidated and separate financial position, financial performance and cash flows of Absa Bank Limited in terms of the International Financial Reporting Standards as issued by the IASB (IFRS Accounting Standards).

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

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

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

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

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

A Rautenbach
Group Chief Executive Officer

C Snyman
Interim Group Financial Director

Johannesburg
10 March 2024

Group Audit and Compliance Committee report

Introduction

The Group Audit and Compliance Committee (Committee) is pleased to present its report for the 2023 financial year. The report has been prepared based on the requirements of the Companies Act, No. 71 of 2008 (as amended) (the Companies Act), the Banks Act of 1990 (Banks Act), the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Limited (JSE) Listings Requirements and other applicable regulatory requirements.

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

Objective

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

Composition and governance

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

During the 2023 financial year, seven formal Committee meetings were held, ahead of key reporting and regulatory timelines to ensure the appropriate review and approval of financial results before release to the market and regulators. This includes the Committee's annual meeting with the South African Reserve Bank's Prudential Authority.

The composition of the Committee and the attendance of scheduled meetings by its members for the 2023 financial year are as follows:

Member	Meeting attendance*
Tasneem Abdool–Samad (Chairman)	8/8
René van Wyk	8/8
Daisy Naidoo	7/8
Swithin Munyantwali	7/8
Alex Darko (retired on 30 September 2023)	7/7
Fulvio Tonelli (appointed on 1 July 2023)	4/4
Peter Mageza (appointed on 1 August 2023)	3/3

* In addition to the scheduled meetings listed above, Committee members also participated in other ad-hoc meetings during the year.

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

Key focus areas

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

Control environment and management control approach

The Committee continued to monitor the Group's Management Control Approach (MCA) and Control Environment (CE) to ensure that it is robust, resilient and agile to respond appropriately to any challenges that may arise in the Group's operating environment. The priority for the year, in the context of a challenging external environment was on sustaining the Satisfactory CE rating and MCA. The Committee is satisfied that the Group's CE and MCA supports its business and operating environment.

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

Combined assurance

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

The Committee under the guidance of the GRCMC, also considered the coverage of the Group's critical risks per Business Unit and Function as presented in the Annual Combined Assurance plan across the three Lines of Defenses (LoDs) and is satisfied that the Combined Assurance Plan for 2023 adequately addressed critical risks. The Committee also monitored the remediation of overdue issues raised by Second and Third LoDs on a quarterly basis.

Technology, Cyber and Information Security

Technology, Cyber and Information Security risks have continued to increase across global industries throughout 2023. During the year, the Committee continued to receive reports on the risks and related controls in respect of operational, fraud, cyber security, IT systems and controls impacting financial reporting. It has also considered, in conjunction with the Information Technology Committee (ITC) updates on key internal and external audit findings in relation to the IT control environment including the progress made in strengthening related controls and enhancing associated processes to reduce the residual risk.

External auditors

PwC and KPMG were formally appointed as joint auditors for the 2023 audit.

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

With regards to the 2023 audit period, the Committee considered the external audit plan to address significant focus areas. These areas received similar focus from the Committee with particular emphasis placed on the external auditors' findings in this regard. The Committee also discussed external audit feedback on the Group's critical accounting estimates and judgements, as well as the involvement of specialists from the audit firms on more complex matters, such as expected credit loss (ECL) and the valuation of complex financial instruments.

The Group has an established non-audit services policy to safeguard the independence and objectivity of the Group's external auditors and to specify the approval process for the engagement of the Group's external auditors to provide non-audit services. The key principle of the policy is that the Group's external auditors may only be engaged to provide services in cases where the provision of those services does not impair auditor independence and objectivity. All non-audit services were approved by the Committee during the current financial year in accordance with the Board-approved policy on non-audit services performed by the external auditor. The Committee is satisfied that the non-audit services fees for the year ended 31 December 2023 were permissible and within the thresholds stipulated in the policy.

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

Internal audit

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

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

The Group's external auditors performed an evaluation of the IA function against International Standards on Auditing (ISA) 610 and confirmed that the work done by internal audit was appropriate for the purposes of external audit reliance. The International Standards for the Professional Practice of Internal Auditing and the Group's approved Audit Charter require the IA function to be reviewed at least once every five years by a qualified, independent assessor or assessment team from outside the Group. This review was performed in 2023 by Ernst and Young (EY) with the overall assessment concluding that the activities of the IA function 'Generally Conforms' to the Institute of Internal Auditors' (IIA) standards. The rating of 'Generally Conforms' is the highest attainable in terms of compliance to the IIA standards. In terms of the Maturity Assessment, EY had assessed the Function as "Advanced" which was consistent with global internal audit functions in the global banking sector. EY found that the IA Function had a broad range of skills to meet the evolving business needs. IA had invested and continued to invest in talent development and skills to enable Internal Auditors of the Future. Overall, Absa IA compared favourably with leading global IA functions.

Significant matters

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

Significant matter	How the Committee addressed the matter
Expected credit losses on loans and advances to customers	The measurement of ECL involves significant judgements. The global, regional, and domestic economic outlook remains unusually uncertain and as a result, there remains an elevated degree of uncertainty over ECL estimation. As part of its monitoring, the Committee considered several reports from management in respect of the various aspects of the ECL model and in particular, the key judgements and assumptions used in the calculation of ECL's. Having considered the reports, the Committee agreed with management and other assurance providers conclusion that the impairment provision recognised at year end was appropriate. The Committee received appropriate input on the refreshed macroeconomic scenarios and the judgement exercised by management in determining post-model adjustments. The Committee is satisfied that adequate governance and controls over the ECL model are in place and effective.
Valuation of complex financial instruments	Due to the ongoing volatile market conditions in 2023, management continuously assessed its assumptions in valuing the Group's investment portfolio and whether fair value adjustments were required under the fair value framework. Management's analysis provided evidence to support adjustments in line with International Financial Reporting Standards (IFRSs). The Committee considered the key valuation metrics and judgements used in the determination of the fair value of financial instruments. The Committee considered the valuation control framework, valuation metrics, significant year-end judgements and emerging valuation matters and agrees with the judgements applied by management.

Financial, legal, compliance and regulatory reporting requirements

The Committee reviewed the mandate of the compliance function annually, and together with the Board also reviewed the function's medium-term strategy.

The Committee received reports from the compliance function. This included the evaluation of the quality of regulatory reporting, the cyclical assurance coverage over core regulations and delivery thereof, management of regulatory commitments, regulatory fines and censures, and quality of regulatory relationships.

During the reporting period, the Committee also considered the overall status of compliance in the Group against compliance policies and regulations, and any significant breakdowns and financial statements complaints. This included but is not limited to those reported by Compliance (supported by the s64B statement from the Chief Compliance Officer), Internal Audit and External Audit. This extends to financial crime and market conduct, the latter in conjunction with the Group Social, Sustainability and Ethics Committee.

The Committee also reviewed the adequacy and effectiveness of the Group Compliance function (including compliance capability across all jurisdictions), specifically focusing on further investment in compliance technology and data, the continued upskilling of the Compliance team, and the function's capability in overseeing regulatory compliance. Additionally, the Committee oversaw the delivery of the mandate of the Group Compliance function, including independence, access to information, succession planning, skills and capacity.

Annual financial statements and integrated reporting process

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

- Evaluated management's application of critical accounting policies and material areas in which significant accounting judgements were applied.
- Focused on the appropriateness of accounting policies and principles, in the context of the current local and global context.
- Focused on compliance with disclosure requirements to ensure these were consistent, appropriate, and acceptable under the relevant financial and governance reporting requirements, which includes but not limited to: IFRS 17, Basel IV reforms as well as the disclosure of the eKhaya Colleague Share Scheme.
- Reviewed management's assessment of the application of IAS 29: 'Financial Reporting in Hyperinflationary Economies', to the current period's financial statements and the appropriateness of related disclosures.
- Recommended to the Board that the financial statements should be prepared on a going concern basis and that there were no material uncertainties that would impact the going concern statement which require disclosure. The Committee noted that forecast capital ratios remained above minimum mandatory requirements and within the Board's target ranges.
- Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate.
- Conducted a review of the annual financial statements and, where necessary, requested amendments.
- Kept abreast of any amendments to the JSE Listing Requirements and management's response in respect of future changes to IFRS or other regulations impacting disclosure requirements.
- Focused on enhanced disclosure over the implementation of IFRS 17: *Insurance Contracts* and the related impact on the prior year's restated amounts.
- Reviewed management's disclosures over the restatements relating to cash and cash equivalents, and the Statement of financial position.
- Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made.
- Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences.

- Reviewed and discussed the Integrated Report process, and governance and financial information proposed to be included in the integrated report after considering recommendations from the Social, Sustainability and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Directors' Affairs Committee.
- Considered the impact, if any, of the Group's migration of its consolidation and reporting systems on the Group's financial reporting. There has been no material impact on the financial reporting system.
- Reviewed the assessments of Banks Act Regulation 40(4), the CEO/CFO attestations, as well as Internal Audit's Statement on Internal Financial Controls over Financial Reporting, and Internal Audit's Statement on Governance Risk Management and Control.

The Committee concluded that the processes underlying the preparation of the annual financial statements and the financial information included in the Integrated report for the financial year ended 31 December 2023 were appropriate in ensuring that those statements were fair, balanced, and understandable, and recommended these reports to the Board for approval. The Board subsequently approved the annual financial statements.

Internal financial control attestation

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

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

Future accounting developments

A number of new standards and amendments to existing standards have been issued but not yet effective for the reporting period. The Group has early adopted the revisions to IAS 21: The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) from 1 January 2023. None of the remaining new standards/amendments to existing standards have not been applied in preparing these annual financial statements and are not expected to have a material impact on the Group.

Looking ahead

The role of the Committee will focus on:

- The review of the Bank's regulatory reporting processes and any amendments to the JSE Listings Requirements and management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements.
- The implications of Environmental, social and governance (ESG) disclosures and related assurance processes to support the Group in meeting the minimum ESG disclosure requirements as part of the Integrated Reporting (IR) Framework released by the International Auditing and Assurance Standards Board (IAASB).

Conclusion

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

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

The Committee reviewed the Group and separate Company financial statements for the year ended 31 December 2023 and recommended them to the Board for approval. The Board subsequently approved the annual financial statements.

On behalf of the GACC

T Abdool-Samad
Chairman of the GACC

Johannesburg
10 March 2024

Directors' report

General information and nature of activities

Absa Bank Limited (the Company) is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, and wealth management products and services. The Company and its subsidiaries (the Group) operate primarily in South Africa and employ 27 085 people. The address of the registered office of the Bank is 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001. The Company has preference shares listed on the JSE Limited.

The Group is a subsidiary of Absa Group Limited.

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

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

The consolidated and separate financial statements were approved for issue by the Board Finance Committee, a committee of the Absa Group Limited Board, on 10 March 2024.

The financial statements present the financial positions, results of operations and cash flows for the Group and the Company for the reporting period ended 31 December 2023.

Group Audit and Compliance Committee (GACC) Report

Refer to pages 4 to 7.

Bank results

Main business and operations

The Group recorded a decrease of 36.4% in headline earnings to **R7 406m** (2022: R 11 650m) for the reporting period. Headline earnings per share (HEPS) and diluted HEPS decreased by 36.4% to **1 652.0 cents** (2022: 2 598.7 cents). Refer to note 34 for the breakdown of headline earnings.

Certain comparative segmental information contained in this set of financial statements has been restated due to business portfolio changes. Refer to notes 1.21 and 41 for further details.

Headline earnings were derived from the following activities:

	Group	
	2023 Rm	Restated 2022 Rm
Product Solutions Cluster	**858**	1 825
Relationship Banking	**4 035**	4 155
Everyday Banking	**3 193**	3 907
Corporate and Investment Bank (CIB)	**4 041**	4 244
Head Office, Treasury and other operations	**(4 031)**	(1 857)
Barclays separation	**(689)**	(624)
Headline earnings (refer to note 34)	**7 406**	11 650

Headline earnings has been restated due to IFRS 17. Refer to note 1.21.

Details of the members of the Board:

Name	Position as director	Current reporting period appointments and resignations
S Moloko	Independent non-executive director, Chairman	
T Abdool-Samad	Independent non-executive director	
A Darko (Ghanaian/British)	Independent non-executive director	Retired 30 September 2023
R Keanly	Independent non-executive director	
N Mjoli-Mncube	Lead independent non-executive director	
F Okomo-Okello (Kenyan)	Independent non-executive director	Retired 30 September 2023
J Quinn	Group Financial Director	Resigned 22 November 2023
A Rautenbach	Group Chief Executive Officer	
C Snyman	Interim Group Financial Director	Appointed 23 November 2023
R van Wyk	Independent non-executive director	

Re-election of retiring directors

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

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

Directors' interests in Absa Bank Limited preference shares

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

Directors' and officers' personal financial interests in contracts

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

Executive directors are entitled to share awards (Absa Group ordinary shares), the details of which are included in note 57.

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

Directors' and prescribed officers' emoluments

The emoluments and services of Directors and prescribed officers are determined by the Group Remuneration Committee (Remco) as disclosed in the Directors' and prescribed officers' remuneration note 57.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures are set out in notes 9 and 10 to the consolidated financial statements.

Acquisitions and disposals during the current reporting period

Refer to note 49 for additional information on the acquisitions and disposals of businesses and other significant assets.

Acquisitions and disposals during the prior reporting periods

Refer to note 49 for additional information on the acquisitions and disposals of businesses and other significant assets.

Dividends

- On 10 March 2024, a final dividend of 4 101.23286 cents per preference share was approved. The dividend was announced on 11 March 2024 to ordinary shareholders registered on 19 April 2024. This dividend is payable on 22 April 2024.
- On 10 March 2024, a final dividend of 446.12850 cents per ordinary share was approved. The dividend was announced on 11 March 2024 to ordinary shareholders registered on 19 April 2024. This dividend is payable on 22 April 2024.
- On 14 August 2023, an interim dividend of 4 035.06849 cents per preference share was approved. The dividend was announced on 14 August 2023 to preference shareholders registered on 15 September 2023. The dividend was payable on 18 September 2023.
- On 14 August 2023, an interim dividend of 501.9 cents per ordinary share was approved. The dividend was announced on 14 August 2023 to ordinary shareholders registered on 15 September 2023. The dividend was payable on 18 September 2023.
- Refer to note 37 for the Common Equity Tier 1 distribution.

Special resolutions

The following special resolutions were passed by the Group's ordinary shareholders at the AGM held on 31 May 2023, in accordance with the Companies Act:

- **Special resolution number 1 – Remuneration of non-executive directors**
  Resolved to approve the proposed remuneration to be payable to non-executive directors for their services as directors of the Company for the period 1 June 2023 to and including the last day of the month preceding the date of the next AGM.
- **Special resolution number 2 – General authority to repurchase the Company's securities**
  Resolved that the Company or any subsidiary of the Company may, subject to the Company's MOI, section 48 of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM.
- **Special resolution number 3 – Financial assistance to a related or inter-related company/corporation**
  Resolved to enable the Company, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide direct or indirect financial assistance as regulated by section 45 of the Companies Act to a related or inter-related company/corporation and/or to a member of a related or inter-related company/corporation.

Company Secretary

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

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

Telephone: (+27 11) 350 5347

Email: groupsec@absa.africa

Auditors

KPMG Inc. and PricewaterhouseCoopers Inc. were appointed as joint auditors of the Group for the 2023 reporting period, effective 1 January 2023. John Bennett and Riaz Muradmia are the designated audit partners.

Authorised and issued share capital

Authorised

The authorised ordinary share capital of the Company of **R322 500 000** (2022: R322 500 000) consists of:

- **320 000 000** (2022: 320 000 000) ordinary shares of R1.00 each;
- **250 000 000** (2022: 250 000 000) 'A' ordinary shares of R0.01 each.

The authorised preference share capital of the Company of **R300 000** (2022: R300 000) consists of:

- **30 000 000** (2022: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Issued

No additional 'A' ordinary shares were issued in the current reporting period (2022: none).

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

- **302 609 369** (2022: 302 609 369) ordinary shares of R1.00 each;
- **145 691 959** (2022: 145 691 959) 'A' ordinary shares of R0.01 each.

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

- **4 944 839** (2022: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each.

Shareholder information

	2023			2022		
	Number of shareholders/ note holders	Number of shares/notes	% holding	Number of shareholders/ note holders	Number of shares/notes	% holding
Non-public shareholders						
Ordinary shares	—	302 609 369	100.00	—	302 609 369	100.0
Absa Group Limited	—	302 609 369	100.00	—	302 609 369	100.0
'A' ordinary shares	—	145 691 959	100.00	—	145 691 959	100.0
Absa Group Limited	—	145 691 959	100.00	—	145 691 959	100.0
Public shareholders						
Preference shares	5 444	4 944 839	100.00	5 478	6 796 677	100.0
Standard Chartered Bank	11	150 775	3.0	17	206 433	3.0
Standard Bank	346	837 738	16.9	338	834 894	12.3
Nedbank Investor Services	1 069	1 304 016	26.4	1 166	1 474 735	21.7
Other preference shareholders	1 743	630 102	12.7	1 732	2 428 777	35.7
Rand Merchant Bank	2 275	2 022 208	40.9	2 225	1 851 838	27.2

Additional Tier 1 capital

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Bank Limited (the Issuer) subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. The total number of issued notes at the end of the reporting period was **8 262 000 000** (2022: 7 503 000 000).

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

In accordance with the provisions of the Companies Act, I certify that, in respect of the year ended 31 December 2023, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

N R Drutman
Company Secretary

Johannesburg
10 March 2024

Independent auditors' report to the shareholder of Absa Bank Limited

To the Shareholder of Absa Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

We have audited the consolidated and separate financial statements of Absa Bank Limited (the group and company), set out on pages 17 to 190 which comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements excluding the sections marked as 'unaudited' in notes 44 and 54.6.1 to the financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Absa Bank Limited as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Level	Key audit matter
Absa Bank Limited (consolidated and separate)	**Expected credit losses (ECL) on loans and advances to customers** The disclosure associated with ECL on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policies and notes: • Note 1.2.1– Approach to credit risk and impairment of loans and advances • Note 1.7.4 – Expected credit losses on financial assets • Note 7 – Loans and advances • Note 29 – Credit impairment charges • Note 54.2 – Credit risk • Note 54.3 – Macro-overlays and sensitivity analysis

Key audit matters (continued)

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Absa Bank Limited (consolidated and separate) (continued)</td><td>The group's and company's loans and advances to customers and the related ECL is material to the consolidated and separate financial statements.

We identified the audit of ECL on loans and advances to customers to be a matter of most significance to the current year audit due to the following:

1. There is a high degree of estimation uncertainty and significant judgements and assumptions in estimating modelled ECL on loans and advances to customers;
2. Economic scenario forecasts, incorporating forward-looking information (FLI) which are used to estimate the ECL on loans and advances to customers, require estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation. Any impacts not captured by the statistical model are accounted for via further management adjustments, some of which are judgemental in nature. Such adjustments are also posted where current and forward-looking risks are not fully reflected in the historic data used to calibrate models;
3. Stage 3 impairments of loans and advances to customers are assessed for recoverability on an individual basis and require significant management judgement in estimating future recoveries; and
4. The credit risk disclosures incorporate multiple data inputs and judgement in applying the requirements of IFRS 9, Financial Instruments (IFRS 9).

In calculating the ECL, the key areas of significant management judgement and estimation included:</td><td>• Making use of our internal quantitative and economic expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances to customers, as set out below. In addition, we tested controls and/or performed substantive procedures over the model data inputs, where the inputs are considered material to the models.</td></tr>
<tr><td></td><td>1. Modelled ECL impairment losses
• A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions, and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.
• Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This incorporates judgement and estimation by management.
• The determination of the write-off point and application of the cure rules are based on management's judgement.

The credit impairment models are subject to formal model governance and approval.</td><td>1. Modelled ECL impairment losses
• We obtained an understanding of management's data, methodologies and assumptions used in the various ECL models and how these were calibrated to use historical information to estimate ECL, including the controls over the governance of changes to ECL models and the implementation of new ECL models where relevant.
• We tested the IT general controls, including change management controls, and application controls relating to the IT systems that support the modelled ECL processes.
• We independently reperformed and recalculated ECL estimates or benchmarked the model calculations for material portfolios, including sovereign risk based on the assumptions as per the model documentation, and independently reperformed the PD, EAD and LGD parameters, to test the assumptions and appropriateness of the judgement applied in the ECL calculations.
• We assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocations. For retail portfolio loans and advances to customers, we also tested the performance of the SICR approach by considering historic volumes of accounts moving into arrears and the forward-looking view of default risk.
• We assessed the application of cure rules for a sample of wholesale exposures.
• We tested the completeness and accuracy of data inputs into the models by agreeing a sample of data inputs back to information sourced by management from internal systems and external data providers.
• We tested controls relating to the staging of loans and advances to customers.
• For all impacted portfolios, we considered historical post write-off recoveries to evaluate the reasonableness of the write-off definition and to determine whether the current write-off point is still the point at which there was no reasonable expectation of significant further recovery against the requirements of IFRS 9.
• We further evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on the ECL.</td></tr>
</table>

Key audit matters (continued)

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

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

	4. Disclosures related to credit risk Credit risk disclosures are significant as they explain the application of IFRS 9 including key judgements and material inputs used in determining the ECL.	**4. Disclosures related to credit risk** • We tested the design and implementation and operating effectiveness of controls over the credit risk financial reporting process in respect of the disclosures presented in note 54.2 to the consolidated and separate financial statements. • We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates and macroeconomic forecasts. • We assessed the disclosures in the financial statements for compliance in accordance with the requirements of IFRS 9.

Key audit matters (continued)

Level	Key audit matter	How our audit addressed the matter
Absa Bank Limited (consolidated and separate) (continued)	**Valuation of complex financial instruments** The disclosure associated with the valuation of complex financial instruments is set out in the consolidated and separate financial statements in the following material accounting policies and notes: • Note 1.2.3 – Fair value measurement • Note 52 – Fair value disclosures	

	Complex financial instruments held at fair value are recorded within the following financial statement line items:
	• Investment securities;
	• Trading portfolio assets and liabilities;
	• Hedging portfolio assets and liabilities;
	• Loans and advances;
	• Deposits; and
	• Debt securities in issue.
	
	The financial instruments recorded in the above financial statement line items include derivatives, repurchase and reverse repurchase agreements, unlisted equity securities, structured debt securities and modelled valuation adjustments (XVA's).
	
	The complexity arises from the fair value modelling of these financial instruments and the inputs used in the valuation thereof.
	
	There is significant management judgement relating to the application of sophisticated valuation techniques and models, governance over key assumptions and inputs used to estimate the valuation of the respective financial instruments and the related fair value disclosures.
	
	Significant judgement is required concerning unobservable inputs, for which there are no quoted market prices, and inputs are either illiquid or volatile in nature. These judgements relate primarily to credit spreads, risk adjusted or bootstrapped yield curves, discount rates and funding spreads. These inputs depend on various sources of external and internal data and the use of sophisticated modelling techniques. As a result of the above, the disclosures relating to the valuation of these complex financial instruments are also significant.
	
	We have identified the valuation of complex financial instruments as a key audit matter which necessitated significant audit effort and the support of our internal valuation experts.
		We performed the following audit procedures:
		• We assessed the population of fair value trading exposures and stratified this population by risk factors, counterparties, model identifiers, maturities, and inputs. This was performed as part of our risk assessment procedures to identify which financial instruments were considered complex.
		• We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of key controls identified in the valuation process over complex financial instruments. These controls relate to model governance and model validation, including new product approval, oversight of valuation inputs and assumptions applied throughout the independent price verification process and market risk monitoring.
		• We tested the IT general controls, including change management controls, and application controls relating to the IT systems that support the valuation of complex financial instruments.
		• We assessed the appropriateness of valuation methodologies and the reasonableness for a sample of valuation models by:
		  ◦ Performing a retrospective review over the consistency of the selection and application of key assumptions and methodologies utilised by management and assessed the reasonability of any significant changes in these assumptions year on year.
		  ◦ Independently repricing a sample of complex financial instruments using independent models and investigating differences outside of our thresholds.
		  ◦ Assessing the appropriateness of techniques, methodologies and models used in calculating valuation adjustments such as credit valuation adjustments, funding valuation adjustments, margin valuation adjustments and collateral valuation adjustments (collectively XVA's).
		• For a sample of key unobservable valuation inputs, we engaged our internal valuation experts to assess the reasonability of the valuation inputs and judgements made in deriving these inputs.
		• We evaluated management's process regarding collateral disputes and tested the resolution in instances where there were collateral differences noted.
		• For a sample of unlisted private equity instruments, we engaged our internal valuation experts to perform independent calculations and assessed them against key management assumptions and judgements used. Furthermore, we assessed that the discount rates used were reasonable and that cash flows were correctly discounted to the valuation date.
		• Where management used external independent appraisers to value unobservable inputs in the unlisted private equity portfolios, for a sample we evaluated their competence, independence and experience with reference to their qualifications and industry experience.
		• We assessed the appropriateness of the fair value disclosures with reference to the requirements of IFRS 13 *Fair Value Measurement* by considering the judgement in the key valuation inputs and assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Absa Bank Limited Annual consolidated and separate financial statements for the year ended 31 December 2023' which includes the Company Secretary's certificate to the shareholders of Absa Bank Limited, the Group Audit and Compliance Committee report and the Directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditors' report thereon (but includes the sections marked as 'unaudited' in notes 44 and 54.6.1 to the consolidated and separate financial statements).

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

Other information (continued)

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers Inc.
Director: John Bennett
Registered Auditor

4 Lisbon Lane, Waterfall City
Jukskei View, South Africa

10 March 2024

KPMG Inc.
Director: Riaz Muradmia
Registered Auditor

85 Empire Road
Parktown, South Africa

10 March 2024

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

Consolidated and separate statement of financial position

as at 31 December

		Group		Company	
	Note	2023 Rm	Restated 2022 Rm	2023 Rm	2022 Rm
Assets					
Cash, cash balances and balances with central banks	2	**41 510**	37 344	**41 510**	37 344
Investment securities	3	**151 777**	128 439	**151 770**	127 220
Trading portfolio assets	4	**144 427**	156 071	**144 414**	155 778
Hedging portfolio assets	4	**5 441**	4 972	**5 441**	4 972
Other assets	5	**17 264**	17 263	**17 087**	17 114
Current tax assets		**12**	45	**—**	—
Non-current assets held for sale	6	**191**	90	**191**	90
Loans and advances	7	**1 078 487**	1 032 520	**1 073 447**	1 027 244
Loans to Group Companies	8	**61 448**	73 203	**72 383**	81 939
Investments in associates and joint ventures	9	**1 839**	1 725	**206**	206
Subsidiaries	10	**—**	—	**159**	98
Property and equipment	11	**11 747**	11 686	**11 407**	11 665
Goodwill and intangible assets	12	**12 299**	11 255	**12 187**	11 143
Deferred tax assets	13	**4 360**	4 695	**4 065**	4 574
Total assets		**1 530 802**	1 479 308	**1 534 267**	1 479 387
Liabilities					
Trading portfolio liabilities	14	**58 493**	91 397	**58 493**	91 396
Hedging portfolio liabilities	14	**1 688**	2 237	**1 688**	2 237
Other liabilities	15	**30 370**	23 817	**30 232**	23 565
Provisions	16	**4 131**	4 051	**4 069**	4 023
Current tax liabilities		**219**	381	**146**	364
Deposits	17	**1 089 483**	1 015 623	**1 090 888**	1 017 207
Debt securities in issue	18	**209 895**	203 275	**207 148**	197 243
Loans from Group Companies		**12 831**	9 152	**20 600**	16 354
Insurance contract liabilities	19	**13**	12	**—**	—
Borrowed funds	20	**18 358**	26 282	**18 358**	26 282
Deferred tax liabilities	13	**12**	23	**—**	—
Total liabilities		**1 425 493**	1 376 249	**1 431 622**	1 378 671
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Ordinary share capital	21	**304**	304	**304**	304
Ordinary share premium	21	**36 880**	36 880	**36 880**	36 880
Preference share capital	21	**1**	1	**1**	1
Preference share premium	21	**4 643**	4 643	**4 643**	4 643
Additional Tier 1 capital	21	**8 262**	7 503	**8 262**	7 503
Retained earnings	22	**52 142**	52 752	**51 295**	52 158
Other reserves	22	**3 077**	975	**1 260**	(773)
Total equity		**105 309**	103 058	**102 645**	100 716
Total liabilities and equity		**1 530 802**	1 479 308	**1 534 267**	1 479 387

The Statement of financial position has been restated. Refer to note 1.21.

Consolidated and separate statement of comprehensive income

for the reporting period ended 31 December

		Group		Company	
	Note	2023 Rm	Restated 2022 Rm	2023 Rm	2022 Rm
Net interest income		**44 355**	42 387	**44 154**	42 188
Interest and similar income	23	**118 377**	89 169	**116 738**	88 013
Effective interest income		**115 608**	87 254	**114 273**	86 360
Other interest income		**2 769**	1 915	**2 465**	1 653
Interest expense and similar charges	24	**(74 022)**	(46 782)	**(72 584)**	(45 825)
Non-interest income		**21 180**	21 687	**20 794**	21 452
Net fee and commission income		**19 786**	19 332	**19 626**	19 216
Fee and commission income	25	**21 935**	21 350	**21 774**	21 234
Fee and commission expense	25	**(2 149)**	(2 018)	**(2 148)**	(2 018)
Insurance service result		**68**	50	**—**	—
Insurance revenue		**197**	118	**—**	—
Insurance service expenses		**(129)**	(68)	**—**	—
Gains and losses from banking and trading activities	26	**901**	1 586	**847**	1 570
Gains and losses from investment activities	27	**—**	3	**—**	3
Other operating income	28	**425**	716	**321**	663
Total income		**65 535**	64 074	**64 948**	63 640
Credit impairment charges	29	**(12 591)**	(8 687)	**(12 479)**	(8 717)
Operating income before operating expenses		**52 944**	55 387	**52 469**	54 923
Operating expenses	30	**(40 461)**	(37 122)	**(40 302)**	(37 003)
Other expenses		**(2 058)**	(1 916)	**(2 057)**	(1 915)
Other impairments	31	**(449)**	(591)	**(449)**	(591)
Indirect taxation	32	**(1 609)**	(1 325)	**(1 608)**	(1 324)
Share of post-tax results of associates and joint ventures		**114**	132	**—**	—
Operating profit before income tax		**10 539**	16 481	**10 110**	16 005
Taxation expense	33	**(2 170)**	(4 292)	**(2 009)**	(4 056)
Profit for the reporting period		**8 369**	12 189	**8 101**	11 949
Profit attributable to:					
Ordinary equity holders		**7 097**	11 314	**6 829**	11 074
Preference equity holders		**373**	266	**373**	266
Other equity: Additional Tier 1 capital		**899**	609	**899**	609
		8 369	12 189	**8 101**	11 949
Earnings per share:					
Basic earnings per share (cents)	43	**1 583.1**	2 523.8		
Diluted earnings per share (cents)	43	**1 583.1**	2 523.8		

Other operating income has been restated due to the implementation of IFRS 17. Refer to note 1.21.

Consolidated and separate statement of comprehensive income

for the reporting period ended 31 December

	Group		Company	
	2023 Rm	Restated 2022 Rm	2023 Rm	2022 Rm
Profit for the reporting period	**8 369**	12 189	**8 101**	11 949
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(275)**	(152)	**(275)**	(152)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	(1)	**(5)**	(1)
Fair value movements	**(6)**	(1)	**(6)**	(1)
Deferred tax	**1**	—	**1**	—
Movement of liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk	**(241)**	(151)	**(241)**	(151)
Fair value movements	**(330)**	(202)	**(330)**	(202)
Deferred tax	**89**	51	**89**	51
Movement in retirement benefit fund assets and liabilities	**(29)**	0	**(29)**	0
Decrease in retirement benefit surplus	**25**	(626)	**25**	(626)
Decrease in retirement benefit deficit	**(65)**	590	**(65)**	590
Deferred tax	**11**	36	**11**	36
Items that are or may be subsequently reclassified to profit or loss	**1 771**	(3 567)	**1 816**	(3 570)
Movement in foreign currency translation reserve	**(8)**	2	**—**	1
Differences in translation of foreign operations	**(8)**	2	**—**	1
Movement in cash flow hedging reserve	**1 963**	(4 477)	**2 000**	(4 477)
Fair value movements	**1 421**	(3 439)	**1 472**	(3 439)
Amount removed from other comprehensive income and recognised in profit or loss	**1 268**	(2 718)	**1 268**	(2 718)
Deferred tax	**(726)**	1 680	**(740)**	1 680
Movement in fair value of debt instruments measured at FVOCI	**(184)**	908	**(184)**	906
Fair value movements	**(186)**	1 291	**(186)**	1 288
Release to profit or loss	**(66)**	(7)	**(66)**	(7)
Deferred tax	**68**	(376)	**68**	(375)
Total comprehensive income for the reporting period	**9 865**	8 470	**9 642**	8 227
Total comprehensive income attributable to:				
Ordinary equity holders	**8 593**	7 595	**8 370**	7 352
Preference equity holders	**373**	266	**373**	266
Additional Tier 1 capital	**899**	609	**899**	609
	9 865	8 470	**9 642**	8 227

Other operating income has been restated due to the implementation of IFRS 17.

Consolidated statement of changes in equity

for the reporting period ended 31 December

	Group 2023				
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Balance at the beginning of the reporting period	448 301	304	36 880	52 752	975
Total comprehensive income	—	—	—	6 822	1 771
Profit for the period	—	—	—	7 097	—
Other comprehensive income	—	—	—	(275)	1 771
Dividends paid during the reporting period	—	—	—	(5 250)	—
Distributions paid during the reporting period	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—
Equity contribution from parent	—	—	—	100	—
Net contribution/distribution from/to the Group in respect of equity-settled share-based payment arrangements	—	—	—	(2 168)	—
Movement in share-based payment reserve	—	—	—	—	217
Transfer from share-based payment reserve	—	—	—	—	(496)
Value of employee services	—	—	—	—	909
Deferred tax	—	—	—	—	(196)
Share of post-tax results of associates and joint ventures	—	—	—	(114)	114
Balance at the end of the reporting period	448 301	304	36 880	52 142	3 077
Note	21	21	21		

Consolidated statement of changes in equity

for the reporting period ended 31 December

Group

2023

Fair value through other compre- hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share- based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital Rm	Total equity Rm
42	(3 213)	1	1 422	977	1 746	90 910	1	4 643	7 503	103 057
(184)	1 963	(8)	—	—	—	8 593	—	373	899	9 865
—	—	—	—	—	—	7 097	—	373	899	8 369
(184)	1 963	(8)	—	—	—	1 496	—	—	—	1 496
—	—	—	—	—	—	(5 250)	—	(373)	—	(5 623)
—	—	—	—	—	—	—	—	—	(899)	(899)
—	—	—	—	—	—	—	—	—	2 000	2 000
—	—	—	—	—	—	—	—	—	(1 241)	(1 241)
—	—	—	—	—	—	100	—	—	—	100
—	—	—	—	—	—	(2 168)	—	—	—	(2 168)
—	—	—	—	217	—	217	—	—	—	217
—	—	—	—	(496)	—	(496)	—	—	—	(496)
—	—	—	—	909	—	909	—	—	—	909
—	—	—	—	(196)	—	(196)	—	—	—	(196)
—	—	—	—	—	114	—	—	—	—	—
(142)	(1 250)	(7)	1 422	1 194	1 860	92 402	1	4 643	8 262	105 308
22	22	22	22	22	22		21	21	21	

Consolidated statement of changes in equity

for the reporting period ended 31 December

Restated
Group
2022

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Restated balance at the beginning of the reporting period	448 301	304	36 880	48 841	4 046
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	120	—
Restated balance at the beginning of the reporting period	448 301	304	36 880	48 961	4 046
Total comprehensive income	—	—	—	11 162	(3 567)
Profit for the period	—	—	—	11 314	—
Other comprehensive income	—	—	—	(152)	(3 567)
Dividends paid during the reporting period	—	—	—	(6 500)	—
Distributions paid during the reporting period	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—
Net contribution/distribution from/to the Group in respect of equity-settled share-based payment arrangements	—	—	—	(739)	—
Movement in share-based payment reserve	—	—	—	—	364
Transfer from share-based payment reserve	—	—	—	—	(318)
Value of employee services	—	—	—	—	555
Deferred tax	—	—	—	—	126
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132
Balance at the end of the reporting period	448 301	304	36 880	52 752	975
Note	21	21	21		

The above disclosure has been updated to disaggregate the issuance and redemptions on Tier 1 capital.

The statement of changes in equity has been restated. Refer to the reporting changes overview note.

Included in 'Equity contributions from parent' are assets and liabilities received from the parent during the current reporting period.

Consolidated statement of changes in equity

for the reporting period ended 31 December

Restated
Group
2022

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital Rm	Total equity Rm
(866)	1 264	(1)	1 422	613	1 614	90 071	1	4 643	7 004	101 719
—	—	—	—	—	—	120	—	—	—	120
(866)	1 264	(1)	1 422	613	1 614	90 191	1	4 643	7 004	101 839
908	(4 477)	2	—	—	—	7 595	—	266	609	8 470
—	—	—	—	—	—	11 314	—	266	609	12 189
908	(4 477)	2	—	—	—	(3 719)	—	—	—	(3 719)
—	—	—	—	—	—	(6 500)	—	(266)	—	(6 766)
—	—	—	—	—	—	—	—	—	(609)	(609)
—	—	—	—	—	—	—	—	—	1 999	1 999
—	—	—	—	—	—	—	—	—	(1 500)	(1 500)
—	—	—	—	—	—	(739)	—	—	—	(739)
—	—	—	—	364	—	364	—	—	—	364
—	—	—	—	(318)	—	(318)	—	—	—	(318)
—	—	—	—	555	—	555	—	—	—	555
—	—	—	—	126	—	126	—	—	—	126
—	—	—	—	—	132	—	—	—	—	—
42	(3 213)	1	1 422	977	1 746	90 911	1	4 643	7 503	103 058
22	22	22	22	22	22		21	21	21	

Separate statement of changes in equity

for the reporting period ended 31 December

	Company 2023				
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Balance at the beginning of the reporting period	448 301	304	36 880	52 158	(773)
Total comprehensive income	—	—	—	6 554	1 816
Profit for the period	—	—	—	6 829	—
Other comprehensive income	—	—	—	(275)	1 816
Dividends paid during the reporting period	—	—	—	(5 250)	—
Distributions paid during the reporting period	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—
Net contribution/distribution from/to the Group in respect of equity-settled share-based payment arrangements	—	—	—	(2 167)	—
Movement in share-based payment reserve	—	—	—	—	217
Transfer from share-based payment reserve	—	—	—	—	(496)
Value of employee services	—	—	—	—	909
Deferred tax	—	—	—	—	(196)
Balance at the end of the reporting period	448 301	304	36 880	51 295	1 260
Note	21	21	21		

Separate statement of changes in equity

for the reporting period ended 31 December

Company 2023								
Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity attributable to equity holders Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital Rm	Total equity Rm
42	(3 212)	1 422	975	88 569	1	4 643	7 503	100 716
(184)	2 000	—	—	8 370	—	373	899	9 642
—	—	—	—	6 829	—	373	899	8 101
(184)	2 000	—	—	1 541	—	—	—	1 541
—	—	—	—	(5 250)	—	(373)	—	(5 623)
—	—	—	—	—	—	—	(899)	(899)
—	—	—	—	—	—	—	2 000	2 000
—	—	—	—	—	—	—	(1 241)	(1 241)
—	—	—	—	(2 167)	—	—	—	(2 167)
—	—	—	217	217	—	—	—	217
—	—	—	(496)	(496)	—	—	—	(496)
—	—	—	909	909	—	—	—	909
—	—	—	(196)	(196)	—	—	—	(196)
(142)	(1 213)	1 422	1 193	89 740	1	4 643	8 262	102 646
22	22	22	22		21	21	21	

Separate statement of changes in equity

for the reporting period ended 31 December

	Company 2022				
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Balance at the beginning of the reporting period	448 301	304	36 880	48 474	2 435
Total comprehensive income	—	—	—	10 922	(3 570)
Profit for the period	—	—	—	11 074	—
Other comprehensive income	—	—	—	(152)	(3 570)
Dividends paid during the reporting period	—	—	—	(6 500)	—
Distributions paid during the reporting period	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—
Net contribution/distribution from/to the Group in respect of equity-settled share-based payment arrangements	—	—	—	(738)	—
Movement in share-based payment reserve	—	—	—	—	362
Transfer from share-based payment reserve	—	—	—	—	(318)
Value of employee services	—	—	—	—	554
Deferred tax	—	—	—	—	126
Balance at the end of the reporting period	448 301	304	36 880	52 158	(773)
Note	21	21	21		

Separate statement of changes in equity

for the reporting period ended 31 December

Company 2022										
Fair value through other compre-hensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital Rm	Total equity Rm
(864)	1 265	(1)	1 422	613	—	88 093	1	4 643	7 004	99 741
906	(4 477)	1	—	—	—	7 352	—	266	609	8 226
—	—	—	—	—	—	11 074	—	266	609	11 949
906	(4 477)	1	—	—	—	(3 722)	—	—	—	(3 722)
—	—	—	—	—	—	(6 500)	—	(266)	—	(6 766)
—	—	—	—	—	—	—	—	—	(609)	(609)
—	—	—	—	—	—	—	—	—	1 999	1 999
—	—	—	—	—	—	—	—	—	(1 500)	(1 500)
—	—	—	—	—	—	(738)	—	—		(738)
—	—	—	—	362	—	362	—	—	—	362
—	—	—	—	(318)	—	(318)	—	—	—	(318)
—	—	—	—	554	—	554	—	—	—	554
—	—	—	—	126	—	126	—	—	—	126
42	(3 212)	(0)	1 422	975	—	88 569	1	4 643	7 503	100 716
22	22	22	22	22	22		21	21	21	

Consolidated and separate statement of cash flows

for the reporting period ended 31 December

	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Cash flow from operating activities					
Profit before tax		**10 539**	16 481	**10 110**	16 005
Adjustment of non-cash items					
Depreciation and amortisation	30	**4 909**	4 924	**4 892**	4 919
Other impairments	31	**449**	591	**449**	591
Share of post-tax results of associates and joint ventures		**(114)**	(132)	**—**	—
Other non-cash items included on profit and before tax		**(25)**	(22)	**(25)**	(22)
Dividends received from investing activities		**(55)**	(58)	**(55)**	(43)
Cash flow from operating activities before changes in operating assets and liabilities		**15 703**	21 784	**15 371**	21 450
Net (increase)/decrease in trading and hedging portfolio assets		**13 139**	(19 849)	**12 895**	(19 539)
Net increase in loans and advances		**(44 886)**	(95 907)	**(45 121)**	(96 935)
Net increase in investment securities		**(23 478)**	(11 240)	**(24 739)**	(11 887)
Net decrease in other assets		**11 890**	1 057	**9 479**	3 164
Net (decrease)/increase in trading and hedging portfolio liabilities		**(33 452)**	22 620	**(33 452)**	22 620
Net increase in deposits		**73 861**	41 501	**73 683**	41 804
Net increase in other liabilities		**16 812**	64 065	**21 018**	63 124
Income taxes paid		**(2 335)**	(3 967)	**(1 831)**	(3 729)
Net cash generated from operating activities		**27 254**	20 064	**27 303**	20 072
Cash flow from investing activities					
Proceeds from disposal of non-current assets held sale	6	**—**	54	**—**	54
Purchase of property and equipment	11	**(1 779)**	(1 612)	**(1 768)**	(1 604)
Proceeds from disposal of properties and equipment		**158**	64	**158**	64
Purchase of intangible assets	12	**(3 823)**	(3 246)	**(3 883)**	(3 246)
Dividends received from investing activities		**—**	31	**—**	16
Net cash utilised in investing activities		**(5 444)**	(4 709)	**(5 493)**	(4 716)
Cash flow from financing activities					
Contribution from/distribution to the Group in respect of equity-settled share-based payments		**(2 168)**	(1 069)	**(2 168)**	(1 069)
Issue of Additional Tier 1 capital		**2 000**	1 999	**2 000**	1 999
Expiry of Additional Tier 1 capital		**(1 241)**	(1 500)	**(1 241)**	(1 500)
Proceeds of borrowed funds		**2 158**	1 916	**2 158**	1 916
Repayment of borrowed funds		**(10 482)**	(2 204)	**(10 482)**	(2 204)
Repayment of lease liabilities		**(963)**	(984)	**(963)**	(984)
Distribution to Tier 1 capital holders		**(899)**	(609)	**(899)**	(609)
Dividends paid		**(5 623)**	(6 766)	**(5 623)**	(6 766)
Net cash utilised in financing activities		**(17 218)**	(9 217)	**(17 218)**	(9 217)
Net increase/(decrease) in cash and cash equivalents		**4 592**	6 138	**4 592**	6 138
Cash and cash equivalents at the beginning of the reporting period		**36 463**	30 325	**36 463**	30 325
Cash and cash equivalents at the end of the reporting period	48	**41 055**	36 463	**41 055**	36 463

Group: As part of operating activities, interest income amounting to **R112 832m** (2022: R90 973m); and interest expense amounting to **R72 229m** (2022: R45 620m) were received and paid in cash respectively. Net increase in other liabilities includes debt securities in issue, provisions and loans from Group companies.

Company: As part of operating activities, interest income amounting to **R111 254m** (2022: R89 750m); and interest expense amounting to **R70 791m** (2022: R45 825m) were received and paid in cash respectively. Net increase in other liabilities includes debt securities in issue, provisions and loans from Group companies.

Summary of material accounting policies

for the reporting period ended 31 December

1. Summary of material accounting policies

1.1 Basis of preparation

The material accounting policies applied in the preparation of these consolidated and separate financial statements (authorised on 10 March 2024) are set out below. These policies comply with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards), interpretations issued by the IFRS Interpretations Committee (Committee), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act.

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The consolidated and separate financial statements are presented in South African Rand, which is the functional currency of the Company, and rounded to the nearest million (Rm) unless otherwise indicated.

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

The following amendments were effective in the current reporting period. Except for the adoption of IFRS 17, the amendments had no impact on the consolidated and separate financial statements.

Adoption of IFRS 17 Insurance contracts (IFRS 17)

IFRS 17 is effective for annual reporting periods starting on or after 1 January 2023 and requires retrospective application. The Group has opted not to early adopt this Standard and the transition period therefore commenced from 1 January 2022. Certain comparative amounts have been restated and as a result a third statement of financial position has been presented as at 1 January 2022.

The effects of adopting IFRS 17 on the financial results as at 1 January 2022 are presented in the statement of changes in equity.

Refer to the transitional disclosures in note 1.21.3 for more information.

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

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, guidelines and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules

The Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum effective tax rate of 15% in each jurisdiction they operate from. The amendments introduce:

- A temporary exception – to the accounting for deferred taxes arising from jurisdictions implementing the global Pillar Two tax rules, including jurisdictions that implement qualified domestic minimum top-up taxes. This will help ensure consistency in the financial statements while easing the implementation of the rules; and
- Targeted disclosure requirements – to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Amendments to IAS 21: The effects of changes in foreign exchange rates (lack of exchangeability)

The amendments specify how to assess whether a currency is exchangeable and if not exchangeable, how the entity should determine the spot exchange rate. Additional disclosure is required to enable users to understand how the lack of exchangeability impacts the financial performance, financial position and cash flows.

The Group has early adopted the revisions to IAS 21: The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) from 1 January 2023. As there were no exchange rates affected by the amendment on 1 January 2023, no adjustment to opening retained earnings were recognised. Amounts were recognised in profit or loss for the year ended 31 December 2023 due to Nigerian Naira exposures translated to Rand at the reporting date. The spot exchange rate at 31 December 2023 was estimated by using an estimation technique that incorporates the latest market developments and conditions present at the reporting date.

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

1.2.1 Approach to credit risk and impairment of loans and advances

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

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

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

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

1. Summary of material accounting policies (continued)

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

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

1.2.1.1 Approach to credit modelling/internal ratings

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

The key credit parameters used in this process are:

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

Whilst there is a close interaction and clear overlaps between the regulatory expected loss methodology and the accounting credit models, there are key departures which impact how the key risk parameters are modelled and applied. These are discussed further in sections 1.2.1.4 and 1.2.1.5.

Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The 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. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications.

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

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

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

1.2.1.2 Validation of models

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

1.2.1.3 Default grades

The Group uses two types of PDs, namely:

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

Both types of PDs are used extensively in the Group's decision-making processes. For communication and comparison purposes, the Group's 21 default grades (DGs), were mapped to external agency rating equivalents as well as the South African Reserve Bank's (SARB) 26 grade PD scale used for regulatory reporting purposes. DG grading represents a TTC view of the distribution of the book at a specific point in time. The indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described below:

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

1.2.1.4 Approach to impairment of credit exposures

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

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

1. Summary of material accounting policies (continued)

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

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

1.2.1.4 Approach to impairment of credit exposures (continued)

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

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

Exposures are classified within stage 3 if they are credit impaired. Refer to 1.2.1.5 for further detail on the significant increase of credit risk.

For IFRS 9 purposes, two distinct PD estimates are required:
- 12 month PD: the likelihood of accounts entering default within 12 months of the reporting date; and
- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.

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

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

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

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

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

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital, economic capital, and IFRS 9 ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:
- Internal risk estimates of PD, EAD and LGD are based on historical experience and are reliant on historical data.
- PDs are assigned at account level, and consist of three elements namely:
  - a term structure, capturing typical default behaviour by the months since observation;
  - a behavioural model which incorporates client level risk characteristics; and
  - a macroeconomic model that incorporates forward-looking macroeconomic scenarios.
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

1. Summary of material accounting policies (continued)

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

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

1.2.1.4 Approach to impairment of credit exposures (continued)

Wholesale portfolio

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

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

1.2.1.5 Critical areas of judgement with regards to IFRS 9

Definition of a significant increase in credit risk:

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

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition. The Group considers the impact of changes in the quality of credit enhancements (e.g. guarantees) it holds on the borrower's probability of default if a shareholder or parent has provided a guarantee, and has an incentive and the financial ability to prevent default by capital or cash infusion.
- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In the ARO retail portfolio, a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. one day in arrears).
- Accounts in the retail portfolio which meet the portfolio's impairment high risk criteria; such as certain modified accounts, customers' repayment patterns on other products; as well as information based on internal and external behavioural scorecards.
- The Group's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

Definition of credit impaired:

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

Wholesale and Retail 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 to be taken as indications of unlikeliness to pay include the following:

- 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 or death; or,
- The obligor is 90 days or more past due on any credit obligation to the Group.

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

For wholesale exposures, an exposure is considered cured from stage 3 based on the facts and circumstances of the specific exposure; but not earlier than 6 months after default.

1. Summary of material accounting policies (continued)

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

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

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

Determination of the lifetime of a credit exposure:

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

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

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

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

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

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

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

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

The Group's probability weightings have been determined such that the baseline scenario has the highest weighting, since it is the most likely outcome, with the probabilities assigned to the upside and downside scenarios being based on qualitative considerations, taking into account that these are moderate upside and downside scenarios, which hence still could be probable.

Despite the current market conditions being marked by global shocks and high uncertainty, the Group has maintained its probability weightings of 40%, 30%, and 30% for the baseline, upside, and downside scenarios respectively. The ranges between the baseline, mild upside and downside macroeconomic scenarios are adjusted in financial periods where unprecedented market conditions occur.

The following table shows the key forecast assumptions used for South Africa to calculate the Group's credit impairment charge for the reporting period ended 31 December 2023:

	Baseline					Mild upside					Mild downside				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
Real GDP (%)	0.7	1.4	1.7	1.8	2.0	1.0	1.9	2.1	2.3	2.4	0.4	0.1	1.0	1.2	1.4
CPI (%)	5.8	4.9	4.5	4.4	4.5	5.8	4.2	4.1	3.8	3.7	5.9	6.5	5.7	5.2	5.3
Average repo rate (%)	7.9	8.0	7.5	7.5	7.5	7.9	7.4	6.5	6.5	6.5	8.0	9.7	9.1	9.0	9.0

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

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Real GDP (%)	1.6	1.1	1.8	1.9	1.9	1.9	1.6	2.4	2.5	2.6	0.9	(1.1)	0.6	0.8	0.9
CPI (%)	6.8	5.3	4.5	4.5	4.5	6.7	4.1	4.1	4.0	4.3	7.0	7.8	5.4	5.1	5.5
Average repo rate (%)	5.3	7.3	6.8	6.8	6.8	5.2	6.3	6.0	6.0	6.0	5.3	9.0	8.5	8.1	8.0

1. Summary of material accounting policies (continued)

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

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

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

Baseline scenarios as at 31 December 2023

South Africa

The global, regional, and domestic economic outlook remains unusually uncertain. Russia's war in Ukraine, Israel's invasion of Gaza, the potential for a wide conflagration in the Middle East, heightened tension between some Western countries and China, and the very busy global election calendar in 2024 all raise geopolitical uncertainty. Both the duration and intensity of these risks are currently difficult to predict, as is their potential impact on commodity prices, financial markets and the global economic outlook.

The global environment is also being impacted from more traditional sources of uncertainty. Monetary policy has tightened significantly across much of the globe compared to conditions only two years ago, tightening access to global liquidity and placing pressure on many emerging market sovereigns and assets. Globally, inflation is well off its post-Covid peaks, but the ultimate path for global monetary and fiscal policy is unclear.

In addition to these global shocks, the South African economy faces several uncertainties specific to the country. The most significant of these relate to failing infrastructure as Eskom's severe operational and financial difficulties are increasingly mirrored in parts of Transnet's rail and port operations and new questions are beginning to be raised over the potential for other parts of bulk infrastructure, like water provision, to face a similar downward path.

At the time of the forecast, Absa's expectation was for the South African economy to have expanded by just 0.7% in 2023, which is about half the growth in the previous forecast. At the same time, Absa expects economic growth to improve slightly to 1.4% in 2024, in part as some of the worst of the electricity loadshedding is expected to abate and interest rates are expected to fall from H2 2024. There is a slow improvement toward GDP growth of 2.0% by 2027, with an expectation that infrastructure performance will gradually normalise.

For the household sector, employment recovered more quickly in 2023 than previously expected, though the positive impact of aggregate household incomes was largely offset by high inflation and elevated interest rates. Absa expects employment and household income growth to grow slowly in 2024 and beyond, largely in line with the subdued GDP outlook.

Consumer price inflation fell from a high of 7.1% in March 2023 to a temporary low of 4.7% in July, largely on significant base effects following 2022's food and fuel price pressures. At the time of the forecast, Absa projected inflation to average 5.8% year-on-year in 2023 and 4.9% in 2024, with headline CPI returning to the mid-point of the Reserve Bank's target band consistently only from late 2024.

The South African Reserve Bank responded to higher South African inflation and to tighter global financial conditions with 475 bps in interest rate increases from November 2021 through May 2023, which is a somewhat higher peak than previously expected. At the time of the forecast, Absa expects that 8.25% is the peak of the repo rate cycle and that the Reserve Bank is likely to begin a shallow rate cutting cycle in the second half of 2024.

House price growth is expected to remain positive in nominal price terms but negative in CPI-adjusted terms throughout the forecast horizon.

South Africa's public finances had been on a path of gradual improvement, but further consolidation has been delayed owing to significant budgetary support for Eskom, as the weak economy has negatively impacted revenue collection, and as public sector salaries remain a challenge for expenditure control. Notwithstanding these challenges, the Group believes that South Africa's sovereign credit rating has stabilised, but Absa notes the downside risks to this view emanating from the electricity crisis and the poor financial performance of several large state-owned enterprises.

In February 2023, the Financial Action Task Force (FATF) announced that it had added South Africa, along with several other countries, to its 'grey list'. This development was taken into account in our baseline scenario, and Absa's view is that the grey listing is unlikely to have any significant immediate impact on the Group.

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

Capitalisation

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

Amortisation

For intangible assets with a finite useful life, the depreciable amount of the asset is required to be allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Judgement is applied to the point at which amortisation commences and may require a group of intangible assets to be ready as whole before amortisation can begin.

Impairment

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

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

1. Summary of material accounting policies (continued)

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

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

Impairment (continued)

The Group uses approved projected cash flow forecasts for a period of three years, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations were revised to 7% at 31 December 2023 (6% at 31 December 2022). The discount rates used have been adjusted to 14.3% at 31 December 2023 (14% at 31 December 2022). A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised.

Note 12 includes details of the amount recognised by the Group as goodwill and intangible assets.

1.2.3 Fair value measurements

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

Valuation inputs

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

- ***Quoted market prices – Level 1***
  Fair values are classified as Level 1 if they have been determined using unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.
- ***Valuation technique using observable inputs – Level 2***
  Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.
- ***Valuation technique using significant unobservable inputs – Level 3***
  Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (that is, they are unobservable inputs). Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well through employing other analytical techniques.

Financial assets and financial liabilities

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

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

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account. Where possible, the fair value of the Group's investment properties is determined through valuations performed by qualified independent external valuators.

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

1. Summary of material accounting policies (continued)

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

1.2.3 Fair value measurements (continued)

Commodities

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

Judgemental inputs on valuation of principal instruments

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

- ***Debt securities and treasury and other eligible bills***
  These instruments are valued based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined with reference to quoted market prices for similar instruments or, in the case of certain instruments, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.
- ***Equity instruments***
  Equity instruments are valued based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined with reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs. Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, depending on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price to earnings comparisons. The relevant methodology for each investment is applied consistently over time.
- ***Derivatives***
  Derivative contracts can be exchange-traded or traded Over The Counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and pricing models.
- ***Loans and advances***
  The fair value of loans and advances is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.
- ***Deposits, debt securities in issue and borrowed funds***
  Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives.

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

Judgemental inputs on valuation of principal instruments

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

- ***Bid-offer valuation adjustments***
  For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively unless the relevant mid-prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Group is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used.
- ***Uncollateralised derivative adjustments***
  A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, as well as the cost of funding across all asset classes.
- ***Model valuation adjustments***
  Valuation models are reviewed under the Group's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of the portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review at least annually.

1. Summary of material accounting policies (continued)

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

1.2.3 Fair value measurements (continued)

Measurement of assets and liabilities at Level 2

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

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

1. Summary of material accounting policies (continued)

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

1.2.3 Fair value measurements (continued)

Measurement of assets and liabilities at Level 3

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

			Group and Company	
			2023	2022
Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of unobservable inputs applied	
Loans and advances	Discounted cash flow and/or yield for debt instruments	Credit spreads	**0.38% to 6.57%**	0.035% to 3.21%
Investment securities	Discounted cash flow and/or yield for debt instruments and/or income capitalisation valuations	future earnings, credit spreads	**Discount rate of 8.5%** **0.1% to 4%**	Discount rate of 8.5% 0.305% to 4.020%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.1% to 4%**	0.305% to 4.020%
Derivative assets and liabilities				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.035% to 25.17%** **15% to 82.3%** **49.43% to 94.5%**	0.1% to 24.22% 15% to 82.3% 49% to 100%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**18% to 33.7%**	16.4% to 38.9%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**4.77% to 26%**	5.03% to 40%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.05% to 11.7%**	0.05% to 9.395%
Money market	Discounted cash flow models	Credit spreads	**0.1% to 4%**	0.305% to 4.020%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.175% to 1.425%**	1.150% to 1.575%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.175% to 1.425%**	1.150% to 1.575%
Investment properties	Discounted cash flow models	Estimates of the periods in which rental units will be disposed Annual selling price escalations Income capitalisation rates Risk-adjusted discount rates	**1 to 6 years** **6% to 8%** **8% to 8.5%** **10% to 15%**	1 to 6 years 6% to 8% 8% to 8.5% 10% to 15%

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

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

Debt instruments included listed bonds in Investment Securities.

1. Summary of material accounting policies (continued)

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

1.2.4 Consolidation of structured or sponsored entities

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

Definition of a structured entity (SE)

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

Assessment of agent versus principal

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

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

Assessment of sponsored entities

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

- its name appears in the name of the entity or on the products issued by the entity;
- it provides implicit or explicit guarantees of the entity's performances; or
- it led the formation of the entity. Refer to notes 40 and 46.

1.2.5 Post-retirement benefits

The valuations of and contributions towards the defined benefit pension plans are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The year-end balances of subsidiaries' post-retirement benefit obligations are also affected by the closing foreign currency exchange rates.

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

Exposure to actuarial risks

The defined benefit funds expose the Group to the risk that the benefits promised in the various funds cost more than the accumulated assets set aside to meet such benefits, and ultimately will require additional funding from the Group (or its subsidiaries). This risk can be categorised into a number of actuarial risks described below.

Investment risk

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

Inflation/pension increase risk

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

Longevity risk

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

Salary risk

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

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

Measurement risk

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

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

Regulatory risk

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

Refer to note 36 for the specific assumptions used and carrying amounts of post-retirement benefits.

1. Summary of material accounting policies (continued)

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

1.2.6 Provisions

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

Refer to note 16 for details of provisions recognised and refer to note 45 for details of contingencies disclosed.

1.2.7 Income taxes

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

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

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

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

1.2.8 Share-based payments

The initial fair value of awards is determined at grant date, and is measured after taking into account all terms and conditions of the share incentive scheme, excluding non-market vesting conditions. In the case of certain schemes, options are granted to employees with a zero strike price. In this case the Group may consider the share price on the grant date to be the best indication of the grant date fair value. Where management determines this valuation approach to be less appropriate, based on the specific terms and conditions, then an appropriate option pricing model (for instance, a Black Scholes or Monte Carlo simulation) is applied.

Significant inputs into this pricing model include the following inputs:

- Risk-free discount rate of 7.5% to 8.5%;
- Share price volatility of 30% to 40%; and
- Dividend yield of 4.08% to 8.17%.

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

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

For details of the Group's share awards, refer to note 48.

1.2.9 Insurance contracts

Estimates of future cash flows

When estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, for those estimates of any relevant market variables that are consistent with observable market prices. Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders (i.e. contract holders), insurance acquisition cash flows as well as other direct costs and/or an allocation of fixed and variable overheads that are incurred in fulfilling contracts.

Risk adjustment (RA)

The estimate of the present value of the future cash flows is be adjusted to reflect the compensation for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. Financial risk is included in the estimates of the future cash flows, or the discount rate used to adjust the cash flows, when applicable.

1. Summary of material accounting policies (continued)

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

1.2.9 Insurance contracts (continued)

Presentation and disclosure

The amounts presented as insurance service result in the income statement comprise of:

- Insurance revenue.
- Insurance service expenses comprising of incurred claims and other incurred insurance service expenses that relate directly to the fulfilment of contracts (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

It is the Group's policy not to disaggregate the changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment are included in the insurance service result.

Insurance revenue is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts proportionally over the risk period, using the passage of time as the risk is spread evenly over the period of insurance. The portion of premiums received on in-force contracts that relates to unexpired risks is reported as the LRC. The change in the liability for remaining coverage is recognised in profit or loss to ensure revenue is recognised over the period of the risk.

1.2.10 Offsetting financial assets and financial liabilities

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

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

The above are considered to ensure the Group's financial assets and liabilities are presented accurately in accordance with the characteristics of the items in question as resources or obligations of the entity. Refer to note 42.

1.3 Consolidated financial statements of the Group

1.3.1 Subsidiaries

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

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

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

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

Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

1.3.2 Investments in associates and joint ventures

Associates are entities in which the Group has significant influence, but not control, over its operating and financial policies. Where the Group holds less than 20%, significant judgement is applied in assessing whether the Group has significant influence in the investee. Factors considered in performing this assessment include, but are not limited to, the Group's representation on the board of directors of the investee and participation in the policy making processes of the investee. A joint arrangement is a contractual agreement between two or more parties to undertake an economic activity that is under joint control. Joint ventures are joint arrangements whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the entity.

1. Summary of material accounting policies (continued)

1.3 Consolidated financial statements of the Group (continued)

1.3.2 Investments in associates and joint ventures (continued)

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

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

1.3.3 Structured entities

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

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

1.4 Segment reporting

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments* (IFRS 8). Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Operating Decision Maker (CODM). Income and expenses directly associated with each segment are included in determining business segment performance.

1.5 Foreign currencies

1.5.1 Foreign currency translations

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

For foreign operations which are not considered to operate in hyperinflationary economies, prior to consolidation (or equity accounting) the assets and liabilities are translated at the closing rate and items of income, expense and Other comprehensive income (OCI) are translated into Rand at the rate on the date of the transactions.

Exchange differences arising on the translation of foreign operations are recognised in OCI and accumulated in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the Group loses control, joint control or significant influence over the foreign operation or upon partial disposal of the operation. On partial disposal of a subsidiary such that control is retained, the proportion disposed is allocated to NCI.

1.5.2 Foreign currency transactions

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

At each subsequent reporting date:

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

1.6 Earnings per share

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

1.7 Financial instruments

1.7.1 Initial recognition

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

1.7.2 Day one profits or losses

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

For valuations that have made use of significant unobservable inputs, an evaluation is made of the contribution of unobservable inputs to the initial price ('Day One Profit') which is recognised in profit or loss either on a straight-line basis over the full term of the transaction or over the period of time to the date that the inputs are expected to become observable, should this date be able to be reasonably estimated.

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3 Classification and measurement of financial instruments

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

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

The classification and subsequent measurement of financial assets depends on:

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

Business model assessment

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

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

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

1.7.3.1 Debt instruments

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

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

1.7.3.2 Equity instruments

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

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3 Classification and measurement of financial instruments (continued)

1.7.3.3 Financial liabilities

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

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

1.7.3.4 Derivatives

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

1.7.4 Expected credit losses on financial assets

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

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

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

Three-stage approach to ECL

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

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

The stage allocation is required to be performed as follows:

- **Stage 1:** This stage comprises exposures which are performing in line with the Group's credit expectations as at the date of origination. That is to say, the credit exposures which are assigned to stage 1 have not experienced a significant increase in credit risk since the date of initial recognition. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1. Exposures which were previously classified within stage 2 or stage 3, may also cure back to stage 1 in line with the Group's credit risk management cure criteria. Whilst the standard does permit an accounting policy election to classify low credit risk assets within stage 1, such election has not been made by the Group.
- **Stage 2:** Exposures are required to be classified within stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices. These factors have been set out in section 1.2.1.4. Stage 2 assets are considered to be cured (i.e. reclassified back into stage 1), when there is no longer evidence of a significant increase in credit risk, and in accordance with the Group's credit risk management cure criteria. The definition of high risk is, from a credit management perspective, central to controlling the flow of exposures back to stage 1 and gives effect to any cure periods deemed necessary.
- **Stage 3:** Credit exposures are classified within stage 3 when they are credit impaired, which is guided by the Group's regulatory definition of default. An instrument is credit impaired when there is objective evidence of impairment at the reporting date. Purchased or originated credit impaired lending facilities are classified on origination within its own category separate to stage 3 assets. Defaulted assets are considered to be cured once the original event triggering default no longer applies, and the defined probation period (that is, the required consecutive months of performance) have been met. In the Retail portfolio, the cure definition applied is quite stringent, and assets will typically only cure from stage 3 to stage 2, but won't move directly from stage 3 to stage 1. In the Wholesale portfolio assets can move from stage 3 directly to stage 1.

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.4 Expected credit losses on financial assets (continued)

Expected credit loss calculation

The measurement of ECL reflects:

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

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

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

Lifetime of financial instruments

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

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

Forward-looking information

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

Write-off

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

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

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

Indicators which suggest that it is not economically viable to retain an account on the statement of financial position include (but are not limited to):

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

Under IFRS 9, the Group applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Group's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Post write-off enforcement activities include the negotiation of payment arrangements, realisation of collateral, and other collection strategies through legal process as well as through internal and external debt collectors. The type of collection strategies applied vary across the Group, depending on factors such as period outstanding, security and customer relationships. Recoveries of amounts previously written off are recognised as an ECL gain within credit impairment charges in the statement of comprehensive income as and when the cash is received.

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.5 Derecognition of financial assets and financial liabilities

1.7.5.1 Derecognition of financial assets

In the course of its normal banking activities, the Group makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer. The gain or loss on derecognition of financial assets is determined as the difference between the carrying value of the financial asset derecognised (including impairment, if any) and the fair value of any proceeds received.

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

1.7.5.2 Derecognition of financial liabilities

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

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

1.7.6 Modification of financial assets and financial liabilities

1.7.6.1 Modification of financial assets

Modifications to financial assets are assessed as follows:

- A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends 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 and result in derecognition of the original financial asset, only to the extent that the modification is substantial, 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 feature or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and the resulting modification gain/loss is recognised in profit or loss as part of the total impairment loss. Modification gain or losses typically occur on stage 2 and 3 assets.

1.7.6.2 Modification of financial liabilities

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

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

1.7.7 Offsetting of financial assets and financial liabilities

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

1.7.8 Hedge accounting

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

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

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

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

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.8 Hedge accounting (continued)

Fair value hedge accounting

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

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

Cash flow hedge accounting

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

Hedges of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI. Any ineffective portion of the gain or loss is recognised immediately in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of the hedge are reclassified to profit or loss, on disposal of the foreign operation.

1.7.9 Equity instruments

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

1.7.10 Compound financial instruments

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

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

1.7.11 Subordinated debt

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

1.7.12 Repurchase and reverse repurchase agreements

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

The Group purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Group does not acquire the risks and rewards of ownership.

Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Group may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Group retains substantially all the risks and rewards of ownership.

Consideration received (or cash collateral provided) is accounted for as a financial liability.

1.7.13 Loan commitments

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

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

1.7.14 Financial guarantee contracts

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

1. Summary of material accounting policies (continued)

1.8 Share capital

1.8.1 Ordinary share capital

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

1.8.2 Preference share capital

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

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

1.9 Revenue recognition

1.9.1 Net interest income

Interest revenue which is calculated using the EIR method is separately presented on the face of the statement of comprehensive income. Effective interest is calculated on loans and advances and debt instruments which are classified at amortised cost and debt instruments at fair value through other comprehensive income.

Further, an effective interest expense is calculated on financial liabilities held at amortised cost. Application of the EIR methodology results in the recognition of interest, together with direct and incremental fees and costs, on a time portion basis over the expected lives of the assets and liabilities. The expected life of an instrument or a portfolio of instruments may be modelled as being shorter than the contractual tenor where historical experience suggests that customer prepayment behaviour impacts the forecasted cash flow profile.

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

Commitment fees charged based on unutilised or undrawn amounts is accrued as fee income based on the actual undrawn amount.

The Group also presents as part of net interest income, other interest income and other interest and charges similar in nature, which are not calculated on the effective interest rate method.

Impact of IFRS 9 ECL on interest recognition

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

1.9.2 Net trading income

In accordance with IFRS 9 trading positions are measured at fair value, with fair value gains and losses being recognised within profit or loss as part of 'gains and losses from banking and trading activities'.

Interest and dividends which are received or paid as a consequence of issuing or holding instruments that are managed as part of the Group's trading activities are presented together with the fair value gains and losses on such instruments. Fair value gains or losses may be caused by movements in interest and exchange rates, equity prices and other market variables.

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

1.9.3 Net fee and commission income

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

In assessing whether the Group is acting as a principal or agent to the transaction, consideration is given to the rights held by other parties against the Group and the Group's exposure to risks and rewards.

Evidence that suggests that the Group is acting as an agent include:

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

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

Fee and commission income earned in respect of services rendered are recognised on an accrual basis as and when the service is rendered.

Monthly account servicing and maintenance fees, fees received to service performance guarantees, and trust and fiduciary servicing fees are recognised as revenue over the period over which the performance obligation is discharged. Fees earned on the execution of a significant act, including commissions received, merchant income, and transactional and consulting fees earned are recognised at a point in time, which is the point at which the transaction is concluded and the customer obtains control of the transferred service.

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

1. Summary of material accounting policies (continued)

1.10 Classification of insurance contracts

1.10.1 Insurance contracts

IFRS 17 sets out the requirements for the accounting of insurance contracts issued and reinsurance contracts held, as defined in IFRS 17.

Insurance contracts are those contracts in which significant risk is transferred. The Group defines significant insurance risk as the possibility of having to pay significant benefits on the occurrence of an insured event compared to those benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk and are recognised as financial liabilities.

Level of aggregation

Insurance contracts are aggregated into different groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts (i.e. by year of issue), whereafter each annual cohort are classified into one of the following three groups:

- Contracts that are onerous on initial recognition;
- Contracts that have no significant possibility of becoming onerous after initial recognition; or
- Remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that a group may comprise a legal contract(s) with a single reinsurer.

The aggregation requirements of the Standard limits the offsetting of gains on groups of profitable contracts, which are generally deferred, against losses on groups of onerous contracts, which are recognised immediately.

Measurement overview

The Group only has one portfolio of insurance contracts issued and currently holds no reinsurance contracts. The portfolio of insurance contracts is measured using the premium allocation approach (PAA).

Under the PAA, the LRC is determined on initial recognition as the premiums received. Insurance acquisition cash flows is expensed immediately in profit or loss when incurred. Subsequently, the LRC is increased for any premiums received and reduced by the amount of insurance revenue recognised in profit or loss.

The Group does not adjust the LRC to reflect the time value of money and the effect of financial risk for its insurance contracts with a contract boundary of one year or less, as the time between providing each part of the services and the related premium due date is not more than a year.

The LIC represents the Group's obligation to investigate and pay valid claims for insured events that have occurred, including events that have occurred but for which claims have not been reported, as well as other incurred insurance expenses. The LIC is calculated as:

- The probability weighted estimate of expected cash flows; and
- An explicit entity specific adjustment for non-financial risk (risk adjustment).

1.10.2 Investment contracts

Acquisition costs directly attributable to investment contracts are recognised in profit or loss.

The Group issues investment contracts with fixed and guaranteed terms. Investment contracts with fixed and guaranteed terms are financial liabilities of which the fair value is dependent on the fair value of the financial assets backing the liabilities. These contracts and the corresponding policyholder liabilities are measured at fair value through profit or loss at inception. Subsequent changes to the fair value are taken to profit or loss.

Valuation techniques are used to establish the fair value at inception and at each reporting date. The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a linked investment contract is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the reporting date. The fair value of fixed interest rate products is determined by discounting the maturity value at market rates of interest.

If the investment contract is subject to a put or surrender option held by the customer, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Withdrawals from, and deposits in investment contracts are excluded from profit or loss.

1.11 Commodities

The Group may actively buy and sell metals, for both physical and financial settlement. Positions are principally acquired or incurred for the purpose of selling or repurchasing in the near term and for short-term profit taking. When dealing activities are executed in this manner the Group is considered to be a broker-trader of commodities.

Inventories held by broker-traders are outside the measurement scope of IAS 2 *Inventories* (IAS 2) and are accordingly measured at fair value less cost to sell (with any changes in fair value less cost to sell recognised in profit or loss). Commodities held under this business model are presented within trading and hedging portfolio assets, and fair value measurement changes are presented within gains and losses from banking and trading activities.

1.12 Intangible assets

1.12.1 Goodwill

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

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

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

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

1. Summary of material accounting policies (continued)

1.12 Intangible assets (continued)

1.12.1 Goodwill (continued)

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

1.12.2 Intangible assets other than goodwill

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

Development expenditure is capitalised only if development costs can be measured reliably, completion of development is technically and commercially feasible, the generation of future economic benefits is probable and the asset's capability of use can be demonstrated.

Further, the Group should have sufficient resources to complete development. The expenditure capitalised includes the cost of materials, staff costs, professional fees and overhead costs that are directly attributable to preparing the asset for intended use. Other development expenditure which does not meet the above requirements is recognised in profit or loss when the Group has right of access to the goods or as the services are received.

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

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

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

1.13 Property and equipment

1.13.1 Property and equipment not subject to lease agreements

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

The Group uses the following annual rates in calculating depreciation:

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

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

1.13.2 Property and equipment subject to lease agreements

1.13.2.1 Property and equipment subject to lease agreements

As lessee

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

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

1. Summary of material accounting policies (continued)

1.13 Property and equipment

1.13.2 Property and equipment subject to lease agreements

1.13.2.1 Property and equipment subject to lease agreements

As lessor finance leases

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

Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group recognises leased assets relating to excess space within branches. As such items do not meet the definition of investment property per IAS 40, they are recognised on the statement of financial position within property and equipment.

1.13.3 Investment properties

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

1.14 Repossessed properties

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

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

1.15 Non-current assets held for sale

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

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

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

1.16 Cash and cash equivalents

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

1.17 Provisions, contingent liabilities and commitments

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

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

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

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

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

1. Summary of material accounting policies (continued)

1.18 Employee benefits

1.18.1 Post-retirement benefits

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

Defined contribution schemes

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

Defined benefit schemes

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

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

All actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling are recognised through other comprehensive income in order for the net defined benefit scheme asset or liability recognised in the statement of financial position to reflect the full value of the plan surplus or deficit, taking into account the asset ceiling.

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

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

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

Post-employment medical aid plans

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

1.18.2 Staff costs

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

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

1.18.3 Share-based payments

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

Employee services settled in equity instruments

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

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

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

Note 48 includes details of the Group's share awards. Share-based payments are recognised as expenses with a corresponding credit in equity in the standalone financial statements of the employing entity. The entity obliged to settle the share-based payment transaction (generally Absa Group Limited) recognises an increased investment in subsidiary, together with an increase to the share based payment reserve in equity.

Recharge arrangements that exist between entities within the Group do not impact the nature of the share-based payment transaction, and therefore do not affect the classification as either equity-settled or cash-settled. Group entities account for intergroup recharges within equity. Recharge arrangements are payments that are clearly linked to a share-based payment. Recharge payments for share-based payment transactions that are not clearly linked are accounted for as transactions with shareholders and are accounted for within equity. Recharge arrangements are payments that are clearly linked to a share-based payment. Recharge payments for share-based payment transactions that are not clearly linked are accounted for as transactions with shareholders and are accounted for within equity.

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition. Refer to note 15 for the carrying amount of liabilities arising from cash- settled arrangements.

1. Summary of material accounting policies (continued)

1.19 Tax

1.19.1 Current tax

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

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

The Group has determined that global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax. The Group has applied a temporary mandatory relief from deferred tax accounting regarding the impact of the top-up tax and hence accounts for it as a current tax as incurred.

1.19.2 Deferred tax

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

1.19.3 Dividends withholding tax

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

1.19.4 Value added tax (VAT)

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

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

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

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

1.20 Treasury shares

The cost of an entity's own equity instruments that it has reacquired ('treasury shares') is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.

1.21 Reporting changes overview

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

1.21.1 Changes to presentation of financial statements

The financial statements have been presented on a four-column approach in the current year to reflect the results for Absa Bank Limited (the Group) and Absa Bank standalone (the Company) alongside one another, in line with peers. There has been no material change on the disclosures in the current year as a result of this enhancement.

1.21.2 Business portfolio changes

Following the changes to the reportable segments made in 2022, some income and expense line items have been re-allocated between business units to more accurately represent the performance of those units.

The reallocations described above resulted in adjustments to the related asset/liability line items. Specifically loans to and from group companies. These balances are included in 'other assets' and 'other liabilities'.

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.2 Business portfolio changes (continued)

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

The IFRS 17 adjustment column is included for the purpose of reconciling to the segments' restated balances. For more information on these changes, refer to note 1.21.3.

	2022			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	IFRS 17 adjustment Rm	Restated Rm
Total income				
Product Solutions Cluster	10 247	(235)		10 012
Everyday Banking	24 040	(9)		24 031
Relationship Banking	14 423	(1)		14 422
CIB	14 136	(4)		14 132
Head Office, Treasury and other operations	1 170	249		1 419
Operating expenses				
Product Solutions Cluster	(4 677)	63		(4 614)
Everyday Banking	(12 675)	(90)		(12 765)
Relationship Banking	(7 894)	173		(7 721)
CIB	(8 105)	47		(8 058)
Head Office, Treasury and other operations	(2 854)	(193)		(3 047)
Other expenses				
Product Solutions Cluster	(120)	(15)		(135)
Everyday Banking	(544)	41		(503)
Relationship Banking	(69)	(22)		(91)
CIB	(205)	3		(202)
Head Office, Treasury and other operations	(978)	(7)		(985)
Tax expense				
Product Solutions Cluster	(774)	53		(721)
Everyday Banking	(1 695)	16		(1 679)
Relationship Banking	(1 657)	(42)		(1 699)
CIB	(876)	(13)		(889)
Head Office, Treasury and other operations	474	(13)		461
Other assets				
Product Solutions Cluster	33 640	23		33 663
Everyday Banking	309 469	230		309 699
Relationship Banking	123 150	3 054	(44)	126 160
CIB	435 046	(173)		434 873
Head Office, Treasury and other operations	(585 065)	(3 134)		(588 199)
Other liabilities				
Product Solutions Cluster	448 800	151		448 951
Everyday Banking	83 523	284		83 807
Relationship Banking	59 993	2 941	(163)	62 771
CIB	471 673	(206)		471 467
Head Office, Treasury and other operations	(905 368)	(3 170)		(908 538)

The IFRS 17 adjustment column is included for the purpose of reconciling to the segments' restated balances. For more information on these changes, refer to note 1.21.3.

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.3 Implementation of new IFRS

1.21.3.1 Adoption of IFRS 17 Insurance contracts

IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and replaces IFRS 4 *Insurance Contracts* (IFRS 4). This Standard requires retrospective application and is effective for annual reporting periods starting on or after 1 January 2023. The Group has opted not to early adopt the Standard and the transition period therefore commenced from 1 January 2022, the transition date. Comparatives for the 2022 financial year have been restated on adoption of the Standard.

The key changes of IFRS 17 are the introduction of three specific measurement approaches for insurance contracts issued and reinsurance contracts held.

IFRS 17 requires the identification of onerous groups of contracts with losses on onerous contracts being recognised immediately in profit or loss.

Transition
The standard is applied retrospectively using a fully retrospective approach as if it had always existed.

Summary of the impact of the impact of IFRS 17:

- On 1 January 2022, the Group's total equity increased by R120m (after a taxation adjustment of R44m) owing to the different timing of profit recognition, as profits are recognised as and when the insurance services are provided. Furthermore, a decrease of R176m in other liabilities and an increase of R12m in insurance contract liabilities resulted on adoption.
- The transition to IFRS 17 had no discernible impact on the 2022 comparative profit before tax and hence the restatement required by IFRS 17 only impacted on the amount of the insurance contract liability recognised in the statement of financial position in line with the impact on transition.
- Over the life of an insurance contract, the total profit recognised is the same under both IFRS 4 and IFRS 17. It is the timing (i.e. pattern) of profit recognition that differs between the two standards.

In applying the transition provisions in IFRS 17, the Group has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item but has identified the following notes impacted on transition of IFRS 17, namely notes 13, 15, 19 and 28. As allowed by IFRS 17, the impact of transition on each of these notes is not required to be quantified.

The effects of adopting IFRS 17 on the financial results on 1 January 2022 are presented in the statement of changes in equity.

Correction of previously published IFRS 17 transition impact
Subsequent to the release of the Group's unaudited consolidated financial results for the interim reporting period ended 30 June 2023, the following corrections were made to the IFRS 17 transition impact on 1 January 2022:

- It was indicated that IFRS 17 had no impact on the Group. The Group has subsequently identified one portfolio of contracts that meets the definition of an insurance contract in terms of IFRS 17, albeit not an insurance contract from a regulatory or legal perspective. The impact on transition to IFRS 17 for this portfolio of contracts is set above in the Transition note.

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

1.22 New standards and interpretations not yet adopted

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

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

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

1.22.2 Amendments to IFRS 16 *sale and leaseback with variable payments that do not depend on an index or rate*

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it doesn't recognise any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.

1.22.3 Amendments to IAS 7/IFRS 7 *Supplier financing arrangement*

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments are effective for reporting periods beginning on or after 1 January 2024.

2. Cash, cash balances and balances with central banks

	Group and Company	
	2023 Rm	2022 Rm
Balances with the SARB	**36 099**	31 103
Coins and bank notes	**5 411**	6 241
	41 510	37 344

The minimum reserve balance held in cash with the SARB is determined in accordance with the regulatory terms applicable to the respective balance. The portion of the balance that can be utilised by the Group is included in cash and cash equivalents (note 47) and is calculated by applying the percentage that is accessible to the bank in accordance with the respective regulatory terms for each balance.

The balances are measured at amortised cost. The ECL allowance on these amounts has been assessed and is considered to be immaterial.

3. Investment securities

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Government bonds	**97 911**	87 924	**97 911**	87 924
Listed equity instruments	**157**	1 414	**157**	205
Other debt securities	**10 730**	7 312	**10 730**	7 306
Treasury bills	**41 799**	30 680	**41 796**	30 680
Unlisted equity and hybrid instruments	**1 181**	1 110	**1 177**	1 106
Gross investment securities	**151 778**	128 440	**151 771**	127 221
Impairment losses	**(1)**	(1)	**(1)**	(1)
	151 777	128 439	**151 770**	127 220

The impairment losses of **R1m** (2022: R1m) in the table above, relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R108m** (2022: R 184m) have been recognised on investment securities at FVOCI.

3.1 Reconciliation of ECL allowance

The following table sets out the breakdown of ECL opening and closing IFRS 9 ECL allowances for Investment securities at amortised cost and FVOCI.

	Group and Company			
	2023			
		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total Rm**
Balance at the beginning of the reporting period	**12**	**17**	**156**	**185**
Current period provision	**(7)**	**4**	**(87)**	**(90)**
Net change in interest	**—**	**—**	**14**	**14**
Balance at the end of the reporting period	**5**	**21**	**83**	**109**

	2022			
		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	11	2	210	223
Current period provision	1	15	(71)	(55)
Net change in interest	—	—	17	17
Balance at the end of the reporting period	12	17	156	185

4. Trading and hedging portfolio assets

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Commodities	1 011	614	1 011	614
Debt instruments	68 307	83 845	68 307	83 846
Derivative assets (refer to note 50.3 and 50.4)	51 294	57 076	51 281	57 032
Commodity derivatives	426	188	426	188
Credit derivatives	389	224	389	224
Equity derivatives	7 345	8 779	7 345	8 758
Foreign exchange derivatives	14 351	16 394	14 351	16 394
Interest rate derivatives	28 783	31 491	28 770	31 468
Equity instruments	526	1 201	526	951
Money market assets	23 289	13 335	23 289	13 335
Total trading portfolio assets	144 427	156 071	144 414	155 778
Hedging portfolio assets (refer to note 50.3)	5 441	4 972	5 441	4 972
	149 868	161 043	149 855	160 750

Trading portfolio assets with carrying values of **R24 046m** (2022: R42 945m) and **R5 141m** (2022: R1 800m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements.

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

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

5. Other assets

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Accounts receivable	12 329	10 864	12 206	10 725
Prepayments	2 458	1 790	2 446	1 781
Deferred costs	226	166	226	166
Inventory – cost	47	4	5	4
Retirement benefit fund surplus (refer to note 36)	466	466	466	466
Settlement accounts	1 738	3 973	1 738	3 972
Gross other assets	17 264	17 263	17 087	17 114
Impairment losses	—	—	—	—
	17 264	17 263	17 087	17 114

For accounts receivable and settlement accounts, the ECL impact is immaterial due to the short-term nature of these items.

6. Non-current assets held for sale

	Group and Company	
	2023 Rm	2022 Rm
Non-current assets held for sale		
Balance at the beginning of the reporting period	90	57
Disposals	(15)	(34)
Transfer from property and equipment (refer to note 11)	116	67
Balance at the end of the reporting period	191	90

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

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R15m**.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R116m** to non-current assets held for sale.

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

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

7. Loans and advances

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Corporate overdrafts and specialised finance loans	**20 434**	23 428	**20 434**	23 428
Credit cards	**41 612**	38 169	**41 612**	38 169
Foreign currency loans	**60 822**	54 477	**60 822**	54 477
Instalment credit agreements	**133 050**	119 356	**130 028**	116 292
Finance lease receivables (refer to note 7.1)	**3 021**	3 311	**3 021**	3 311
Loans to associates and joint ventures	**28 730**	25 163	**29 130**	25 563
Micro loans	**5 570**	4 897	**5 570**	4 897
Mortgages	**397 519**	380 611	**396 779**	379 720
Other advances	**16 555**	15 742	**16 577**	15 795
Overdrafts	**51 972**	49 520	**51 972**	49 520
Overnight finance	**20 018**	25 193	**20 018**	25 193
Personal and term loans	**70 338**	64 424	**70 338**	64 424
Preference shares	**32 184**	30 200	**31 864**	29 829
Reverse repurchase agreements Carries	**60 547**	44 490	**60 547**	44 490
Wholesale overdrafts	**119 329**	110 440	**117 660**	108 774
Gross loans and advances to customers	**1 061 701**	989 421	**1 056 372**	983 882
Gross loans and advances to banks	**54 901**	76 572	**54 901**	76 569
Gross loans and advances	**1 116 602**	1 065 993	**1 111 273**	1 060 451
Impairment losses	**(38 115)**	(33 473)	**(37 826)**	(33 207)
Impairment losses for loans and advances to customers	**(38 077)**	(33 445)	**(37 788)**	(33 179)
Impairment losses for loans and advances to banks	**(38)**	(28)	**(38)**	(28)
Net loans and advances	**1 078 487**	1 032 520	**1 073 447**	1 027 244

The Group has securitised certain loans and advances to customers, the total value of these securitised assets is **R9 036m** (2022: R8 466m).

Included above are collateralised loans of **R3 501m** (2022: R3 418m) relating to securities borrowed.

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

Other advances include working capital solutions and collateralised loans.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R4 921m** (2022: R3 796m) for the Group, **R4 864m** (2022: R3 796m) for the Company.

Included above in gross loans and advances to banks are reverse repurchase agreements of **R15 807m** (2022: R34 774m) and other collateralised loans of **R4m** (2022: R4 180m) relating to securities borrowed.

Included in the Group's gross loans and advances to customers and gross loans and advances to banks are credit-linked notes of which, **R4 381m** (2022: R2 351m) is relating to loans and advances to customers and **R2 018m** (2022: R1 097m) to loans and advances to banks. For the Company, credit-linked notes included in the gross loans and advances to customers are **R4 381m** (2022: R3 041m) and in gross loans and advances to banks, **R2 018m** (2022: R409m).

7. Loans and advances (continued)

7.1 Finance lease receivables

	Group and Company					
	2023			2022		
	Gross advances Rm	Unearned finance charges Rm	Net advances Rm	Gross advances Rm	Unearned finance charges Rm	Net advances Rm
Maturity analysis						
Less than one year	219	(16)	203	340	(25)	315
Between one and five years	2 996	(213)	2 783	3 116	(231)	2 885
More than five years	38	(3)	35	120	(9)	111
Gross carrying amount	3 253	(232)	3 021	3 576	(265)	3 311

The Group and Company enter into finance lease contracts in respect of motor vehicles, equipment and medical equipment.

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

Under the terms of the agreements, no contingent rentals payable though lease payments for use in excess of specified limits are included. Furthermore, the agreements require the assets to be appropriately maintained by the lessee throughout the term of the lease.

Unguaranteed residual values of finance leases are **R1 356m** (2022: R1 872m).

7.2 Reconciliation of ECL allowance

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

	Group and Company					
	2023					
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	14 058	11 639	4 827	3 266	8	33 798
Stage 1	1 534	2 078	544	779	8	4 943
Stage 2	2 209	2 371	747	310	—	5 637
Stage 3	10 315	7 190	3 536	2 177	—	23 218
Transfers between stages	—	—	—	—	—	—
Stage 1 net transfers	358	(35)	427	71	—	821
Transfers to stage 1	692	462	478	85	—	1 717
Transfers (from) stage 2	(192)	(206)	(33)	(13)	—	(444)
Transfers (from) stage 3	(142)	(291)	(18)	(1)	—	(452)
Stage 2 net transfers	20	(749)	(461)	(42)	—	(1 232)
Transfers (from) stage 1	(455)	(384)	(446)	(63)	—	(1 348)
Transfers to stage 2	1 278	580	90	29	—	1 977
Transfers (from) stage 3	(803)	(945)	(105)	(8)	—	(1 861)
Stage 3 net transfers	(378)	784	34	(29)	—	411
Transfers (from) stage 1	(237)	(78)	(32)	(21)	—	(368)
Transfers (from) stage 2	(1 086)	(374)	(57)	(17)	—	(1 534)
Transfers to stage 3	945	1 236	123	9	—	2 313
Credit impairment charges raised	4 025	6 484	1 036	959	—	12 504
Amounts written off	(3 205)	(5 556)	(1 702)	(984)	(2)	(11 449)
Net change in interest	1 543	1 209	498	298	—	3 548
Balances at the end of the reporting period	16 421	13 776	4 659	3 539	6	38 401
Stage 1	1 531	2 073	594	735	5	4 938
Stage 2	1 941	2 420	779	437	1	5 578
Stage 3	12 949	9 283	3 286	2 367	—	27 885

7. Loans and advances (continued)

7.2 Reconciliation of ECL allowance (continued)

	Group and Company					
	2022					
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 155	10 477	5 236	2 922	7	31 797
Stage 1	1 534	1 940	682	1 137	7	5 300
Stage 2	2 001	1 902	913	256	—	5 072
Stage 3	9 620	6 635	3 641	1 529	—	21 425
Transfers between stages	—	—	—	—	—	—
Stage 1 net transfers	546	83	337	(47)	—	919
Transfers (from)/to stage 1	805	525	409	(56)	—	1 683
Transfers (from)/to stage 2	(159)	(203)	(42)	8	—	(396)
Transfers (from)/to stage 3	(100)	(239)	(30)	1	—	(368)
Stage 2 net transfers	(200)	(812)	(411)	48	—	(1 375)
Transfers (from)/to stage 1	(500)	(425)	(351)	56	—	(1 220)
Transfers from/(to) stage 2	909	419	110	(8)	—	1 430
Transfers (from) stage 3	(609)	(806)	(170)	—	—	(1 585)
Stage 3 net transfers	(346)	729	74	(1)	—	456
Transfers (from) stage 1	(305)	(101)	(58)	—	—	(464)
Transfers (from) stage 2	(750)	(216)	(68)	—	—	(1 034)
Transfers from/(to) stage 3	709	1 046	200	(1)	—	1 954
Credit impairment charges raised	2 607	5 185	771	333	1	8 897
Amounts written off	(2 677)	(4 750)	(1 648)	(176)	—	(9 251)
Net change in interest	973	727	468	187	—	2 355
Balances at the end of the reporting period	14 058	11 639	4 827	3 266	8	33 798
Stage 1	1 534	2 078	544	779	8	4 943
Stage 2	2 209	2 371	747	310	—	5 637
Stage 3	10 315	7 190	3 536	2 177	—	23 218

Reconciliation of impairment loss allowance by market segment for loans and advances:

Product Solutions Cluster

- During the current financial year, gross loans and advances increased to **R431 812m** (2022: R414 412m) particularly driven by new business in Home loans and Vehicle and asset finance. This resulted in an increase in ECL allowance of **R1 467m** (2022: R1 834m).
- The value of loans written off during the year amounted to **R3 205m** (2022: R2 678m): Home loans: **R779m** (2022: R680m); Vehicle and asset finance: **R2 496m** (2022: R1 998m). This led to a decrease in the ECL allowance for the year of **R3 205m** (2022: R2 678m).
- Loan modifications that did not result in derecognition of the loan amounted to **R4 490m** (2022: R3 300m): Home loans: **R2 579m** (2022: R1 530m); and Vehicle and asset finance: **R1 911m** (2022: R1 770m).
- No gross loans and advances were sold during the current year.

Everyday Banking

- During the current financial year, gross loans and advances increased to **R73 063m** (2022: R66 586m) particularly driven by new business in Personal loans and higher consumer spend in the Credit Card portfolio. This resulted in an increase in ECL allowance of **R2 137m** (2022: R3 598m).
- The value of loans written off during the year amounted to **R5 556m** (2022: R4 749m): Personal loans: **R2 407m** (2022: R2 084m); Transactions and deposits: **R554m** (2022: R513m); and Card: **R2 631m** (2022: R2 155m). This led to a decrease in the ECL allowance for the year of **R5 556m** (2022: R4 749m).
- Loan modifications that did not result in derecognition of the loan amounted to **R713m** (2022: R1 343m): Personal loans: **R268m** (2022: R670m); Transactions and deposits: **R63m** (2022: R65m); and Card: **R382m** (2022: R608m).
- Gross loans and advances sold during the current year amounted to **R2 181m** (2022: R1 347m): Personal loans: **R1 084m** (2022: R770m) and Card: **R1 097m** (2022: R577m). This resulted in a decrease in ECL allowance of **R1 966m** (2022: R1 215m).

7. Loans and advances (continued)

7.2 Reconciliation of ECL allowance (continued)

Reconciliation of impairment loss allowance by market segment for loans and advances (continued):

Relationship Banking

- During the current financial year, gross loans and advances increased to **R150 730m** (2022: R139 526m) particularly driven by new business in the Commercial Asset Finance, Commercial and Commercial Property Finance portfolios. This resulted in an increase in ECL allowance of **R231m** (2022: R236m).
- Settlement amounts of **R10 058m** (2022: R4 674m) were received during the year. This led to a related reduction in ECL of **R50m** (2022: R71m).
- The value of gross loans written off during the year amounted to **R1 702m** (2022: R1 648m). This led to a decrease in ECL allowance for the year of **R1 702m** (2022: R1 648m).
- Loan modifications that did not result in derecognition of the loan amounted to **R1 669m** (2022: R1 520m). This had no ECL impact.
- No gross loans and advances were sold during the current year.

CIB

- During the current financial year, gross loans and advances increased to **R405 657m** (2022: R366 022m), of which **R311 917m** (2022: R292 220m) relates to exposure to which the impairment requirements for IFRS 9 are applicable. The increase is particularly driven by new business in overdrafts and foreign currency loans, offset by trades maturing across these Business Units. These factors resulted in an increase in ECL allowance of **R159m** (2022: R434m).
- The value of loans written off during the year amounted to **R984m** (2022: R176m). This led to a decrease in ECL allowance for the year of **R984m** (2022: R176m).
- No new loan modifications that did not result in derecognition of the loan were observed.
- There were no gross loans and advances sold during the current year (2022: R37m, ECL R2m).

Head Office, Treasury and other operations:

- No material ECL balance in the current year.

The net change in interest relates only to stage 3 assets where contractual interest is suspended, and interest income is recognised based on the net carrying value of the exposures. The amount of **R3 548m** (2022: R2 355m) disclosed is therefore reflective of the amount of interest not recognised during the current reporting period.

8. Loans to Group companies

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Gross loans to Group companies	**61 733**	73 452	**72 669**	82 190
Impairment losses	**(285)**	(249)	**(286)**	(251)
	61 448	73 203	**72 383**	81 939

8.1 Reconciliation of ECL allowance

The ECL recognised on loans and advances to Group companies as at 31 December 2023 for Group amounted to **R285m** (2021: R249m) and for Company **R286m** (2022: R251m).

Refer to related parties, note 40 for further details on the gross loans to Group companies.

9. Investments in associates and joint ventures

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Unlisted investments	**1 839**	1 725	**206**	206

9.1 Movement in carrying value of associates and joint ventures accounted for under the equity method

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Balance at the beginning of the reporting period	**1 725**	1 593	**206**	206
Share of current reporting period post-tax results	**114**	132	**—**	—
Share of current reporting period results before taxation	**160**	181	**—**	—
Taxation on reporting period results	**(46)**	(49)	**—**	—
Balance at the end of the reporting period	**1 839**	1 725	**206**	206

9. Investments in associates and joint ventures (continued)

9.2 Associates and joint ventures

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

	Group			
	Associates		Joint ventures	
Group share	**2023 Rm**	2022 Rm	**2023 Rm**	2022 Rm
Post-tax profit from continuing operations	**36**	33	**78**	99
Total comprehensive income	**36**	33	**78**	99

9.3 Analysis of the carrying value of associates and joint ventures accounted for under the equity method

	Group	
	2023 Rm	2022 Rm
Unlisted investments		
Shares at cost less impairments	**89**	89
Share of post-acquisition reserves	**1 633**	1 519
Additional capital contribution	**117**	117
	1 839	1 725

9.4 Carrying value of associates and joint ventures

	Group					
	2023			2022		
	Associates Rm	**Joint ventures Rm**	**Total Rm**	Associates Rm	Joint ventures Rm	Total Rm
Equity accounted	**492**	**1 347**	**1 839**	456	1 269	1 725
Designated at fair value through profit or loss	**—**	**209**	**209**	—	209	209
	492	**1 556**	**2 048**	456	1 478	1 934

The investment in associates and joint ventures are designated at fair value through profit or loss as the equity method exemption has been applied. These are presented within unlisted equity instruments in 'Investment securities' (refer to note 3).

Refer to note 40 for additional disclosure of the Group's investments in associates and joint ventures.

10. Subsidiaries

	Company	
	2023 Rm	2022 Rm
Shares at cost	**159**	98
	159	98

Refer to note 40.3 of the Group's financial statements for the list of significant subsidiaries.

11. Property and equipment

	Group 2023 Cost Rm	Group 2023 Accumulated depreciation and/or impairments Rm	Group 2023 Carrying amount Rm	Group 2022 Cost Rm	Group 2022 Accumulated depreciation and/or impairments Rm	Group 2022 Carrying amount Rm
Computer equipment	5 426	(3 938)	1 488	6 315	(4 790)	1 525
Freehold property	4 715	(262)	4 453	4 836	(297)	4 539
Furniture and other equipment	9 804	(6 449)	3 355	8 936	(5 513)	3 423
Motor vehicles	28	(11)	17	13	(5)	8
Right-of-use assets	6 541	(4 424)	2 117	5 808	(3 617)	2 191
Aircraft	326	(9)	317	—	—	—
	26 840	(15 093)	11 747	25 908	(14 222)	11 686

	Company 2023 Cost Rm	Company 2023 Accumulated depreciation and/or impairments Rm	Company 2023 Carrying amount Rm	Company 2022 Cost Rm	Company 2022 Accumulated depreciation and/or impairments Rm	Company 2022 Carrying amount Rm
Computer equipment	5 407	(3 922)	1 485	6 296	(4 775)	1 521
Freehold property	4 715	(262)	4 454	4 836	(297)	4 539
Furniture and other equipment	9 774	(6 438)	3 335	8 917	(5 506)	3 411
Motor vehicles	28	(11)	17	13	(5)	8
Right-of-use assets	6 537	(4 421)	2 116	5 808	(3 622)	2 186
	26 461	(15 054)	11 407	25 870	(14 205)	11 665

Group 2023

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer to non-current assets held for sale Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	1 525	608	(12)	—	—	(613)	(19)	1 489
Freehold property	4 539	161	(52)	—	(116)	(10)	(68)	4 454
Furniture and other equipment	3 423	995	(72)	—	—	(884)	(110)	3 352
Motor vehicles	8	15	—	—	—	(6)	—	17
Right-of-use assets	2 191	815	(30)	—	—	(841)	(17)	2 118
Aircraft	—	326	—	—	—	(9)	—	317
	11 686	2 920	(166)	—	(116)	(2 363)	(214)	11 747
Note					6	30	31	

Group 2022

Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer to non-current assets held for sale Rm	Depre-ciation Rm	Impairment Rm	Closing balance Rm
Computer equipment	1 628	683	(31)	—	—	(706)	(49)	1 525
Freehold property	4 405	395	(24)	(136)	(65)	(9)	(27)	4 539
Furniture and other equipment	3 923	527	(7)	136	(2)	(994)	(160)	3 423
Motor vehicles	3	7	—	—	—	(2)	—	8
Right-of-use assets	2 423	749	—	—	—	(863)	(118)	2 191
	12 382	2 361	(62)	—	(67)	(2 574)	(354)	11 686
Note					6	30	31	

11. Property and equipment (continued)

Reconciliation of property and equipment	Company 2023 Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer to non-current assets held for sale Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	1 521	608	(12)	—	—	(612)	(19)	1 486
Freehold property	4 539	161	(52)	—	(116)	(10)	(68)	4 454
Furniture and other equipment	3 411	984	(72)	—	—	(878)	(110)	3 335
Motor vehicles	8	15	—	—	—	(6)	—	17
Right-of-use assets	2 186	811	(25)	—	—	(840)	(17)	2 115
	11 665	2 579	(161)	—	(116)	(2 346)	(214)	11 407
Note					6	30	31	

Reconciliation of property and equipment	Company 2022 Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfers to non-current assets held for sale Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Computer equipment	1 626	681	(31)	—	—	(706)	(49)	1 521
Freehold property	4 405	395	(24)	(136)	(65)	(9)	(27)	4 539
Furniture and other equipment	3 912	521	(7)	136	(2)	(989)	(160)	3 411
Motor vehicles	3	7	—	—	—	(2)	—	8
Right-of-use assets	2 423	744	—	—	—	(863)	(118)	2 186
	12 369	2 348	(62)	—	(67)	(2 569)	(354)	11 665
Note					6	30	31	

Included in the above additions for both Group and Company is **R1 271m** (2022: R394m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

Assets under construction was brought in to use during the reporting period for both Group and Company **R1 160m** (2022: R136m).

Certain property and equipment were transferred to non-current assets held for sale due to a change in the use of the assets **R116m** (2022: R67m) for Group and Company.

12. Goodwill and intangible assets

	Group					
	2023			2022		
	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying amount Rm	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying amount Rm
Computer software development costs	18 011	(5 824)	12 187	16 345	(5 208)	11 137
Goodwill	149	(37)	112	149	(37)	112
Other	—	—	—	30	(24)	6
	18 160	(5 861)	12 299	16 524	(5 269)	11 255

	Company					
	2023			2022		
	Cost Rm	Accumulated Cost and/or impairments Rm	Carrying amount Rm	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying amount Rm
Computer software development costs	18 011	(5 824)	12 187	16 345	(5 208)	11 137
Other	—	—	—	30	(24)	6
	18 011	(5 824)	12 187	16 375	(5 232)	11 143

	Group							
	2023							
Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Disposals Rm	Amor-tisation Rm	Impairment charge Rm	Transfer to non-current assets held for sale Rm	Transfers to/from PPE Rm	Closing balance Rm
Computer software development costs	11 137	3 884	(52)	(2 546)	(236)	—	—	12 187
Goodwill	112	—	—	—	—	—	—	112
Other	6	—	(6)	—	—	—	—	—
	11 255	3 884	(58)	(2 546)	(236)	—	—	12 299
Note				30	31	6	11	

	Group							
	2022							
Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Addition through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	10 286	3 351	—	—	(2 348)	(237)	85	11 137
Goodwill	112	—	—	—	—	—	—	112
Other	8	—	—	—	(2)	—	—	6
	10 406	3 351	—	—	(2 350)	(237)	85	11 255
Note					30	31	11	

12. Goodwill and intangible assets (continued)

	Company							
	2023							
Reconciliation of goodwill and intangible assets	**Opening balance Rm**	**Additions Rm**	**Additions through business combinations Rm**	**Disposals Rm**	**Amortisation Rm**	**Impairment charge Rm**	**Transfers Rm**	**Closing balance Rm**
Computer software development costs	11 137	3 883	(52)	(2 546)	(235)	—	—	12 187
Other	6	—	(6)	—	—	—	—	—
	11 143	3 883	(58)	(2 546)	(235)	—	—	12 187
Note				30	31	6	11	

	Company							
	2022							
Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	10 286	3 351	—	—	(2 348)	(237)	85	11 137
Other	8	—	—	—	(2)	—	—	6
	10 294	3 351	—	—	(2 350)	(237)	85	11 143
Note					30	31	11	

The majority of computer software development costs were internally generated. Included in computer software development costs is **R4 537m** (2022: R4 157m) relating to assets under construction which is not yet amortised, this includes opening balance and any movements to date.

R2 156m (2022: R2 629m) of assets under construction relating to computer software was brought into use during the reporting period.

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

	Group	
	2023 Rm	2022 Rm
Composition of goodwill		
Absa Vehicle and Management Solutions Proprietary Limited	**112**	112
	112	112

13. Deferred tax

13.1 Reconciliation of net deferred tax (asset)/liability

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Balance at the beginning of the reporting period	**(4 672)**	(3 198)	**(4 574)**	(3 124)
Deferred tax on amounts charged directly to other comprehensive income and equity	**753**	(1 517)	**767**	(1 518)
Credit to profit or loss (refer to note 33)	**(478)**	24	**(306)**	49
Tax effect of translation and other differences	**49**	19	**48**	19
Balance at the end of the reporting period	**(4 348)**	(4 672)	**(4 065)**	(4 574)

13.2 Deferred tax (asset)/liability

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Tax effects of temporary differences between tax and book value for:				
Deferred tax liability	**12**	23	**—**	—
Prepayments, accruals and other provisions	**12**	21	**—**	—
Impairment of loans and advances	**—**	2	**—**	—
Deferred tax asset	**(4 360)**	(4 695)	**(4 065)**	(4 574)
Fair value adjustments on financial instruments	**(56)**	(147)	**(55)**	(149)
Cash flow hedge and financial assets at fair value through other comprehensive income reserve	**(449)**	(1 183)	**(449)**	(1 183)
Impairment of loans and advances	**(2 962)**	(3 020)	**(2 960)**	(3 018)
Lease and rental debtor allowances	**(450)**	(175)	**(366)**	(175)
Prepayments, accruals and other provisions	**(1 046)**	(1 082)	**(838)**	(963)
Own credit risk	**(263)**	(174)	**(263)**	(174)
Capital allowances	**1 137**	1 233	**1 137**	1 235
Property allowances	**—**	257	**—**	257
Retirement benefit assets	**17**	28	**17**	28
Share-based payments	**(288)**	(432)	**(288)**	(432)
Net deferred tax (asset)/liability	**(4 348)**	(4 672)	**(4 065)**	(4 574)

Deferred tax asset has been restated as a result of IFRS 17. Refer to note 1.21.

13.3 Future tax relief

The Group has estimated tax losses of **R0m** (2022: R0.9m) which are available for set-off against future taxable income. The Group has actual losses that have not been recognised of **R0m** (2022: R0.9m).

14. Trading and hedging portfolio liabilities

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Derivative liabilities	**45 395**	54 550	**45 395**	54 549
Commodity derivatives	**368**	117	**368**	117
Credit derivatives	**348**	260	**348**	260
Equity derivatives	**2 861**	4 678	**2 861**	4 678
Foreign exchange derivatives	**13 063**	16 947	**13 063**	16 947
Interest rate derivatives	**28 755**	32 548	**28 755**	32 547
Short positions	**13 098**	36 847	**13 098**	36 847
Total trading portfolio liabilities	**58 493**	91 397	**58 493**	91 396
Hedging portfolio liabilities (refer to note 50.3)	**1 688**	2 237	**1 688**	2 237
	60 181	93 634	**60 181**	93 633

15. Other liabilities

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Accruals	1 701	1 910	1 656	1 876
Audit fee accrual	190	154	186	150
Cash-settled share-based payment liability (refer to note 48)	16	50	16	50
Creditors	11 632	10 284	11 544	10 075
Deferred income	299	390	299	390
Lease liabilities	2 767	2 858	2 766	2 854
Settlement balances	13 765	8 171	13 765	8 170
	30 370	23 817	30 232	23 565

Creditors has been restated due to the implementation of IFRS 17.

16. Provisions

	Group 2023 Staff bonus and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
Balance at the beginning of the reporting period	2 349	889	813	4 051
Additions	3 165	522	—	3 687
Amounts used	(2 652)	(415)	—	(3 067)
Reversals	(526)	—	—	(526)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (Refer to note 45)	—	—	(14)	(14)
Balance at the end of the reporting period	2 336	996	799	4 131

	Company 2023 Staff bonus and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
Balance at the beginning of the reporting period	2 321	889	813	4 023
Additions	3 131	494	—	3 625
Amounts used	(2 624)	(415)	—	(3 039)
Reversals	(526)	—	—	(526)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 45)	—	—	(14)	(14)
Balance at the end of the reporting period	2 302	968	799	4 069

Provisions have been raised on financial guarantees, letters of credit and undrawn committed facilities, which is in line with the requirement of IFRS 9.

63% of the provisions balance is expected to be recovered or settled within 12 months after the reporting date for the Group and Company.

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

16. Provisions (continued)

16.1 Reconciliation of ECL allowance

The following tables set out a reconciliation of the opening and closing IFRS 9 ECL allowances for off-statement of financial position guarantees and letters of credit.

	Group and Company			
	2023			
		Lifetime expected credit losses ('LEL')		
Guarantees and letters of credit	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	27	4	459	490
Asset moved/allowance transferred to stage 1	1	(1)	—	—
Current period provision	8	(2)	17	23
Foreign exchange movements	(1)	1	—	—
Balance at the end of the reporting period	35	2	476	513

	Group and Company			
	2022			
		Lifetime expected credit losses ('LEL')		
Guarantees and letters of credit	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	57	6	312	375
Asset moved/allowance transferred to stage 1	(24)	1	23	—
Current period provision	(6)	(3)	124	115
Balance at the end of the reporting period	27	4	459	490

The ECL reconciliation tables above exclude undrawn facilities. The undrawn facilities allowance is included as part of the loans and advances note (refer note 7.2).

17. Deposits

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Customers				
Call deposits	91 906	88 501	91 906	88 501
Cheque account deposits	211 273	236 319	212 289	237 504
Credit card deposits	1 920	2 142	1 920	2 142
Fixed deposits	257 728	222 001	257 728	222 001
Foreign currency deposits	49 936	41 388	49 936	41 388
Notice deposits	86 341	67 562	86 341	67 562
Other deposits	1 115	871	1 504	1 270
Repurchase agreements	26 342	19 071	26 342	19 071
Savings and transmission deposits	261 917	236 768	261 917	236 768
Total deposits due to customers	988 478	914 623	989 883	916 207
Banks				
Call deposits	7 943	2 561	7 943	2 561
Fixed deposits	24 211	28 914	24 211	28 914
Foreign currency deposits	29 272	19 357	29 272	19 357
Other deposits	2 268	2 447	2 268	2 447
Repurchase agreements	36 807	47 218	36 807	47 218
Savings and transmission deposits	504	503	504	503
Total deposits due to banks	101 005	101 000	101 005	101 000
Total deposits	1 089 483	1 015 623	1 090 888	1 017 207

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

Included in deposits to banks are collateralised deposits of **R24m** (2022: R66m) relating to securities lent.

18. Debt securities in issue

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Commercial paper	2 744	4 802	—	—
Credit linked notes	24 848	19 734	24 848	19 734
Floating rate notes	43 799	51 722	43 799	51 722
Negotiable certificates of deposit	88 715	85 660	88 715	85 660
Other	1 294	2 646	1 291	1 416
Promissory notes	1 581	2	1 581	2
Senior notes	46 912	38 608	46 912	38 608
Structured notes and bonds	2	101	2	101
	209 895	203 275	207 148	197 243

19. Insurance contract liabilities

Non-life risk: Insurance contracts

Analysis by remaining coverage and incurred claims – contracts measured under PAA

	Group 2023			Group 2022		
	Liabilities for remaining coverage	Liabilities for incurred claims		Liabilities for remaining coverage	Liabilities for incurred claims	
	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Total Rm	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Total Rm
Opening balance liabilities	—	(12)	(12)	—	(8)	(8)
Changes in the statement of comprehensive Income						
Insurance revenue	197	—	197	118	—	118
Insurance service expenses	—	(128)	(128)	—	(67)	(67)
Incurred claims and other insurance service expenses	—	(128)	(128)	—	(67)	(67)
Insurance service result	197	(128)	69	118	(67)	51
Total changes in the statement of comprehensive income	197	(128)	69	118	(67)	51
Total cash flows	(197)	127	(70)	(118)	63	(55)
Premiums received	(197)	—	(197)	(118)	—	(118)
Claims and other insurance service expenses paid	—	127	127	—	63	63
Closing balance liabilities	—	(13)	(13)	—	(12)	(12)

IFRS 17 is applicable to all issued insurance contracts (as defined in the standard) regardless of whether these contracts are issued by licensed insurers. The Group has accounting insurance contracts issued by operations that are not licensed insurers that are measured and presented in accordance with IFRS 17. The IFRS 17 insurance risk attached to these contracts is largely managed through pricing in accordance with those entities' governance structures.

Insurance contract liabilities have been restated due to the implementation of IFRS 17. Refer to note 1.21.

20. Borrowed funds

			Group and Company	
			2023 Rm	**2022 Rm**
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**	**Note**		
Consumer Price Index linked notes fixed at 5.50%	7 December 2028	i	—	1 500
Subordinated callable notes issued to Absa Group Limited				
Three-month JIBAR + 2.10%	16 September 2032	ii.	**1 916**	1 916
Three-months JIBAR + 2.13%	17 May 2030	iii.	**2 676**	2 676
Three-months JIBAR + 2.40%	11 April 2029	iv.	**1 580**	1 580
Three-months JIBAR + 2.45%	29 November 2028	v.	—	1 500
Three-months JIBAR + 3.85%	14 August 2029	vi.	**390**	390
Three-months JIBAR + 3.45%	29 September 2029	vii.	**1 014**	1 014
Three-month JIBAR + 1.72%	28 August 2033	viii.	**2 158**	—
Foreign currency denominated notes				
USD 6.25%	25 April 2028	ix.	—	4 952
USD 6.375%	n/a	x.	**6 866**	6 866
Other				
Accrued interest			**133**	1 400
Fair value adjustments			**(699)**	(940)
Foreign exchange movements			**2 324**	3 428
			18 358	26 282

Reconciliation of borrowed funds

	2023 Rm	2022 Rm
Opening balance	**26 282**	26 459
Changes arising from cash movements:	**(8 111)**	(3 677)
Borrowed fund issuances	**2 158**	1 916
Borrowed fund redemptions	**(7 952)**	(2 204)
Interest paid	**(2 317)**	(3 389)
Changes arising from non-cash movements:	**187**	3 500
Interest accrued	**1 050**	3 594
Fair value adjustments	**241**	(1 000)
Foreign exchange movements	**(1 104)**	906
Closing balance	**18 358**	26 282

The repayment of borrowed funds of R10 482m in the statement of cash flows includes the redemption amount referred to above of R7 952m and realised foreign exchange of R2 530m, which is included in the current year foreign exchange movements of R1 104m.

20. Borrowed funds (continued)

i. The 5.50% CPI linked notes were redeemed in full on 7 December 2023.

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

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

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

v. The three-month JIBAR plus 2.45% floating rate notes were redeemed in full on 29 November 2023.

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

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

viii. The three months JIBAR plus 1.72% float rate may be redeemed in full at the option of Absa Group Limited on 26 August 2033. Interest is paid quarterly in areas on 26 February, 26 May, 26 August, and 26 November each year until the maturity date. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

ix. The 6.25% fixed rate reset callable USD notes with a nominal amount of USD400m were be redeemed in full on 25 April 2023.

x. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Bank. The Bank is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount. The interest is payable semi-annually in arrears on 27 May and 27 November each year, commencing on 27 November 2021. The reset dates are every 5 years. The interest rate is 6.375% from the issue date to (but excluding) the first reset date, 27 November 2026. Thereafter, the interest rate will be reset to an interest applicable to the relevant reset period. The terms of the Additional Tier 1 capital notes include a regulatory requirement which provides for the write off, in whole or in part, in the case of a disqualifying event. In addition, interest payments are mandatorily payable if, for any reason, the instrument no longer meets the criteria of AT1 Capital in terms of Regulation 38(11).

Note i is listed on the Johannesburg Stock Exchange Debt Market. Notes ii to x have been issued to Absa Group Limited.

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

21. Share capital and premium

21.1 Ordinary share capital

	Group and Company	
	2023 Rm	2022 Rm
Authorised		
320 000 000 (2022: 320 000 000) ordinary shares of R1.00 each	**320**	320
250 000 000 (2022: 250 000 000) 'A' ordinary shares of R0.01 each	**3**	3
	323	323
Issued		
302 609 369 (2022: 302 609 369) ordinary shares of R1.00 each	**303**	303
145 691 959 (2022: 145 691 959) 'A' ordinary shares of R0.01 each	**1**	1
	304	304
Total issued capital		
Share capital	**304**	304
Share premium	**36 880**	36 880
	37 184	37 184

Authorised shares

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

Unissued shares

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

Ordinary share capital

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

Shares issued

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

21.2 Preference share capital and premium

	Group and Company	
	2023 Rm	2022 Rm
Authorised		
30 000 000 (December 2022: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Issued		
4 944 839 (December 2022: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Total issued capital		
Share capital	**1**	1
Share premium	**4 643**	4 643
	4 644	4 644

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

21.3 Directors' interests in Absa Bank Limited preference shares

As at the reporting date, no director held any preference shares of Absa Bank Limited.

21. Share capital and premium (continued)

21.4 Other equity: Additional tier 1 capital

		Group and Company	
		2023 Rm	2022 Rm
Subordinated callable notes issued by Absa Bank Limited			
Interest rate	**Date of issue**		
Three month JIBAR + 4.75%	9 October 2018	—	1 241
Three month JIBAR + 4.50%	28 May 2019	1 678	1 678
Three month JIBAR + 4.25%	5 December 2019	1 376	1 376
Three month JIBAR + 4.55%	26 October 2020	1 209	1 209
Three month JIBAR + 3.58%	15 November 2022	1 999	1 999
Three-month JIBAR + 2.94%	30 October 2023	2 000	—
		8 262	7 503

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Group Limited (the issuer) on 28 November 2024, 5 June 2025, 27 October 2025, 16 November 2027 and 30 October 2028 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 Notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. Additional Tier 1s that were issued on 9 October 2018 were redeemed on 19 October 2023.

22. Other reserves

22.1 Fair value through other comprehensive income reserve

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

22.2 Cash flow hedging reserve

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

22.3 Foreign currency translation reserve

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

22.4 Capital reserve

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

22.5 Share-based payment reserve

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

22.6 Associates' and joint ventures' reserve

The associates' and joint ventures' reserve comprised the Group's share of its associates' and/or joint ventures' accumulated profits, losses and other comprehensive income.

22.7 Retained earnings

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

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

23. Interest and similar income

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Interest and similar income is earned from:				
Cash, cash balances and balances with central banks	3	—	3	—
Interest on hedging instruments	(1 240)	1 297	(1 240)	1 297
Investment securities	11 111	10 002	11 111	9 993
Loans and advances	107 482	76 910	105 688	75 686
Loans and advances to customers	104 482	74 453	102 689	73 231
Corporate overdrafts and specialised finance loans	1 880	1 542	1 880	1 542
Credit cards	6 200	4 945	6 200	4 945
Foreign currency loans	4 483	1 701	4 483	1 701
Instalment credit agreements and finance lease receivables	14 391	10 842	14 156	10 663
Loans to associates and joint ventures	2 431	1 720	2 431	1 720
Microloans	746	668	746	668
Mortgages	40 734	27 013	40 649	26 937
Other advances	1 259	1 178	1 259	1 123
Overdrafts	5 190	4 167	5 190	4 167
Overnight finance	1 860	1 372	1 860	1 372
Personal and term loans	10 839	9 044	10 839	9 044
Preference shares	2 771	2 073	2 744	2 050
Reverse repurchase agreements	27	13	27	13
Wholesale overdrafts	11 671	8 175	10 225	7 286
Loans and advances to banks	3 000	2 457	2 999	2 455
Other interest	1 021	960	1 176	1 037
	118 377	89 169	116 738	88 013
Classification of interest and similar income				
Interest on hedging instruments	(1 239)	1 297	(1 239)	1 297
Cash flow hedges (refer to note 50.7)	(1 491)	2 486	(1 491)	2 486
Fair value hedging instruments	252	(1 189)	252	(1 189)
Interest on financial assets held at amortised cost	113 283	81 719	111 947	80 834
Interest on financial assets measured at FVOCI	3 564	4 240	3 565	4 232
Interest on financial assets measured at fair value through profit or loss	2 769	1 913	2 465	1 650
Investment securities	186	114	186	113
Loans and advances	2 583	1 799	2 279	1 537
	118 377	89 169	116 738	88 013

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

24. Interest expense and similar charges

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Interest expense and similar charges are paid on:				
Borrowed funds	1 050	2 928	1 050	2 928
Debt securities in issue	13 777	9 271	12 432	8 377
Deposits	57 850	34 824	57 848	34 824
Deposits due to customers	55 711	33 377	55 709	33 377
Call deposits	12 634	7 335	12 634	7 335
Cheque account deposits	7 638	3 978	7 638	3 978
Credit card deposits	7	6	7	6
Fixed deposits	13 829	7 813	13 828	7 813
Foreign currency deposits	418	293	418	293
Notice deposits	4 748	3 870	4 748	3 870
Other deposits due to customers	618	974	617	974
Savings and transmission deposits	15 819	9 108	15 819	9 108
Deposits from banks	2 139	1 447	2 139	1 447
Call deposits	215	144	215	144
Fixed deposits	1 742	1 185	1 742	1 185
Foreign currency deposits	182	118	182	118
Interest on hedging instruments	960	(615)	960	(615)
Interest incurred on lease liabilities (refer to note 35)	255	231	254	231
Other	130	143	40	80
	74 022	46 782	72 584	45 825
Classification of interest expense and similar charges				
Interest on hedging instruments	960	(615)	960	(615)
Cash flow hedges (refer to note 50.7)	38	(150)	38	(150)
Fair value hedges	922	(465)	922	(465)
Interest on financial liabilities measured at amortised cost	73 062	47 397	71 624	46 440
	74 022	46 782	72 584	45 825

25. Net fee and commission income

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Consulting and administration fees	**328**	318	**255**	255
Insurance commission received	**739**	663	**739**	663
Investment, markets execution and investment banking fees	**453**	404	**453**	404
Merchant income	**2 303**	2 280	**2 303**	2 280
Other fee and commission income	**397**	195	**330**	145
Transactional fees and commissions	**17 616**	17 396	**17 595**	17 393
Cheque accounts	**5 060**	4 805	**5 060**	4 805
Credit cards	**2 251**	2 105	**2 251**	2 105
Electronic banking	**6 557**	6 336	**6 557**	6 335
Service charges	**1 912**	2 111	**1 891**	2 109
Other (includes exchange commissions and guarantees)	**762**	668	**762**	668
Savings accounts	**1 074**	1 371	**1 074**	1 371
Trust and other fiduciary services	**99**	94	**99**	94
Portfolio and other management fees	**99**	93	**99**	93
Trust and estate income	**—**	1	**—**	1
Fee and commission income	**21 935**	21 350	**21 774**	21 234
Fee and commission expense	**(2 149)**	(2 018)	**(2 148)**	(2 018)
Brokerage fees	**—**	(1)	**—**	(1)
Cheque processing fees	**(1)**	(5)	**(1)**	(5)
Clearing and settlement charges	**(1 411)**	(1 102)	**(1 411)**	(1 102)
Notification fees	**(246)**	(251)	**(246)**	(251)
Other	**(395)**	(554)	**(395)**	(554)
Valuation fees	**(96)**	(105)	**(95)**	(105)
	19 786	19 332	**19 626**	19 216

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Included above are net fees and commissions linked to financial instruments not at fair value				
Cheque accounts	**5 060**	4 805	**5 060**	4 805
Credit cards	**2 251**	2 105	**2 251**	2 105
Electronic banking	**6 557**	6 336	**6 557**	6 335
Service charges	**1 912**	2 111	**1 891**	2 109
Other	**762**	668	**762**	668
Savings accounts	**1 074**	1 371	**1 074**	1 371
Fee and commission income	**17 616**	17 396	**17 595**	17 393
Fee and commission expense	**(2 144)**	(1 804)	**(2 144)**	(1 804)
	15 472	15 592	**15 451**	15 589

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

Other transactional fees and commission have been disaggregated due to the extraction of the service charges (2022: R2 111m for Group and R2 109m for Company) which form a significant portion of the balance. As a result, total other transactional fees and commission for 2022 reduced from R2 779m to R668m in Group and R2 777m to R668m in Company.

Credit cards include card issuing and acquiring fees.

Other transactional fees and commissions income include exchange commission of **R869m** in Group and Company (2022: R795m in Group and Company) and guarantees **R102m** in Group and Company (2022: R122m in Group and Company).

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

26. Gains and losses from banking and trading activities

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Net gains on investments	321	147	321	132
Debt instruments designated at fair value through profit or loss	12	—	12	—
Equity instruments at fair value through profit or loss	243	140	243	125
Unwind from reserves for debt instruments at FVOCI	66	7	66	7
Net trading result	530	1 465	528	1 467
Net trading income excluding the impact of hedge accounting	480	1 658	478	1 660
Ineffective portion of hedges	50	(193)	50	(193)
Cash flow hedges	46	(208)	46	(208)
Fair value hedges	4	15	4	15
Other gains/(losses)	50	(26)	(2)	(29)
	901	1 586	847	1 570
Net trading result and other gains on financial instruments				
Net trading income excluding the impact of hedge accounting	480	1 658	478	1 660
Gains/(losses) on financial instruments designated at FVTPL	(6 951)	(1 172)	(6 951)	(1 172)
Gains on financial instruments mandatorily measured at FVTPL	7 431	2 830	7 429	2 832
Other losses	50	(26)	(2)	(29)
Losses on financial instruments designated at FVTPL	104	(563)	102	(566)
Gains on financial instruments mandatorily measured at FVTPL	(54)	537	(104)	537

In the prior year, R1 484 of net gains has been reclassified from the losses on financial instruments designated at FVTPL (within net trading income excluding the impact of hedge accounting) to gains on financial instruments mandatorily measured at FVTPL. This amount was incorrectly classified in the 2022 financial year as part of the fair value in instruments designated at FVTPL.

27. Gains and losses from investment activities

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Other gains	—	3	—	3

28. Other operating income

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Foreign exchange differences, including amounts recycled from other comprehensive income	4	(14)	4	(14)
Revenue arising from contracts with customers	—	—	—	—
Profit (loss) on disposal of developed properties	2	—	2	—
Loss on sale of repossessed properties	(2)	—	(2)	—
Gross sales	0	8	0	8
Cost of sales	(2)	(8)	(2)	(8)
Insurance proceeds received related to property and equipment	—	126	—	126
Profit on disposal of property and equipment	22	2	22	2
Rental income	17	9	17	9
Sundry income	382	593	278	540
	425	716	321	663

Insurance proceeds of **R126m** were received during the prior financial year for damage sustained to property and equipment due to the KwaZulu-Natal riots that took place.

Sundry income includes profit on disposal of non-core assets and non-interest income. Sundry income has been restated due to the implementation of IFRS 17. Refer to note 1.21.

The loss of **R49m** (2022: R27m) has been reclassified from a separate line item of income from maintenance contracts in the prior year to sundry income in the current year.

29. Credit impairment charges

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Impairment losses raised during the reporting period	12 473	8 960	12 361	8 989
Stage 1 expected losses	(870)	(1 281)	(870)	(1 273)
Stage 2 expected losses	1 179	1 950	1 179	1 938
Stage 3 expected losses	12 164	8 291	12 052	8 324
Losses on modifications	854	488	854	488
Recoveries of loans and advances previously written off	(736)	(761)	(736)	(760)
	12 591	8 687	12 479	8 717
Charge to the statement of comprehensive income by market segment				
Comprising:				
Credit impairment charges raised	12 473	8 960	12 361	8 989
Loans and advances to customers and undrawn facilities	12 494	8 920	12 382	8 951
Loans and advances to banks	10	(23)	10	(21)
Other financial instruments subject to credit impairment	(54)	(52)	(54)	(56)
Guarantees and letters of credit	23	115	23	115
Recoveries of financial instruments subject to credit impairment previously written off	(736)	(761)	(736)	(760)
Modifications	854	488	854	488
Total charge to the statement of comprehensive income	12 591	8 687	12 479	8 717

30. Operating expenses

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Administration fees	111	114	75	101
Amortisation of intangible assets (refer to note 12)	2 546	2 350	2 546	2 350
Auditors' remuneration	435	369	433	366
Audit fees – current reporting period	382	323	380	320
Audit fees – underprovision	19	6	19	6
Audit-related fees	34	30	34	30
Other services	—	10	—	10
Cash transportation	979	988	979	988
Depreciation (refer to note 11)	2 363	2 574	2 346	2 569
Equipment costs	416	296	414	295
Maintenance	326	212	324	211
Rentals	90	84	90	84
Information technology	4 656	4 397	4 654	4 394
Marketing costs	1 600	1 309	1 600	1 298
Other	1 046	916	949	842
Printing and stationery	206	186	205	185
Professional fees	2 287	2 452	2 751	2 734
Property costs	1 419	1 401	1 419	1 401
Staff costs	21 522	18 908	21 071	18 633
Bonuses	2 617	2 361	2 583	2 337
Deferred cash and share-based payments (refer to note 48)	903	603	902	603
Other staff costs	317	269	300	260
Salaries and current service costs on post-retirement benefit funds	17 147	15 177	16 749	14 935
Training costs	538	498	537	498
Straight-line lease expenses on short-term leases and low-value assets	143	127	129	113
Telephone and postage	732	735	731	734
	40 461	37 122	40 302	37 003

Group audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Statutory audit fees paid to PricewaterhouseCoopers Inc. and KPMG Inc. amount to R206m and R176m respectively, Audit-related fees paid amount to R16m and R17m respectively and fees paid for non-audit services amount to R1m and R0m respectively. Please note this is not an IFRS requirement but a requirement by the IESBA.

Company audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Statutory audit fees paid to PricewaterhouseCoopers Inc. and KPMG Inc. amount to R204m and R176m respectively; audit-related fees paid amount to R16m and R17m respectively; and fees paid for non-audit services amount to R1m and R0m respectively. Please note this is not an IFRS requirement but a requirement by the IESBA.

Professional fees include research and development costs totalling **R95m** (2022: R150m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

Group staff costs increased to **R21 522m** (December 2022: R18 908m):

- Salaries and other staff costs of **R17 464m** (December 2022: R15 446m) increased and reflect salary increases and higher headcount mainly in frontline business areas.
- The 2023 incentive pool decreased by **2%**, however the accounting charge increased as a result of a prior year under-accrual and lower deferrals in the current year.
- Deferred cash and share-based payments of **R903m** (December 2022: R603m) increased based on vesting expectations of in-flight awards.

Company staff costs increased to **R21 071m** (December 2022: R18 633m):

- Salaries and other staff costs of **R17 049m** (December 2022: R15 195m) increased and reflect salary increased and higher headcount mainly in frontline business areas.
- The 2023 incentive pool decreased by **2%**, however the accounting charge increased as a result of a prior year under-accrual and lower deferrals in the current year.
- Deferred cash and share-based payments of **R902m** (December 2022: R603m) increased based on vesting expectations of in-flight awards.

31. Other impairments

	Group and Company	
	2023 Rm	2022 Rm
Intangible assets (refer to note 12)	**235**	237
Property and equipment (refer to note 11)	**214**	354
	449	591

The Group and Company have impaired certain software assets totalling **R235m** (2022: R237m) for which the value in use is determined to be zero.

Property and equipment amounting to **R214m** (2022: R354m) was impaired without a related transfer to non-current assets held for sale. Included in the R354m recognised during 2022 is the impairment of a right-of-use asset of R117m, impairment on furniture and other equipment of R84m and an impairment of buildings of R27m due to the underutilisation of the properties.

32. Indirect taxation

	Group		Company	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Training levy	**192**	165	**192**	165
VAT net of input credits	**1 417**	1 160	**1 416**	1 159
	1 609	1 325	**1 608**	1 324

33. Taxation expense

	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Current				
Foreign and other taxation	221	161	220	161
Current tax	2 499	4 440	2 165	4 182
Current tax – previous reporting period	(72)	(333)	(70)	(335)
	2 648	4 268	2 315	4 008
Deferred				
Deferred tax (refer to note 13)	(478)	24	(306)	48
Capital allowances	263	22	293	22
Provisions	(91)	(7)	(263)	(7)
Movements in prepayments, accruals and other provisions	(932)	62	(618)	56
Fair value and similar adjustments through profit and loss	—	(153)	—	(153)
Fair value and similar adjustments in relation to prior year	33	191	33	191
Share-based payments	69	(53)	69	—
Expected credit losses/allowances for loan losses	180	(125)	180	(148)
Retirement benefit fund liability	—	87	—	87
	2 170	4 292	2 009	4 056
Reconciliation between operating profit before income tax and taxation expense				
Operating income before income tax	10 539	16 481	10 110	16 005
Share of post-tax results of associates and joint ventures (refer to note 9)	(114)	(132)	—	—
	10 425	16 349	10 110	16 005
Tax calculated at a tax rate of 27% (2022:28%)	2 815	4 578	2 730	4 481
Effect of different rates in other countries	198	123	197	123
Expenses not deductible for tax purposes	266	165	266	162
Recognition of previously unrecognised deferred tax assets	—	(11)	—	(12)
Dividend income	(788)	(602)	(788)	(607)
Non-taxable interest	(243)	(170)	(243)	(170)
Other income not subject to tax	(14)	(22)	(115)	(145)
Other	(56)	117	(30)	110
Effect of tax rate changes	—	116	—	116
Items of a capital nature	(8)	(2)	(8)	(2)
	2 170	4 292	2 009	4 056

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

Non-taxable income relates to interest earned from certain governments as well as interest earned on certain capital instruments, which is exempt from tax.

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

34. Headline earnings

	Group			
	2023		2022	
	Gross Rm	Net Rm	Gross Rm	Net Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group		7 097		11 314
Total headline earnings adjustment:	—	309		336
IFRS 5 – Profit on disposal of non-current assets held for sale (refer to note 6)	(3)	(2)	(20)	(15)
IAS 16 – Profit on disposal of property and equipment (refer to note 28)	(22)	(16)	(2)	—
IAS 16 and IAS 36 – Insurance recovery of property and equipment (refer to note 28)	—	—	(126)	(92)
IAS 36 – Impairment of property and equipment (refer to note 31)	213	155	354	254
IAS 36 – Impairment of intangible assets (refer to note 31)	236	172	237	185
Change in tax rate	—	—	—	4
Headline earnings/diluted headline earnings		**7 406**		11 650
Headline earnings per ordinary share/diluted headline earnings per ordinary share (cents)		**1 652.0**		2 598.7

The net amount is reflected after taxation.

35. Leases

	Group and Company	
	2023 Rm	2022 Rm
The following amounts have been recognised in the statement of comprehensive income in respect of leases in which the Bank is the lessee:		
Depreciation charge for right-of-use assets (refer to note 11)	843	863
Property	840	863
Furniture and other equipment	3	—
Interest expense on lease liabilities (refer to note 23)	255	231
Expense related to short-term leases	204	180
Expense related to low-value assets	14	5
Variable lease payments	19	21
Right-of-use assets recognised in the statement of financial position relate to the following classes of assets:		
Right-of-use assets (refer to note 11)	2 117	2 191
Property	2 105	2 191
Furniture and other equipment	12	—
Total additions to right-of-use assets recognised during the year (refer to note 11)	**815**	749
Total cash outflow included in the statement of cash flows related to leases	**1 218**	1 215
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	1 058	1 026
Between one and five years	1 992	2 040
More than five years	189	330
Total undiscounted lease liabilities	**3 239**	3 396
Lease liabilities included in the statement of financial position (refer to note 15)	**2 767**	2 858

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

36. Retirement benefit fund obligations

36.1 Absa Pension Fund

The Absa Pension Fund (the Fund) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of the Fund be carried out at least once every three years. The most recent statutory valuation of the Fund was effected on 31 March 2023 and confirmed that the Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (the PF Act).

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

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

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

Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. The conventional annuity is calculated based on the defined contribution plan assets at the retirement date. The Bank is therefore not exposed to any asset return risk prior to the election of this option i.e., the retirement date. The classification rules within IAS 19 require that, where the employer is exposed to any actuarial risk, the entire fund be classified as a defined benefit plan. The valuation of the option is included in the defined benefit obligation. The assets and liabilities of the defined contribution active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on/after 1 July 2015 have been excluded from the IAS 19 disclosures as at 31 December 2023 the employer is not exposed to any longevity or other actuarial risk in respect of these members at this date.

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

Net defined benefit amounts relating to these pensioners who have elected to receive a living annuity amount to **R4 448m** (2022: R4 459.6m).

	Group and Company	
	2023	2022
Categories of the Fund		
Defined benefit active members	**9**	11
Defined benefit deferred pensioners	**1**	1
Defined benefit pensioners	**7 088**	7 131
Defined contribution active members	**27 114**	16 969
Defined contribution pensioners	**2 963**	2 973
Duration of the scheme – defined benefit (years)	**7.6**	7.7
Duration of the scheme – defined contribution (years)	**21.5**	18.3
Expected contributions to the Fund for the next 12 months (Rm)	**1 971.00**	1 814.54

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

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

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

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

36. Retirement benefit fund obligations (continued)

36.1 Absa Pension Fund (continued)

	Group and Company 2023 Rm	2022 Rm
36.1.1 Reconciliation of the net defined benefit plan surplus		
Reconciliation of the net surplus		
Present value of funded obligations	(38 821)	(30 341)
Defined benefit portion	(8 216)	(7 582)
Defined contribution portion	(30 605)	(22 759)
Fair value of the plan assets	41 362	32 790
Defined benefit portion	10 757	10 031
Defined contribution portion	30 605	22 759
Funded status	2 541	2 449
Irrecoverable surplus (effect of asset ceiling)	(2 075)	(1 983)
Net surplus arising from the defined benefit obligation	466	466

	Group and Company 2023 Rm	2022 Rm
36.1.2 Reconciliation of movement in the funded obligation		
Balance at the beginning of the reporting period	(30 341)	(30 870)
Defined benefit portion	(7 582)	(7 648)
Defined contribution portion	(22 759)	(23 222)
Reconciling items – defined benefit portion	(633)	66
Actuarial (losses)/gains - financial	(165)	516
Actuarial gains - experience adjustments	100	74
Benefits paid	872	794
Current service costs	(15)	(13)
Interest expense	(885)	(805)
Defined contribution member transfers	(540)	(500)
Reconciling items – defined contribution portion	(7 846)	463
Increase in obligation linked to plan assets return	(10 812)	(2 086)
Employer contributions	(1 026)	(636)
Employee contributions	(825)	(506)
Disbursements and member transfers	4 817	3 691
Balance at the end of the reporting period	(38 820)	(30 341)

36. Retirement benefit fund obligations (continued)

36.1 Absa Pension Fund (continued)

	Group and Company 2023 Rm	Group and Company 2022 Rm
36.1.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	32 790	33 155
Defined benefit portion	10 031	9 933
Defined contribution portion	22 759	23 222
Reconciling items – defined benefit portion	726	98
Benefits paid	(872)	(794)
Employer contributions	—	2
Interest income	1 177	1 048
Return on plan assets in excess of interest	(119)	(658)
Defined contribution member transfers	540	500
Reconciling items – defined contribution portion	7 846	(463)
Return on plan assets	10 812	2 085
Employer contributions	1 026	637
Employee contributions	825	506
Disbursements and member transfers	(4 817)	(3 691)
Balance at the end of the reporting period	41 362	32 790
36.1.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	(1 983)	(1 820)
Interest on irrecoverable surplus	(236)	(195)
Changes in the irrecoverable surplus in excess of interest	144	32
Balance at the end of the reporting period	(2 075)	(1 983)

	Group and Company 2023 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
36.1.5 Nature of the pension fund assets				
Plan assets relating to the defined benefit plan				
Defined benefit portion	8 594	1 569	598	10 761
Quoted fair value	8 647	1 528	245	10 420
Unquoted fair value	(289)	8	353	72
Own transferable financial instruments	236	33	—	269
Defined contribution portion	8 775	18 989	2 837	30 601
Quoted fair value	7 294	18 743	236	26 273
Unquoted fair value	1 108	12	2 201	3 321
Own transferable financial instruments	373	234	—	607
Indirect property	—	—	400	400
	17 369	20 558	3 435	41 362

36. Retirement benefit fund obligations (continued)

36.1 Absa Pension Fund (continued)

36.1.5 Nature of the pension fund assets (continued)

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

	Group and Company 2023 Rm	2022 Rm
36.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest income	**(54)**	(48)
Current service cost	**15**	13
	(39)	(35)
Recognised in other comprehensive income:		
Actuarial gains – financial	**165**	(516)
Actuarial adjustments gains - experience	**(100)**	(74)
Return on plan assets in excess of interest	**119**	658
Changes in the irrecoverable surplus in excess of interest	**(144)**	(32)
	40	36
36.1.7 Actuarial assumptions used		
Discount rate (%) p.a.	**11.2**	11.9
Inflation rate (%) p.a.	**5.9**	6.4
Expected rate on the plan assets (%) p.a.	**9.9**	10.4
Future salary increases (%) p.a.	**6.9**	7.4
Average life expectancy in years of pensioner retiring at 60 – male	**22.1**	22.0
Average life expectancy in years of pensioner retiring at 60 – female	**27.0**	26.9

36. Retirement benefit fund obligations (continued)

36.1 Absa Pension Fund (continued)

	Group and Company 2023	
	Reasonable possible change	Increase/ (decrease) on defined benefit obligation Rm
36.1.8 Sensitivity analysis of the significant actuarial assumptions		
Increase in discount rate (%)	0.5	313
Increase in inflation (%)	0.5	302
Increase in life expectancy (years)	1	235

	Group and Company 2022	
	Reasonable possible change	Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	0.5	246
Increase in inflation (%)	0.5	279
Increase in life expectancy (years)	1	203

36.1.9 Sensitivity analysis of the significant assumptions

Sensitivity analysis

The aforementioned sensitivity analysis indicates how changes in significant actuarial assumptions would affect the defined benefit portion of **R8 216m** (2022: R7 582m).

The sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e., certain pension increases and salary growth. In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period. The defined contribution obligation of **R30 605m** (2022: R22 759m) does not give rise to any actuarial risks as the measurement is derived from the defined contribution plan assets.

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

37. Dividends per share

	Group and Company 2023 Rm	Group and Company 2022 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(14 August 2023: 501.9 cents per share (cps))** (15 August 2022: 1003.8cps)	2 250	4 500
Final dividend **(11 March 2024: 446.1 cps)** (13 March 2023: 669.2 cps)	1 999	3 000
	4 249	7 500
Dividends declared to preference equity holders		
Interim dividend **(14 August 2023: 4035.06848 cps)** (15 August 2022: 2883.42466 cps)	199	143
Final dividend **(11 March 2024: 4101.232861 cps)** (13 March 2023: 3509.58904 cps)	203	174
	402	317
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2023: 28 250.30 Rand per note (rpn); 10 January 2022: 21 024.73 rpn	35	26
27 January 2023: 27 831.89 rpn; 27 January 2022: 20 751.67 rpn	34	26
16 February 2023: 25 894.77 rpn; 28 February 2022: 20 860.19 rpn	52	35
28 February 2023: 29 490.41 rpn; 07 March 2022: 20 236.90 rpn	50	28
6 March 2023: 28 588.96 rpn; 14 March 2022: 23 747.26 rpn	39	36
11 April 2023: 30 000.08 rpn; 11 April 2022: 21 525.81 rpn	37	27
28 April 2023: 29 960.19 rpn; 28 April 2022: 21 087.07 rpn	36	26
16 May 2023: 26 895.07 rpn; 30 May 2022: 21 732.79 rpn	54	36
29 May 2023: 29 465.75 rpn; 06 June 2022: 21 109.51 rpn	49	29
5 June 2023: 29 212.25 rpn; 13 June 2022: 24 744.52 rpn	40	37
10 July 2023: 31 334.79 rpn; 11 July 2022: 22 769.95 rpn	39	28
27 July 2023: 30 841.64 rpn; 27 July 2022: 22 068.49 rpn	37	27
16 August 2023: 29 397.15 rpn	59	—
28 August 2023: 32 391.01 rpn; 29 August 2022: 23 415.67 rpn	54	39
5 September 2023: 32 116.82 rpn; 5 September 2022: 22 792.38 rpn	44	31
12 September 2022: 26 345.12 rpn	—	40
10 October 2023: 33 397.26 rpn; 10 October 2022: 24 515.15 rpn	41	30
27 October 2023: 32 767.12 rpn; 27 October 2022: 25 878.67 rpn	41	31
16 November 2023: 30 216.33 rpn	60	—
28 November 2023: 32 431.89 rpn; 28 November 2022: 25 574.74 rpn	54	43
5 December 2023: 31 413.80 rpn; 5 December 2022: 24 993.84 rpn	44	34
	899	609
Dividends paid to ordinary equity holders		
Final dividend **(24 April 2023: 669.19274 cps)** (22 April 2022: 446.12851 cps)	3 000	2 000
Interim dividend **(18 September 2023: 501.89456 cps)** (19 September 2022: 1003.78911 cps)	2 250	4 500
	5 250	6 500
Dividends paid to preference equity holders		
Final dividend **(24 April 2023: 3 509.58904 cps)** (22 April 2022: 2 494.10959 cps)	174	123
Interim dividend **(18 September 2023: 4035.06848 cps)** (19 September 2022: 2 883.42466 cps)	199	143
	373	266

38. Securities borrowed/lent and repurchase/reverse repurchased agreements

38.1 Reverse repurchase agreements and securities borrowed

As part of the reverse repurchase agreements and securities borrowing agreements, the Group has received securities as collateral that are allowed to be sold or repledged. These securities are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements. The fair value of these securities at the reporting date amounts to **R84 499m** (2022: R79 790m) of which **R53 703m** (2022: R61 838m) has been sold or repledged. The Group has an obligation to return the collateral held except in the event of default.

38.2 Repurchase agreements and securities lent

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

	Group 2023				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	24 065	(24 016)	24 065	(24 016)	49

	Group 2022				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	42 945	(41 513)	42 945	(41 513)	1 432

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

39. Transfer of financial assets

39.1 Transfer of financial assets involving structured entities

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

39.2 Transfer of financial assets that does not result in derecognition

	Group 2023				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 800	(1 262)	1 800	(1 262)	538
Loans and advances to customers	9 857	(5 067)	9 857	(5 067)	4 790

	Group 2022				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	3 083	(2 315)	3 083	(2 315)	768
Loans and advances to customers	5 693	(1 929)	5 693	(1 929)	3 764

39. Transfer of financial assets (continued)

39.2 Transfer of financial assets that does not result in derecognition (continued)

	Company 2023 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 800	(1 262)	1 800	(1 262)	538
Loans and advances to customers	59 028	(16 179)	59 028	(16 179)	42 849

	Company 2022 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	3 083	(2 315)	3 083	(2 315)	768
Loans and advances to customers	56 660	(15 040)	56 660	(15 040)	41 620

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

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

39.3 Transfer of financial assets that results in partial derecognition

The Group invests in notes of certain SEs. The interest on these notes represents a continuing exposure to the prepayment risk and credit risk of the underlying assets(the transferred assets) which comprise corporate loans. As at year-end, the Group has not invested in SEs requiring a transfer of financial assets that result in partial derecognition (2022: none).

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

The instance may arise where the Group transfers a financial asset to an SE in its entirety but may have continuing involvement in it. Continuing involvement largely arises from providing financing to the SE in the form of retained notes, which do not bear first losses as they are not considered equity instruments of the SE. As at 31 December 2023, the Group had no continuing involvement where financial assets have been derecognised in their entirety (2022: none).

40. Related parties

40.1 Current and prior period related party events and transaction

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

The Board appointed Punki Modise as the Interim Group Financial Director with effect from 20 April 2021. She held the position of Interim Chief Executive of Retail Business Banking until 30 June 2022 after which she was appointed Group Chief Strategy and Sustainability Officer effective 1 July 2022.

40.2 Transactions with key management personnel

IAS 24 *Related Party Disclosures* (IAS 24) requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee (Exco), including those acting in capacity of decision makers even when not formally appointed to the Exco. A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with other employees. These include loans, deposits and foreign currency transactions.

40. Related parties (continued)

40.2 Transactions with key management personnel (continued)

The outstanding balances at the reporting date with related parties and related party transactions conducted during the reporting period are as follows:

	Group 2023 Rm	Group 2022 Rm
Key management personnel compensation		
Non-deferred cash payments	9	18
Post-employment benefit contributions	1	1
Salaries and other short-term benefits	17	15
Share-based payments	33	26
	60	60
Other key management personnel		
Deferred cash payments	—	1
Non-deferred cash payments	35	41
Post-employment benefit contributions	3	2
Salaries and other short-term benefits	61	46
Share-based payments	73	46
	172	136

The salaries and other short-term benefits amount of R44m was erroneously included in the prior year. The prior year amount has been corrected to R46m.

	Group 2023 Transactions with key management Rm	Group 2023 Transactions with entities controlled by key management Rm	Group 2022 Transactions with key management Rm	Group 2022 Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	69	7	48	5
(Discontinuance)/inception of related-party relationships	13	—	21	—
Loans issued and interest earned	32	—	34	2
Loans repaid	(39)	—	(34)	—
Balance at the end of the reporting period	75	7	69	7
Interest income	(8)	—	(10)	(1)
Deposits				
Balance at the beginning of the reporting period	52	3	23	1
(Discontinuance)/inception of related-party relationships	—	—	22	—
Deposits received	185	—	67	23
Deposits repaid and interest paid	(197)	—	(60)	(21)
Balance at the end of the reporting period	40	3	52	3
Interest expense	5	—	5	—
Guarantees	52	—	211	8
Other investments				
Balance at the beginning of the reporting period	198	87	114	43
(Discontinuance)/inception of related-party relationships	(70)	(44)	94	44
Value of new investments/contributions	22	—	—	—
Value of withdrawals/disinvestments	6	—	(10)	—
Balance at the end of the reporting period	156	43	198	87

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

Insurance premiums paid and claims received

Key management personnel paid insurance premiums of **R1m** (2022: R1m) and received claims of **R0m** (2022: R0m).

40. Related parties (continued)

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

	Group and Company	
	2023 Rm	2022 Rm
Balances		
Loans and advances to banks	488	94
Borrowed funds	19 059	24 491
Trading portfolio assets	876	(128)
Other assets	724	1 138
Loans and advances to companies	61 733	73 452
Deposits from banks	(1 597)	(688)
Other liabilities	(136)	(677)
Trading portfolio liabilities	(755)	—
Loans from Absa Group companies	(12 831)	(9 152)
Transactions		
Interest and similar income	1 627	(1 012)
Interest expense and similar charges	(3 238)	(36)
Fee and commission income	(1 104)	(565)
Fee and commission expense	14	3
Gains and losses from banking and trading activities	(2 809)	1 619
Gains and losses from investing activities	(3)	2
Other operating income	(60)	1
Operating expenditure/(recovered expenses)	(967)	(729)
Equity distribution	(1 800)	—

The equity distribution relates to the amount that was paid to Newshelf 1405 a subsidiary of Absa Group Limited, as part of the B-BBEE transaction.

40.4 Balances and transactions with the parent company

	Group	
	2023 Rm	2022 Rm
Transactions		
Interest expense and similar charges	1 679	1 679
Distributions paid to Tier 1 capital holders	899	609
Dividends paid	—	—

All the Tier 1 Capital instruments are held by Absa Group Limited. Included in 'Loans and advances to companies' and 'Loans from Absa Group companies' are transactions entered into between the Group/Company and its respective parent, fellow subsidiaries, associates and joint ventures.

40.5 Balances and transactions with subsidiaries

	Company	
	2023 Rm	2022 Rm
The following are balance with and transactions entered into with, subsidiaries:		
Balances		
Loans to Group companies	10 936	8 737
Subsidiary shares	159	98
Trading portfolio assets	(13)	(43)
Transactions		
Interest and similar income	(196)	99
Interest expense and similar charges	(90)	(65)
Gains losses from banking and trading activities	(18)	24
Operating expenditure/(recovered expenses)	391	226

Various terms and conditions are agreed upon, taking into account transfer pricing and relevant tax requirements.

40. Related parties (continued)

40.6 Subsidiaries and consolidated structured entities

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

			Group	
Name	Nature of business	Country of incorporation	2023 % holding	2022 % holding
Absa Representative Office Nigeria Limited	Representative office to facilitate trade and obtain market share in Nigeria.	Nigeria	100	100
Absa Technology Prague s.r.o	Provides information technology services for Absa Group.	Czech Republic	100	100
Absa Vehicle and Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	100	100
Home Obligors Mortgage Enhanced Securities (RF) Proprietary Limited	Securitisation vehicle for Absa Home Loans Division.	South Africa	100	100
United Towers Proprietary Limited	Investment in and issuance of preference shares.	South Africa	100	100
Structured entities				
Absa Foundation Trust	Provides funding for community upliftment. It receives a percentage of the Group's dividends which it distributes to identified community-related projects.	South Africa	n/a	n/a
NewFunds Collective Investment Scheme	Collective Investment Scheme.	South Africa	—	n/a
iMpumelelo CP Note Programme 1 (RF) Limited	Special purpose, bankruptcy-remote company incorporated for the purpose of issuing Absa Bank guaranteed commercial paper and medium-term notes.	South Africa	n/a	n/a
AB Finco 1 (RF) Limited	Securitisation vehicle.	South Africa	n/a	n/a
Absa Home Loans 101 (RF) Limited	Securitisation vehicle.	South Africa	n/a	n/a
Commissioner Street No 10 (RF) Proprietary Limited	Securitisation vehicle.	South Africa	n/a	n/a

A full list of subsidiaries and consolidated Structured Entities (SEs) is available, on request, at the registered address of the Group.

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

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

Regulatory requirements

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

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

The minimum amount of RC required to be maintained by the Group was **R89.8bn** (2022: R87.3bn).

Contractual requirements

Certain Group securitisation and SEs hold assets or interests in assets that are only available to meet the liabilities of those entities and may have issued public debt securities. The Group has the ability to wind up these structures and repay the notes, but only on the occurrence of certain contingencies, such as changes in tax laws or regulatory requirements. The carrying amount of the assets and liabilities of the entities to which these restrictions apply as at 31 December 2023 was **R14bn** and **R14bn** respectively (2022: R15bn and R15bn respectively).

40. Related parties (continued)

40.8 Associates and joint ventures

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

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

	Group 2023 Associates and joint ventures Rm
Statement of financial position	
Other assets	23
Loans and advances (refer to note 7)	28 730
Other liabilities	(15)
Deposits	(87)
Statement of comprehensive income	
Interest income from joint ventures and associates and on pension plan assets	2 431
Interest expense on defined benefit obligation	—
Fee and commission expense	(4)
Operating expenses	(1 191)

	2022 Associates and joint ventures Rm
Statement of financial position	
Other assets	15
Loans and advances (refer to note 7)	22 224
Other liabilities	(15)
Deposits	(87)
Statement of comprehensive income	
Interest income from joint ventures and associates and on plan assets	1 691
Interest expense on defined benefit obligations	(5)
Fee and commission expense	(3)
Operating expenses	(1 127)

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

Loans and advances are made up of joint ventures.

40. Related parties (continued)

40.8 Associates and joint ventures (continued)

Name	Nature of business	Group 2023 Ownership %	Group 2022 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	25	25
Document Exchange Association (DEA)	Facilitates the electronic exchange of documents between the banks.	25	25
South African Bankers Services Company Proprietary Limited	Automatic clearing house.	23	23
Equity-accounted joint ventures			
FFS Finance South Africa (RF) Proprietary Limited	Provides financing solutions to Ford Motor Company customers.	50	50
MAN Financial Services (SA) (RF) Proprietary Limited	Joint venture with MAN Financial Services GmbH for financing of trucks and buses.	50	50
Zeerust Joint Venture	Engages in property investment.	55	55
John Deere Financial (Pty) Ltd	Undertakes marketing activities for asset financing of John Deere products.	50	50
Associates and joint ventures designated at fair value through profit or loss	Various	Various	Various

All associates and joint ventures are incorporated in South Africa.

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

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

41. Segment report

41.1 Summary of segments

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

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

- **Product Solutions Cluster:** offers a comprehensive suite of product solutions to the retail consumer segment. Products include mortgages, vehicle financing, life and non-life insurance products, investment products and advisory services. Customers are served through an extensive distribution network, including digital channels, branches, mortgage originators, dealerships, financial advisors and partnerships. The focus remains on providing a consistently superior experience across channels tailored to each customer's needs and expectations.
- **Everyday Banking:** offers a comprehensive range of day-to-day banking products and services to a diverse spectrum of retail customers, from those needing basic banking services to those requiring sophisticated financial solutions. Everyday Banking focuses on providing a consistently superior experience across multiple channels designed to match the expectations of each customer segment, including digital and voice channels, as well as an extensive network of branch and ATM channels.
- **Relationship Banking:** consists of the business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points within the Group. The businesses within Relationship Banking include Business Banking Services, Commercial Payments and Private Wealth. Relationship Banking also includes an equity portfolio which is being reduced in an orderly manner.
- **CIB:** provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, and advisory products and services. Clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing this we will create shared growth for clients, employees and communities.

Other reconciling stripes

- **Head Office, Treasury and other operations:** consists of various non-banking activities and includes investment income earned by the Bank, as well as income earned by Corporate Real Estate Services.

41. Segment report (continued)

41.1 Summary of segments (continued)

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

Reportable segments:

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

Key business areas:

- **Home Loans:** offers residential property-related finance solutions direct to customers through personalised services, electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF):** offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF's Joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.

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

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

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

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

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

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

41. Segment report (continued)

41.2 Statement of comprehensive income

	Product Solutions Cluster		Everyday Banking		Relationship Banking	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Net interest income	**8 989**	8 896	**14 049**	12 854	**10 056**	9 327
Interest and similar income	**46 743**	34 106	**14 689**	11 346	**17 974**	13 026
Interest expense and similar charges	**(37 754)**	(25 210)	**(640)**	1 508	**(7 918)**	(3 699)
Non-interest income (refer to note 39.4)	**1 263**	1 116	**11 169**	11 177	**5 114**	5 095
Total income	**10 252**	10 012	**25 218**	24 031	**15 170**	14 422
Credit impairment charges	**(4 231)**	(2 586)	**(6 650)**	(5 070)	**(866)**	(616)
Operating expenses	**(4 466)**	(4 614)	**(13 548)**	(12 765)	**(8 437)**	(7 721)
Depreciation and amortisation	**(102)**	(64)	**(1 465)**	(1 432)	**(187)**	(258)
Information technology costs	**(150)**	(98)	**(593)**	(469)	**(265)**	(210)
Staff costs	**(1 625)**	(1 511)	**(5 591)**	(5 149)	**(3 408)**	(2 847)
Other operating expenses	**(2 589)**	(2 941)	**(5 899)**	(5 715)	**(4 577)**	(4 406)
Other expenses	**(129)**	(135)	**(445)**	(503)	**(155)**	(91)
Other impairments	**(24)**	(36)	**(54)**	(171)	**(36)**	—
Indirect taxation	**(105)**	(99)	**(391)**	(332)	**(119)**	(91)
Share of post-tax results of associates and joint ventures	**33**	59	**—**	—	**45**	40
Operating profit before income tax	**1 459**	2 737	**4 575**	5 694	**5 757**	6 034
Tax expense	**(328)**	(723)	**(1 194)**	(1 679)	**(1 489)**	(1 698)
Profit for the reporting period	**1 131**	2 014	**3 381**	4 015	**4 268**	4 336
Profit attributable to:						
Ordinary equity holders	**841**	1 799	**3 163**	3 878	**4 012**	4 154
Non-controlling interest - ordinary shares	**—**	—	**—**	—	**—**	—
Preference equity holders	**85**	65	**65**	42	**74**	56
Additional Tier 1	**205**	150	**153**	95	**182**	126
	1 131	2 014	**3 381**	4 015	**4 268**	4 336
Headline earnings	**858**	1 825	**3 193**	3 907	**4 035**	4 155
Statement of financial position						
Loans and advances	**415 634**	400 643	**65 059**	63 777	**146 685**	135 897
Loans and advances to customers	**415 391**	400 354	**59 287**	54 945	**146 071**	134 699
Loans and advances to banks	**243**	289	**5 772**	8 832	**614**	1 198
Investment securities	**22 349**	20 841	**4 042**	3 901	**6 845**	6 590
Other assets	**33 548**	33 663	**333 950**	309 699	**146 777**	126 160
Total assets	**471 531**	455 147	**403 051**	377 377	**300 307**	268 647
Deposits	**1 610**	1 863	**308 936**	289 606	**230 720**	201 191
Deposits due to customers	**1 610**	1 863	**308 936**	289 606	**230 715**	201 185
Deposits due to banks	**—**	—	**—**	—	**5**	6
Debt securities in issue	**—**	—	**—**	—	**—**	—
Other liabilities	**466 458**	448 951	**90 711**	83 807	**64 459**	62 771
Total liabilities	**468 068**	450 814	**399 647**	373 413	**295 179**	263 962

December 2022 balances have been restated. Refer to the reporting changes overview in note 1.21.

Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.

CIB		Head Office, Treasury and other operations		Total before Barclays separation effects		Barclays separation effects		Group	
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
11 461	10 204	**(328)**	1 048	**44 227**	42 329	**128**	58	**44 355**	42 387
32 112	23 086	**6 859**	7 605	**118 377**	89 169	**—**	—	**118 377**	89 169
(20 651)	(12 882)	**(7 187)**	(6 557)	**(74 150)**	(46 840)	**128**	58	**(74 022)**	(46 782)
3 279	3 928	**356**	371	**21 181**	21 687	**(1)**	—	**21 180**	21 687
14 740	14 132	**28**	1 419	**65 408**	64 016	**127**	58	**65 535**	64 074
(846)	(413)	**2**	(2)	**(12 591)**	(8 687)	**—**	—	**(12 591)**	(8 687)
(8 550)	(8 058)	**(4 461)**	(3 047)	**(39 462)**	(36 205)	**(999)**	(917)	**(40 461)**	(37 122)
(402)	(377)	**(1 496)**	(1 787)	**(3 741)**	(3 918)	**(1 168)**	(1 006)	**(4 909)**	(4 924)
(428)	(409)	**(3 220)**	(3 208)	**(4 656)**	(4 394)	**—**	(3)	**(4 656)**	(4 397)
(4 963)	(4 688)	**(5 935)**	(4 713)	**(21 522)**	(18 908)	**—**	—	**(21 522)**	(18 908)
(2 757)	(2 584)	**6 190**	6 661	**(9 543)**	(8 985)	**169**	92	**(9 374)**	(8 893)
(254)	(202)	**(935)**	(985)	**(1 918)**	(1 916)	**(140)**	—	**(2 058)**	(1 916)
—	—	**(196)**	(384)	**(310)**	(591)	**(139)**	—	**(449)**	(591)
(254)	(202)	**(739)**	(601)	**(1 608)**	(1 325)	**(1)**	—	**(1 609)**	(1 325)
10	15	**26**	18	**114**	132	**—**	—	**114**	132
5 100	5 474	**(5 340)**	(2 599)	**11 551**	17 340	**(1 012)**	(859)	**10 539**	16 481
(552)	(889)	**1 150**	461	**(2 413)**	(4 528)	**243**	236	**(2 170)**	(4 292)
4 548	4 585	**(4 190)**	(2 138)	**9 138**	12 812	**(769)**	(623)	**8 369**	12 189
4 040	4 244	**(4 190)**	(2 138)	**7 866**	11 937	**(769)**	(623)	**7 097**	11 314
—	—	**—**	—	**—**	—	**—**	—	**—**	—
149	103	**—**	—	**373**	266	**—**	—	**373**	266
359	238	**—**	—	**899**	609	**—**	—	**899**	609
4 548	4 585	**(4 190)**	(2 138)	**9 138**	12 812	**(769)**	(623)	**8 369**	12 189
4 041	4 244	**(4 032)**	(1 857)	**8 095**	12 274	**(689)**	(624)	**7 406**	11 650
448 589	431 733	**2 521**	469	**1 078 488**	1 032 520	**—**	—	**1 078 487**	1 032 520
402 151	362 782	**725**	3 195	**1 023 625**	955 975	**—**	—	**1 023 624**	955 975
46 438	68 951	**1 796**	(2 725)	**54 863**	76 545	**—**	—	**54 863**	76 545
46 254	43 396	**72 287**	53 711	**151 777**	128 439	**—**	—	**151 777**	128 439
414 489	434 873	**(629 170)**	(588 199)	**299 594**	316 196	**943**	2 153	**300 538**	318 349
909 332	910 002	**(554 362)**	(534 018)	**1 529 859**	1 477 155	**943**	2 153	**1 530 802**	1 479 308
403 555	405 780	**144 662**	117 183	**1 089 483**	1 015 623	**—**	—	**1 089 483**	1 015 623
327 421	318 885	**119 796**	103 084	**988 478**	914 623	**—**	—	**988 478**	914 623
76 134	86 895	**24 866**	14 099	**101 005**	101 000	**—**	—	**101 005**	101 000
28 888	27 282	**181 007**	175 993	**209 895**	203 275	**—**	—	**209 895**	203 275
471 447	471 467	**(965 546)**	(908 538)	**127 529**	158 458	**(1 414)**	(1 107)	**126 115**	157 351
903 890	904 529	**(639 877)**	(615 362)	**1 426 907**	1 377 356	**(1 414)**	(1 107)	**1 425 493**	1 376 249

41. Segment report (continued)

41.3 Total internal income by segment

	Group and Company 2023 Rm	2022 Rm
Product Solutions Cluster	**(35 858)**	(23 543)
Everyday Banking	**21 742**	16 137
Relationship Banking	**6 587**	4 573
CIB	**(4 812)**	(6 734)
Head Office, Treasury and other operations	**16 004**	8 215
Barclays PLC separation effects	**128**	58
Total internal income	**3 791**	(1 294)

December 2022 balances have been restated. Refer to the reporting changes overview in note 1.21.

41.4 Disaggregation of non-interest income

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

	2023 Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	1 277	11 753	5 723	3 136	46	21 935
Consulting and administration fees	137	—	128	36	27	328
Transactional fees and commissions	818	10 737	3 652	2 393	16	17 616
Cheque accounts	(1)	3 244	1 671	145	1	5 060
Credit cards	—	2 009	222	—	20	2 251
Electronic banking	—	4 113	1 065	1 379	—	6 557
Service charges	809	127	491	482	3	1 912
Other (includes exchange commissions and guarantees)	10	254	107	399	(8)	762
Savings accounts	—	990	96	(12)	—	1 074
Merchant income	—	583	1 720	—	—	2 303
Trust and other fiduciary services fees	—	—	78	20	1	99
Other fees and commissions	13	8	94	280	2	397
Insurance commissions received	309	425	5	—	—	739
Investment banking fees	—	—	46	407	—	453
Other non-interest income, net of expenses	(14)	(584)	(609)	143	310	(754)
Total non-interest income	1 263	11 169	5 114	3 279	356	21 181

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

Other notable non-interest income items include gains from banking and trading activities of **R900m** (2022: R1.6bn) , offset by expenses within CIB. For the Relationship Banking this includes insurance revenue of **R197m** (2022: R118m), partially offset by insurance service expenses of **R129m** (2022: R68m).

Credit cards include card issuing and acquiring fees.

Other transactional fees and commissions income include exchange commission R869m in Group and Company (2022: R795m in Group and Company) and guarantees R102m in Group and Company (2022: R122m Group and Company).

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

The income previously disclosed as other income from contracts with customers has been restated. Refer to note 1.21.

41. Segment report (continued)

41.4 Disaggregation of non-interest income (continued)

	2022					
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	1 162	11 733	5 767	2 714	(24)	21 351
Consulting and administration fees	137	—	122	32	27	318
Transactional fees and commissions	727	10 798	3 744	2 055	72	17 396
Cheque accounts	—	2 921	1 729	155	—	4 805
Credit cards	—	1 869	194	—	42	2 105
Electronic banking	—	4 045	1 135	1 154	1	6 335
Service charges	717	506	464	390	34	2 111
Other (includes exchange commissions and guarantees)	10	207	98	358	(4)	669
Savings accounts	—	1 250	124	(2)	(1)	1 371
Merchant income	—	563	1 717	—	—	2 280
Trust and other fiduciary services fees	—	—	75	18	2	94
Other fees and commissions	9	2	66	244	(125)	196
Insurance commissions received	289	370	4	—	—	663
Investment banking fees	—	—	39	365	—	404
Other non-interest income, net of expenses	(46)	(556)	(672)	1 214	395	336
Total non-interest income	1 116	11 177	5 095	3 928	371	21 687

Other transactional fees and commission have been restated due to the extraction of the service charges (2022: R2 111m for Group and R2 109m for Company) which form a significant portion of the balance. As a result, total other transactional fees and commission for 2022 reduced from R2 779m to R668m in Group and R2 777m to R668m in Company.

42. Offsetting financial assets and financial liabilities

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

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

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

Group and Company

	2023							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm	Offsetting financial instruments Rm	Financial collateral Rm	Net amount Rm	Amounts not subject to legally enforceable netting arrangements Rm	Total per statement of financial position Rm
Derivative financial assets (refer to note 50.3)	100 721	(45 394)	55 327	(39 342)	(2 544)	13 441	1 408	56 735
Reverse repurchase agreements and other similar secured lending (refer to note 7)	79 855	—	79 855	—	(79 855)	—	—	79 855
Total assets	180 576	(45 394)	135 182	(39 342)	(82 399)	13 441	1 408	136 590
Derivative financial liabilities (refer to note 50.3)	(93 408)	49 169	(44 240)	39 299	—	(4 941)	(2 844)	(47 084)
Repurchase agreements and other similar secured borrowings (refer to note 7)	(63 172)	—	(63 172)	—	63 172	—	—	(63 172)
Total liabilities	(156 580)	49 169	(107 412)	39 299	63 172	(4 941)	(2 844)	(110 256)

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

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

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

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

42. Offsetting financial assets and financial liabilities (continued)

	Group and Company 2022							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm	Offsetting financial instruments Rm	Financial collateral Rm	Net amount Rm	Amounts not subject to legally enforceable netting arrangements Rm	Total per statement of financial position Rm
Derivative financial assets (refer to note 50.3)	96 760	(35 500)	61 260	(48 390)	(1 727)	11 143	788	62 048
Reverse repurchase agreements and other similar secured lending (refer to note 7)	86 861	—	86 861	—	(86 861)	—	—	86 861
Total assets	183 621	(35 500)	148 121	(48 390)	(88 588)	11 143	788	148 909
Derivative financial liabilities (refer to note 50.3)	(94 748)	40 768	(53 980)	48 390	—	(5 590)	(2 807)	(56 787)
Repurchase agreements and other similar secured borrowings (refer to note 7)	(66 356)	—	(66 356)	—	66 356	—	—	(66 356)
Total liabilities	(161 104)	40 768	(120 336)	48 390	66 356	(5 590)	(2 807)	(123 143)

Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position. Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure. In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements. Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

Offsetting and collateral arrangements

Derivative assets and liabilities

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

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

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

These offsetting and collateral arrangements and the credit risk mitigation strategies used by the Group are further explained in the Credit risk mitigation, collateral and other credit enhancements section of note 54.

43. Earnings per share

	Group 2023 Rm	Group 2022 Rm
Basic and diluted earnings per share		
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders, by the weighted average number of ordinary shares in issue during the reporting period.		
Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are no instruments that would have a dilutive impact.		
Basic and diluted earnings attributable to ordinary equity holders	7 097	11 314
Weighted average number and diluted number of ordinary shares in issue (millions)	448.3	448.3
Issued shares at the beginning of the reporting period	448.3	448.3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	1 583.1	2 523.8

44. Assets under management and administration (unaudited)

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Alternative asset management and exchange-traded funds	25 116	25 908	—	—
Other assets under administration	333 977	350 790	333 977	350 790
Portfolio management	5 665	4 397	5 665	4 397
Unit trusts	1 473	1 518	1 473	1 518
	366 231	382 613	341 115	356 705

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

45. Contingencies, commitments and similar items

	Group		Company	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Guarantees	37 243	44 102	39 987	48 903
Irrevocable debt facilities	108 483	98 379	108 483	98 257
Letters of credit	12 439	12 873	12 439	12 873
Other	—	10	—	10
	158 165	155 364	160 909	160 043
Authorised capital expenditure				
Contracted but not provided for	480	622	480	622

Guarantees include performance guarantee contracts and financial guarantee contracts.

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

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

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

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

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

45. Contingencies, commitments and similar items

Legal proceedings

Legal matters

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

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

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

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

Regulatory developments

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

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

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

The relief measures provided by the PA in 2020 of a temporary relaxation of both capital supply and short-term liquidity requirements, enabled banks to continue the provision of credit into the economy during this period of financial stress. This support was discontinued in its entirety in April 2022.

Income taxes

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

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

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

46. Structured entities

Exchange-traded funds

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

Preference share funding vehicles

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

Structured investment vehicles

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

Securitisation vehicles

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

Funding vehicles

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

46. Structured entities (continued)

46.1 Consolidated structured entities

The Group did not provide any financial support during the current financial reporting period (2022: Rnil) to consolidated structured entities:

46.2 Unconsolidated structured entities

The level of risk that the Group is exposed to is determined by the nature and purpose of it holding an interest in the entity.

Owing to the large number of SEs in which the Group holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

	Group 2023					
	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Trading portfolio assets	—	544	—	—	—	544
Investment securities	—	—	422	—	—	422
Debt securities	—	—	422	—	—	422
Equity securities	—	—	—	—	—	—
Loans and advances to customers	31 761	—	—	—	12	31 773
Undrawn liquidity facilities and financial guarantees (notional value)	—	—	301	—	—	301
	31 761	544	723	—	12	33 040
Maximum exposure to loss	31 761	544	723	—	12	33 040
Total size of entities	121 406	544	1 308	—	12	123 270

	Group 2022					
	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Trading portfolio assets	—	346	—	—	—	346
Investment securities	—	—	500	3 706	—	4 206
Debt securities	—	—	500	—	—	500
Equity securities	—	—	—	3 706	—	3 706
Loans and advances to customers	29 694	—	—	—	13	29 707
Undrawn liquidity facilities and financial guarantees (notional value)	—	—	281	—	—	281
	29 694	346	781	3 706	13	34 540
Maximum exposure to loss	29 694	346	781	3 706	13	34 540
Total size of entities	122 529	346	1 447	25 908	13	150 243

In 2022, the Group inadvertently disclosed a securitisation vehicle amounting to R500m as loans and advances to customers. This has led to a reclassification to investment securities.

The Group did not incur losses related to the Group's interests in unconsolidated structured entities in the current financial reporting period (2022: Rnil).

Under undrawn liquidity facilities and financial guarantees there are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets. The Group's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

Total size of entities is measured relative to total assets.

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

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

Total size of entities is measured relative to total assets.

46. Structured entities (continued)

46.2 Unconsolidated structured entities (continued)

Financial support provided or to be provided to unconsolidated structured entities

The Group did not provide any financial support during the current financial reporting period (2022: Rnil) to unconsolidated structured entities.

46.3 Sponsored entities

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

Assets transferred to unconsolidated sponsored structured entities

The Group did not transfer assets during the current financial reporting year (2022: Rnil) to its unconsolidated sponsored structured entities.

47. Cash and cash equivalents

	Group and Company	
	2023 Rm	2022 Rm
Mandatory reserve balances with the SARB and other central banks	26 152	21 813
Coins and bank notes	5 411	6 241
Loans and advances to banks	9 492	8 409
	41 055	36 463

48. Deferred cash and share-based payments

	Group and Company	
	2023 Rm	2022 Rm
Share-based payments expense	902	593
Equity-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	378	299
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	39	19
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	233	164
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	133	72
eKhaya colleague share scheme (ECSS)	122	—
Cash-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	(4)	33
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	1	6
Absa Group Limited Cash Value Plan (CVP)	—	10
Total deferred cash and share-based payments (refer to note 30)	902	603
Total carrying amount of liabilities for cash-settled arrangements (refer to note 15)	16	50
Total carrying amount of equity-settled share-based payment arrangement (refer to the statement of changes in equity)	1 194	977

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

Absa Group Limited Share Incentive Plan Performance Award

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

Absa Group Limited Share Incentive Plan Retention Buyout Award

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

Absa Group Limited Share Incentive Plan Deferred Award

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

Absa Group Limited Share Incentive Plan Retention Award

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

Additional to Share Incentive Plan Retention Award: Individual Performance Conditions

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

Absa Group Limited Restricted Share Value Plan

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

eKhaya colleague share scheme

The Absa Group Limited's B-BBEE transaction resulted in (1) a Colleague Share Scheme (ECSS), which provides employees in South Africa with an equity ownership interest in Absa Group and (2) a Colleague Phantom Share Scheme, providing non-SA employees with a phantom share award. The Colleague Share Scheme, an award issued by Absa Group Limited, provides for eligible employees in South Africa to indirectly hold 3% of Absa Group Limited's shareholding from 1 September 2023. At the end of five years, the Scheme will vest where participants will receive Absa Group Limited ordinary shares if they remain in the employ of Absa employer companies in South Africa on 1 September 2028. The scheme is funded through cash contributions by the respective employing entities, preference share funding from Absa Group Limited, and existing Absa Group Limited equity shares. Under the scheme eligible permanent employees will be entitled to a potential trickle dividend throughout the vesting period.

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

	Number of awards '000									
	2023					2022				
	Opening balance	Granted/ trans- ferred	Forfeited	Exercised	Closing balance	Opening balance	Granted/ trans- ferred	Forfeited	Exercised	Closing balance
Equity-settled:										
SIPP	11 147	4 139	(2 042)	(3 845)	9 399	14 058	2 469	(4 451)	(929)	11 147
SIPRB	245	347	(23)	(189)	380	217	150	(16)	(106)	245
SIPD	2 536	1 727	(105)	(1548)	2 610	2 843	1 287	(82)	(1 512)	2 536
SIPR	1 518	1 349	(155)	(15)	2 697	824	754	(60)	—	1 518
RSVP	32	—	—	—	32	52	—	—	(20)	32
ECSS	—	24 162	(308)	(10)	23 844	—	—	—	—	—
Cash-settled:										
SIPP	96	25	(3)	(6)	112	95	33	(23)	(9)	96
SIPRB	—	3	—	(3)	—	6	—	—	(6)	—
SIPD	21	21	—	(11)	32	14	14	(1)	(6)	21
ECSS	—	18	—	—	18	—	—	—	—	—

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

	Weighted average share price at exercise date during the reporting period (Rand)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rand)	
	2023	2022	2023	2022	2023	2022
Equity-settled:						
SIPP	75.60	155.46	2.16	1.06	184.60	190.62
SIPRB	153.67	135.05	1.18	1.08	183.72	167.19
SIPD	111.50	102.66	1.17	0.80	184.60	190.64
SIPR	191.00	—	1.82	1.97	184.60	190.58
RSVP	—	153.00	—	—	—	—
ECSS	77.30	—	4.67	—	82.53	—
Cash-settled:						
SIPP	184.60	178.58	1.42	1.26	184.60	191.00
SIPRB	153.67	181.56	1.18	—	183.72	—
SIPD	184.60	191.00	0.21	0.96	184.60	191.00
ECSS	—	—	4.67	—	82.53	—

Future cash flow affects associated with equity settled share payments

	Group and Company			
	2023			
	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	419	1 343	—	1 762

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

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

49. Acquisitions and disposals of businesses and other similar transactions (Group and Company)

49.1 Acquisitions of businesses during the current reporting period

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

49.2 Disposals of businesses during the current reporting period

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

49.3 Acquisitions of businesses during the previous reporting period

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

49.4 Disposals of businesses during the previous reporting period

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

50. Derivatives (Group and Company)

50.1 Derivative financial instruments

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

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

At the reporting date, the Group did not have any compound financial instruments with multiple embedded derivatives in issue. The Group trades the following derivative instruments:

Foreign exchange derivatives

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

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

Interest rate derivatives

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

Credit derivatives

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

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

Equity derivatives

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

Commodity derivatives

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

50.2 Notional amount

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

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

50. Derivatives (continued)

50.3 Derivative financial instruments

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

	Group					
	2023			2022		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm	Liabilities Rm	Notional contract amounts Rm
Derivatives held for trading (refer to note 4 and note 14)	51 294	(45 395)	13 813 721	57 076	(54 550)	10 270 883
Derivatives designated as hedging instruments (refer to note 4 and note 14)	5 441	(1 688)	324 467	4 972	(2 237)	291 801
Total derivatives	**56 735**	**(47 083)**	**14 138 188**	62 048	(56 787)	10 562 684

	Company					
	2023			2022		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm	Liabilities Rm	Notional contract amounts Rm
Derivatives held for trading (refer to note 4 and note 14)	51 281	(45 395)	13 814 870	57 076	(54 550)	10 330 933
Derivatives designated as hedging instruments (refer to note 4 and note 14)	5 441	(1 688)	324 975	4 972	(2 237)	291 801
Total derivatives	**56 722**	**(47 083)**	**14 139 845**	62 048	(56 787)	10 622 734

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

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

	Group and Company					
	2023			2022		
	Assets Rm	Liabilities Rm	Notional contract amounts Rm	Assets Rm	Liabilities Rm	Notional contract amounts Rm
Foreign exchange derivatives	14 351	(13 063)	836 564	16 394	(16 947)	907 135
Interest rate derivatives	28 783	(28 755)	12 755 106	31 491	(32 548)	9 156 886
Equity derivatives	7 345	(2 861)	187 513	8 779	(4 678)	188 426
Commodity derivatives	426	(368)	9 001	188	(117)	6 764
Credit derivatives	389	(348)	25 537	224	(260)	11 673
Derivatives held for trading	**51 294**	**(45 395)**	**13 813 721**	57 076	(54 550)	10 270 884

The balance for the interest rate derivatives assets for Company is R28 770m.

In an effort to streamline the Group's derivative disclosures to allow for more relevant information to be issued to the users of the financial statements, such disclosures will no longer be provided at a product level, that is, the granular split between forwards, futures, options, swaps (etc.) is no longer presented.

50.5 Derivative held for investment purposes

No derivatives were held for investment purposes for the 2023 or prior period.

50. Derivatives (continued)

50.6 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R55 372m** (2022: R61 260m). Additionally, the Group held **R2 544m** (2022: R1 727m) of collateral against the net derivative asset exposure. The financial assets pledged as collateral are held under terms that are usual and customary for such arrangements.

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

50.7 Hedge accounting

Risk management strategy

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Hedge accounting is predominantly applied for the following risks:

- Interest rate risk – arises due to exposure to capital or income volatility because of a mismatch between the interest rate exposures of its assets and liabilities.
- Contractually linked inflation risk – arises from certain financial instruments with a contractually specified inflation rate.
- Currency risk – arises due to transactional foreign exchange risk where assets, liabilities or highly probably expenditure are not denominated in the functional currency of the transacting entity. The group is also exposed at a consolidated level to translation foreign currency risk where the functional currency of the foreign operation is different from the parent. Please refer to note 60 for additional information about the Group's Risk Management.

Interest rate risk

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

The hedge ratio between the hedged item and the hedging instruments is typically determined with reference to the sensitivity of the hedged item, on designation, to the risk factor, compared to the hedging instrument. In many cases the hedge ratio is directly proportional to the hedged item. The assessment of the effectiveness of hedge relationships are performed on a cumulative life to date basis.

Interest rate derivatives designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans and advances.

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

In certain circumstances, hedged items that are designated for hedge accounting purposes are different from the economic hedge owing to the existence of restrictions on the ability to apply hedge accounting to the economic hedge. Specifically, the Group employs a governed interest rate risk management strategy (hedging programme) through the interest rate cycle to reduce volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).

In some hedging relationships, the Group designates risk components or proportions of hedged items as follows:

(i) Benchmark interest rate risk as a component of interest rate risk, for example JIBAR or a Risk Free Rate (RFR). Designating the benchmark interest rate risk component only results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship, improving the effectiveness of the hedge relationship.

(ii) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument. Hedging a component of cash flows assists in meeting a certain risk management objectives for example hedging certain tenors within the interest rate risk cycle as required to be within the Group's risk appetite

(iii) Proportions of cash flows of hedged items, for example only a portion of the hedged item's cash flows are designated in the hedge relationship. Hedging a portion of cash flows primarily assists in preventing the hedge relationship becoming overhedged due to prepayments or credit risk and resultantly reducing ineffectiveness.

Inflation risk

Inflation derivatives designated as fair value hedges, primarily hedge fixed real interest rate risk to a nominal floating rate risk, introduced due to the contractually specified inflation rate within certain investment securities held. The contractually specified inflation risk is designated and hedged as a risk component, this results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship, improving the effectiveness of the hedge relationship.

Foreign currency risk

Foreign exchange derivatives designated as cash flow hedges, primarily hedge the cash flow variability arising from highly probable forecast foreign denominated expenditure. In addition, the Group hedges the cash flow variability of certain financial assets and liabilities denominated in a currency other than the functional currency. For these hedges the Group will designate the entire hedge item in the hedge relationship, therefore both the spot and forward component.

Foreign exchange derivatives designated as net investment hedges, hedge the translation foreign currency exposure to a net investment in a foreign operation. The spot exchange risk component is designated as the hedged item for these hedge relationships to reduce ineffectiveness.

Sources of ineffectiveness which may affect the Group's designated hedge relationships are as follows:

(i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument;

(ii) Changes in credit risk of the hedging instruments;

(iii) If a hedge accounting relationship becomes over or under-hedged.

(iv) Derivatives used as hedging instruments with non-zero fair values on designation date. These sources of ineffectiveness are applicable to all risk types. No other sources of ineffectiveness arose during the period.

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.1 Fair value hedge accounting

Fair value hedges are used by the Group to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include investment securities, loans and advances, debt securities and borrowed funds.

The profile and timing of hedging instruments designated in fair value hedge relationships based on the notional amounts are as follows:

	Group and Company 2023						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	2 905	4 018	29 411	1 676	2 159	45 579	85 748
Hedge of investment securities	—	2 418	19 842	184	380	45 123	67 947
Hedge of loans and advances	2 905	1 008	525	75	19	306	4 838
Hedge of debt securities in issue	—	592	2 178	1 417	1 760	150	6 097
Hedge of borrowed funds	—	—	6 866	—	—	—	6 866
Interest rate risk – cross currency swaps							
Hedge of investment securities	—	—	—	—	—	—	—
Inflation risk – interest rate swaps							
Hedge of investment securities	155	100	—	—	—	529	784

	Group and Company 2022						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps	6 776	586	3 390	28 713	1 630	32 835	73 930
Hedge of investment securities	817	—	2 229	19 528	171	32 265	55 010
Hedge of loans and advances	882	544	569	141	42	320	2 498
Hedge of debt securities in issue	125	42	592	2 178	1 417	250	4 604
Hedge of borrowed funds	4 952	—	—	6 866	—	—	11 818
Interest rate risk – cross currency swaps							
Hedge of investment securities	—	—	—	—	—	—	—
Inflation risk – interest rate swaps							
Hedge of investment securities	225	280	100	—	—	379	984

	Group and Company	
	2023 Average price or rate %	2022 Average price or rate %
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	8%	8%
Average float spread	1%	—
Inflation risk		
Average fixed interest rate	3%	3%

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.1 Fair value hedge accounting (continued)

The profile and timing of hedging instruments designated in fair value hedge relationships based on the notional amounts are as follows:

	Group 2023				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2023 Rm	Ineffectiveness recognised in profit or loss Rm
Total	86 532	4 743	(1 076)	(411)	(4)
Interest rate risk	85 748	4 725	(1 074)	(378)	48
Interest rate swaps – hedge of investment securities	67 947	4 597	(322)	(666)	57
Interest rate swaps – hedge of loans and advances	4 838	15	(4)	(48)	4
Interest rate swaps – hedge of borrowed funds	6 866	—	(738)	240	1
Interest rate swaps – hedge of debt securities in issue	6 097	113	(10)	96	(14)
Inflation risk					
Inflation linked swaps – hedge of investment securities	784	18	(197)	(33)	(52)
Collateral held against derivatives	—	—	195	—	—

	Group 2022				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2022 Rm	Ineffectiveness recognised in profit or loss Rm
Total	74 914	4 498	(1 274)	2 798	(15)
Interest rate risk	73 930	4 160	(1 015)	2 824	10
Interest rate swaps – hedge of investment securities	55 010	5 080	(812)	4 036	—
Cross currency swaps – hedge of investment securities	—	—	—	(2)	—
Interest rate swaps – hedge of loans and advances	2 498	17	(168)	124	9
Interest rate swaps – hedge of borrowed funds	11 818	(987)	—	(1 001)	1
Interest rate swaps – hedge of debt securities in issue	4 604	50	(35)	(333)	—
Inflation risk					
Inflation linked swaps – hedge of investment securities	984	16	(259)	(26)	(25)
Collateral held against derivatives	—	322	—	—	—

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the statement of comprehensive income, and the hedging instruments of the Group are presented within hedging portfolio assets and liabilities on the statement of financial position.

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.1 Fair value hedge accounting (continued)

Derivatives held in fair value hedge relationships by the Group related to the various markets and instrument types the Group trades in are as follows:

	Group			
	2023			
Hedged item statement of financial position classification and risk category	Carrying value Rm	Accumulated fair value adjustment included in the carrying amount of the hedged item Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	65 558	(2 915)	(13)	697
Interest rate risk	64 495	(2 807)	(18)	615
Inflation risk	1 063	(108)	5	82
Loans and advances				
Interest rate risk	4 303	(18)	1	40
Financial liabilities				
Debt securities in issue				
Interest rate risk	(7 027)	(33)	—	(82)
Borrowed funds				
Interest rate risk	(9 215)	699	—	(241)

	Group			
	2022			
Hedged item statement of financial position classification and risk category	Carrying value Rm	Accumulated fair value adjustment included in the carrying amount of the hedged item Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	54 665	(3 762)	(10)	(3 989)
Interest rate risk	52 339	(3 643)	(13)	(4 035)
Inflation risk	2 326	(119)	3	46
Loans and advances				
Interest rate risk	2 953	(58)	(5)	(139)
Financial liabilities				
Debt securities in issue				
Interest rate risk	(5 347)	23	—	333
Borrowed funds				
Interest rate risk	(15 329)	940	—	1 000

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.2 Cash flow hedge accounting

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group exposure to interest rate and foreign currency risk.

The profile and timing of hedging instruments designated in cash flow hedge relationships based on notional amounts are as follows:

	Group 2023						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	93 192	29 900	29 486	25 411	32 138	16 560	226 687
Foreign currency risk – cross currency swaps	—	—	6 887	—	—	—	6 887
Hedge of borrowed funds	—	—	6 887	—	—	—	6 887
Foreign currency risk – forwards							
Hedge of highly probable forecast expenditure	3 263	1 098	—	—	—	—	4 361

	Group and Company 2022						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	78 895	21 763	26 754	28 305	23 717	21 200	200 634
Foreign currency risk – cross currency swaps	6 887	30	—	5 420	—	—	12 337
Hedge of debt securities	—	30	—	—	—	—	30
Hedge of borrowed funds	6 887	—	—	5 420	—	—	12 307
Foreign currency risk – forwards							
Hedge of highly probable forecast expenditure	2 804	1 112	—	—	—	—	3 916

	Company 2023						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Interest rate risk – interest rate swaps							
Hedge of loans and advances	93 192	29 900	29 486	25 411	32 138	16 560	226 687
Foreign currency risk – cross currency swaps	—	—	6 887	—	—	—	6 887
Hedge of borrowed funds	—	—	6 887	—	—	—	6 887
Foreign currency risk – forwards							
Hedge of highly probable forecast expenditure	3 771	1 098	—	—	—	—	4 869

	Group and Company	
	2023 Average price or rate %	2022 Average price or rate %
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	7%	8%
Average EUR/ZAR exchange rates	20.05	18.75
Average GBP/ZAR exchange rates	23.12	21.84
Average USD/ZAR exchange rates	18.40	16.93
Average CZK/ZAR exchange rates	—	0.71

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.2 Cash flow hedge accounting (continued)

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship.

The following amounts relate to items designated as hedging instruments in cash flow hedge relationships:

	Group 2023					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Total	237 935	698	(612)	2 923	1 422	(46)
Interest rate swaps – hedge of loans and advances	226 687	154	(2 250)	2 599	1 002	(45)
Foreign currency risk – cross currency swaps	6 887	353	—	9	144	—
Foreign currency swaps – hedge of debt securities	—	—	—	(6)	—	—
Foreign currency swaps – hedge of borrowed funds	6 887	353	—	15	144	—
Forwards – hedge of forecast expenditure	4 361	191	(34)	315	276	(1)
Collateral held against derivatives	—	—	1 672	—	—	—

	Group 2022					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Interest rate risk						
Total	216 887	473	(963)	(6 402)	(3 438)	(208)
Interest rate swaps – hedge of loans and advances	200 634	91	(4 595)	(6 387)	(3 490)	(218)
Foreign currency risk – cross currency swaps	12 337	220	—	(52)	15	—
Foreign currency swaps – hedge of debt securities	30	11	—	(9)	(1)	—
Foreign currency swaps – hedge of borrowed funds	12 307	209	—	(43)	16	—
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	3 916	162	(63)	37	37	10
Collateral held against derivatives	—	—	3 695	—	—	—

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.2 Cash flow hedge accounting (continued)

	Company 2023 Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Total	238 443	698	(612)	2 934	1 473	46
Interest rate risk						
Interest rate swaps – hedge of loans and advances	226 687	154	(2 250)	2 599	1 002	45
Foreign currency risk – cross currency swaps	6 887	353	—	9	144	—
Foreign currency swaps – hedge of debt securities	—	—	—	(6)	—	—
Foreign currency swaps – hedge of borrowed funds	6 887	353	—	15	144	—
Foreign currency risk - forwards						
Forwards – hedge of forecast expenditure	4 869	191	(34)	326	327	1
Collateral held against derivatives	—	—	1 672	—	—	—

	Company 2022 Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used to calculate hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Interest rate risk						
Total	216 887	474	(963)	(6 402)	(3 438)	(208)
Interest rate swaps – hedge of loans and advances	200 634	92	(4 595)	(6 387)	(3 490)	(218)
Foreign currency risk – cross currency swaps	12 337	220	—	(52)	15	—
Foreign currency swaps – hedge of debt securities	30	11	—	(9)	(1)	—
Foreign currency swaps – hedge of borrowed funds	12 307	209	—	(43)	16	—
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	3 916	162	(63)	37	37	10
Collateral held against derivatives	—	—	3 695	—	—	—

The hedging instruments of the Group are presented within Hedging portfolio assets/liabilities, on the Statement of Financial Position. Hedge accounting has not been applied to any forecast transactions that have not subsequently occurred.

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the Statement of Comprehensive Income.

Collateral held against derivatives disclosures, have been included for fair presentation.

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.2 Cash flow hedge accounting (continued)

The hedging instruments of the Group are presented within Hedging portfolio assets/liabilities, on the statement of financial position.

Hedge accounting has not been applied to any forecast transactions that have not subsequently occurred.

The following amounts show the impact on the income statement and OCI of recycling amounts in respect of cash flow hedges during the period:

	Group and Company					
	2023			2022		
	Amount recycled from OCI to profit or loss due to continuing hedges Rm	Amount recycled from OCI to profit or loss due to discontinued hedges Rm	Total Rm	Amount recycled from OCI to profit or loss due to continuing hedges Rm	Amount recycled from OCI to profit or loss due to discontinued hedges Rm	Total Rm
Cash flow hedge of interest rate risk	(1 561)	(97)	(1 658)	2 663	(3)	2 660
Recycled to interest income	(1 435)	(56)	(1 491)	2 486	24	2 510
Recycled to interest expense	(126)	(41)	(167)	177	(27)	150
Cash flow hedge of currency risk	390	—	390	47	11	58
Recycled to interest income	—	—	—	—	11	11
Recycled to interest expense	129	—	129	59	—	59
Recycled to operating expenses	261	—	261	(12)	—	(12)
Total	(1 171)	(97)	(1 268)	2 710	8	2 718

The following amounts relate to items designated as hedged items in cash flow hedges:

	Group					
	2023			2022		
	Change in value used for calculating hedge ineffectiveness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm	Change in value used for calculating hedge ineffectiveness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm
Loans and advances						
Interest rate risk	(2 752)	(2 007)	41	6 983	(4 586)	(42)
Highly probable forecast transactions						
Foreign exchange risk	(315)	93	—	(37)	80	—
Investment securities						
Foreign exchange risk	—	—	—	—	—	—
Debt securities						
Foreign exchange risk	6	—	—	9	—	—
Borrowed funds						
Foreign exchange risk	15	158	—	(43)	143	—

50. Derivatives (continued)

50.7 Hedge accounting (continued)

50.7.2 Cash flow hedge accounting (continued)

	Company					
	2023			2022		
	Change in value used for calculating hedge ineffectiveness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm	Change in value used for calculating hedge ineffectiveness Rm	Cash flow hedge reserve in respect of continued hedges Rm	Cash flow hedge reserve in respect of discontinued hedges Rm
Loans and advances						
Interest rate risk	(2 752)	(2 007)	41	6 983	(4 586)	(42)
Highly probable forecast transactions						
Foreign exchange risk	(326)	144	—	(37)	80	—
Investment securities						
Foreign exchange risk	—	—	—	—	—	—
Debt securities						
Foreign exchange risk	6	—	—	9	—	—
Borrowed funds						
Foreign exchange risk	15	158	—	(43)	143	—

50.7.3 Reconciliation of equity

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (before tax) resulting from hedge accounting:

	Group	
	2023 Cash flow hedge reserve Rm	2022 Cash flow hedge reserve Rm
Balance at the beginning of the year	(4 401)	1 755
Foreign currency translation movements	—	—
Hedging (losses)/gains for the reporting period	1 421	(3 438)
Interest rate risk	1 002	(3 490)
Foreign currency risk	419	52
Amounts reclassified to profit or loss:		
In relation to cash flows affecting profit or loss	1 268	(2 718)
Balance at the end of the year	(1 712)	(4 401)

	Company	
	2023 Cash flow hedge reserve Rm	2022 Cash flow hedge reserve Rm
Balance at the beginning of the year	(4 401)	1 755
Hedging (losses)/gains for the reporting period	1 472	(3 438)
Interest rate risk	1 002	(3 490)
Foreign currency risk	470	52
Amounts reclassified to profit or loss		
In relation to cash flows affecting profit or loss	1 268	—
Amounts transferred within OCI	—	(2 718)
Balance at the end of the year	(1 661)	(4 401)

50. Derivatives (continued)

50.8 Interest rate benchmark reform

Background

The Group structures and executes a variety of transactions, including equity-linked offerings, debt issuances, lending activities as well as structured and derivative transactions.

Fair value hedges are used by the Group to protect against changes in the fair value of financial instruments due to movements in interest rates and are therefore affected by the interest rate benchmark reform. The financial instruments hedged for interest rate risk include fixed rate investment securities, fixed rate loans and advances, fixed debt securities and borrowed funds. The hedging instruments typically utilised are interest rate swaps or cross currency swaps, which reference a floating rate, such as ZAR JIBAR or USD LIBOR.

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from exposure to interest rate and foreign currency risk and are therefore also affected by interest rate benchmark reform. The financial instruments designated as hedged items include variable rate loans and advances, and the hedging instruments typically utilised are interest rate swaps or cross currency swaps which reference a floating rate, such as ZAR JIBAR or USD LIBOR.

In addition, the Group has derivative and non-derivative financial instruments linked to IBORs that are not in hedge accounting relationships.

The GBP LIBOR, EUR LIBOR, JPY LIBOR and USD LIBOR have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively, as alternative reference rates. The one-week and two-month USD LIBOR rates were discontinued at 31 December 2021, with the remainder of the USD LIBOR rates discontinued at 30 June 2023.

The Group's exposure to IBORs subject to change at 31 December 2023 were not significant compared to those expected to be changed post June 2023. The GBP LIBOR, EUR LIBOR, JPY LIBOR and USD LIBOR have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively, as alternative reference rates.

The SARB announced in 2020 that the JIBAR would cease to exist in the near future as it did not comply with the International Organisation of Securities Commissions Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR.

The transition journey for JIBAR has made some progress at an industry level, however transition timelines are yet to be announced by the SARB. The Group participates in the SARB's MPG which has started the preparations for the transition of JIBAR at an industry level. The Group will leverage the experience it gained in the IBOR transition journey to plan for the upcoming JIBAR transition. The Group's JIBAR journey thus far includes daily submission of transaction data to the SARB for the calculation and publication of ZARONIA.

The Group's IBOR transition steering committee which comprises a series of business and function workstreams with oversight and coordination provided by a central project team has been managing the transition. Workstreams actively participate in industry-wide working groups to remain informed of the latest developments and to ensure consistency with the approaches of other market participants.

The main risks to which Group is exposed as result of IBOR reform are detailed below:

Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest.

Pricing and valuation considerations: International Securities and Derivatives Association (ISDA) published the IBOR Fallbacks Supplement (the Supplement) and ISDA 2020 IBOR Fallbacks Protocol (the Protocol) on 23 October 2020. New fallbacks for derivatives linked to key IBORs came into effect on 25 January 2022, ensuring a viable safety net is in place in the event an IBOR becomes permanently unavailable while entities continue to have exposure to that rate. The supplement incorporates the fallbacks into all new non-cleared derivatives contracts from 25 January 2022 that reference the 2006 ISDA Definitions.

Derivative participants can incorporate the fallback into legacy non-cleared derivatives contracts via use of an ISDA protocol or through bilateral negotiation. For cleared derivatives, central counterparties have incorporated the ISDA IBOR fallbacks in their rule books for both new and legacy contracts.

Accounting: If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective, and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g., arising from differing interpretation of existing fallback terms), there is a risk of litigation and prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working proactively with all counterparties to minimise this risk from occurring.

Operational risk: Our Group's IT systems are undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks.

These risks are being managed through either the Group's IBOR Steering Committee or where more appropriate the relevant function best placed to monitor and/or mitigate risk.

50. Derivatives (continued)

50.8 Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates

The Group has completed the incorporation of fallback language in all new contracts as of January 2021 across all LIBOR currencies. For legacy contracts referencing LIBOR, particularly for non-USD currencies, the Group has either included fallback language into the contracts or actively transitioned these to new risk-free rates i.e. re-contracted using the risk-free rates in preparation of the cessation of LIBOR. The Group intends to follow an equivalent process for the transition of JIBAR to Zaronia.

The Group will continue to apply the Phase 1 amendments to IFRS 9/ IAS 39 until the uncertainty on the timing and amount of cash flows arising from interest rate benchmark reform ends. It is expected that this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

The Group's cash flow hedging relationships of JIBAR risks extend beyond the anticipated cessation dates for this IBOR. There is uncertainty over the timing and amount of the replacement rate cash flows which may impact the hedging relationship i.e. its effectiveness assessment and highly probable assessment. For the purposes of these assessments, the Group assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by uncertainty about IBOR reform has not been highly effective throughout the financial reporting period, then the Group evaluates whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

The Group has certain designated hedging relationships where hedged items and/or hedging instruments reference an interest rate benchmark. These rates are in the process of being transitioned to risk free rates (RFRs) as these rates will no longer exist once the interest rate benchmark reform is finalised.

The table below provides more information on the hedge accounting relationships that are impacted by interest rate benchmark reform:

	Group						
	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	226 687	—	—	—	226 687	11 248	237 935
Interest rate swaps	226 687	—	—	—	226 687	—	226 687
Cross currency swaps	—	—	—	—	—	6 887	6 887
Forwards	—	—	—	—	—	4 361	4 361
Fair value hedges	75 966	—	—	—	75 966	10 566	86 532
Interest rate swaps	75 182	—	—	—	75 182	10 566	85 748
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	784	—	—	—	784	—	784

50. Derivatives (continued)

50.8 Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

	Company						
	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	226 687	—	—	—	226 687	11 756	238 443
Interest rate swaps	226 687	—	—	—	226 687	—	226 687
Cross currency swaps	—	—	—	—	—	6 887	6 887
Forwards	—	—	—	—	—	4 869	4 869
Fair value hedges	75 966	—	—	—	75 966	10 566	86 532
Interest rate swaps	75 182	—	—	—	75 182	10 566	85 748
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	784	—	—	—	784	—	784

	Group and Company						
	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	200 634	—	—	—	200 634	16 253	216 887
Interest rate swaps	200 634	—	—	—	200 634	—	200 634
Cross currency swaps	—	—	—	—	—	12 337	12 337
Forwards	—	—	—	—	—	3 916	3 916
Fair value hedges	59 800	15 114	—	—	74 914	—	74 914
Interest rate swaps	58 816	15 114	—	—	73 930	—	73 930
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	984	—	—	—	984	—	984

Financial instrument modifications due to IBOR reforms

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform if the following conditions are met; the change is necessary as a direct consequence of the reform; and the new basis for determining the contractual cash flows is economically equivalent to the previous basis i.e. the basis immediately before the change.

Both non-derivative assets and non-derivative liabilities include on-balance sheet and off-balance sheet exposures. Carrying amounts for on-balance sheet and notional amounts for off-balance sheet have been included.

Derivative notional balances represent the notional amount of derivative assets and liabilities directly impact by the IBOR reform.

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51. Consolidated statement of financial position summary – IFRS 9 classification

	Group			
	2023			
	Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	1 538	11 595	—	13 133
Trading portfolio assets	143 415	—	—	143 415
Hedging portfolio assets	—	—	5 441	5 441
Other assets	—	—	—	—
Loans and advances	79 491	33 142	—	112 633
Non-current assets held for sale	—	—	—	—
Loans to Group companies	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	224 444	44 737	5 441	274 622
Liabilities				
Trading portfolio liabilities	58 493	—	—	58 493
Hedging portfolio liabilities	—	—	1 688	1 688
Other liabilities	—	—	—	—
Deposits	—	122 799	—	122 799
Debt securities in issue	—	73 946	—	73 946
Loans from Absa Group companies	—	—	—	—
Borrowed funds	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	58 493	196 745	1 688	256 926

Hedged portfolio assets include derivative assets to the amount of **R698m** (2022: R474m) and **R4 743m** (2022: R4 498m) that have been designated as cash flow and fair value hedging instruments respectively.

Hedging portfolio liabilities includes derivative liabilities to the amount of **R611m** (2022: R963m) and **R1 076m** (2022: R1 274m) that have been designated as cash flow and fair value hedging instruments respectively.

The financial instruments designated at fair value through profit and loss includes items designated as hedged items in fair value hedging relationships.

Liabilities outside the scope of IFRS 9 includes **R795m** (2022: R813m) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

Fair value through other comprehensive income includes investments in unlisted equity and hybrid instruments which represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

Group								
2023								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9 Rm	Total assets and liabilities Rm
—	—	—	—	41 510	—	41 510	—	41 510
63 463	426	33 316	97 205	9 198	32 241	41 439	—	151 777
—	—	—	—	—	—	—	1 012	144 427
—	—	—	—	—	—	—	—	5 441
—	—	—	—	14 067	—	14 067	3 197	17 264
—	—	—	—	961 551	4 303	965 855	—	1 078 487
—	—	—	—	—	—	—	191	191
—	—	—	—	61 448	—	61 448	—	61 448
—	—	—	—	—	—	—	30 257	30 257
63 463	426	33 316	97 205	1 087 774	36 544	1 124 319	34 657	1 530 802
—	—	—	—	—	—	—	—	58 493
—	—	—	—	—	—	—	—	1 688
—	—	—	—	28 120	—	28 120	2 250	30 370
—	—	—	—	966 684	—	966 684	—	1 089 483
—	—	—	—	128 922	7 027	135 949	—	209 895
—	—	—	—	12 831	—	12 831	—	12 831
—	—	—	—	18 358	—	18 358	—	18 358
—	—	—	—	—	—	—	4 375	4 375
—	—	—	—	1 154 915	7 027	1 161 942	6 625	1 425 493

51. Consolidated statement of financial position summary – IFRS 9 classification

	Group 2022 Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	4 171	9 397	—	13 568
Trading portfolio assets	155 458	—	—	155 458
Hedging portfolio assets	—	—	4 972	4 972
Other assets	—	—	—	—
Loans and advances	76 554	31 674	—	108 228
Non-current assets held for sale	—	—	—	—
Loans to Group companies	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	236 183	41 071	4 972	282 226
Liabilities				
Trading portfolio liabilities	91 397	—	—	91 397
Hedging portfolio liabilities	—	—	2 237	2 237
Other liabilities	—	—	—	—
Deposits	—	117 655	—	117 655
Debt securities in issue	—	62 219	—	62 219
Borrowed funds	—	—	—	—
Loans from Group companies	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	91 397	179 874	2 237	273 508

The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

Amounts of other assets, other liabilities, assets outside the scope of IFRS 9 and liabilities outside the scope of IFRS 9 have been restated due to the implementation of IFRS 17. Refer to note 1.21.

Group 2022								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9 Rm	Total assets and liabilities Rm
—	—	—	—	37 344	—	37 344	—	37 344
43 744	438	29 926	74 108	16 025	24 738	40 763	—	128 439
—	—	—	—	—	—	—	613	156 071
—	—	—	—	—	—	—	—	4 972
—	—	—	—	14 837	—	14 837	2 426	17 263
—	—	—	—	921 339	2 953	924 292	—	1 032 520
—	—	—	—	—	—	—	90	90
—	—	—	—	73 203	—	73 203	—	73 203
—	—	—	—	—	—	—	29 406	29 406
43 744	438	29 926	74 108	1 062 748	27 691	1 090 439	32 535	1 479 308
—	—	—	—	—	—	—	—	91 397
—	—	—	—	—	—	—	—	2 237
—	—	—	—	21 143	—	21 143	2 674	23 817
—	—	—	—	897 968	—	897 968	—	1 015 623
—	—	—	—	135 708	5 348	141 056	—	203 275
—	—	—	—	9 152	—	9 152	—	9 152
—	—	—	—	26 282	—	26 282	—	26 282
—	—	—	—	—	—	—	4 444	4 444
—	—	—	—	1 090 253	5 348	1 095 601	7 118	1 376 227

51. Consolidated statement of financial position summary – IFRS 9 classification

	Company			
	2023			
	Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	1 538	11 595	—	13 133
Trading portfolio assets	143 403	—	(0)	143 403
Hedging portfolio assets	—	—	5 441	5 441
Other assets	—	—	—	—
Loans and advances	79 491	33 142	—	112 633
Non-current assets held for sale	—	—	—	—
Loans to Group companies	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	224 432	44 737	5 441	274 610
Liabilities				
Trading portfolio liabilities	58 493	—	—	58 493
Hedging portfolio liabilities	—	—	1 688	1 688
Other liabilities	—	—	—	—
Deposits	—	122 799	—	122 799
Debt securities in issue	—	73 942	—	73 942
Loans from group companies	—	—	—	—
Borrowed funds	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	58 493	196 741	1 688	256 922

Hedged portfolio assets include derivative assets to the amount of **R698m** (2022: R474m) and **R4 743m** (2022: R4 498m) that have been designated as cash flow and fair value hedging instruments respectively.

Hedging portfolio liabilities includes derivative liabilities to the amount of **R611m** (2022: R963m) and **R1 077m** (2022: R1 274m) that have been designated as cash flow and fair value hedging instruments respectively.

The financial instruments designated at fair value through profit and loss includes items designated as hedged items in fair value hedging relationships.

Liabilities outside the scope of IFRS 9 includes **R795m** (2022: R813m) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

Fair value through other comprehensive income includes investments in unlisted equity and hybrid instruments which represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

Company								
2023								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9 Rm	Total assets and liabilities Rm
—	—	—	—	41 510	—	41 510	—	41 510
63 460	422	33 316	97 198	9 198	32 241	41 439	—	151 770
—	—	—	—	—	—	—	1 011	144 414
—	—	—	—	—	—	—	—	5 441
—	—	—	—	13 943	—	13 943	3 144	17 087
—	—	—	—	956 511	4 303	960 814	—	1 073 447
—	—	—	—	—	—	—	191	191
—	—	—	—	72 383	—	72 383	—	72 383
—	—	—	—	—	—	—	28 024	28 024
63 460	422	33 316	97 198	1 093 545	36 544	1 130 089	32 370	1 534 267
—	—	—	—	—	—	—	—	58 493
—	—	—	—	—	—	—	—	1 688
—	—	—	—	28 033	—	28 033	2 199	30 232
—	—	—	—	968 089	—	968 089	—	1 090 888
—	—	—	—	126 179	7 027	133 206	—	207 148
—	—	—	—	20 600	—	20 600	—	20 600
—	—	—	—	18 358	—	18 358	—	18 358
—	—	—	—	—	—	—	4 215	4 215
—	—	—	—	1 161 259	7 027	1 168 286	6 414	1 431 622

51. Consolidated statement of financial position summary – IFRS 9 classification

	Company 2022 Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	2 956	9 396	—	12 352
Trading portfolio assets	155 164	—	—	155 164
Hedging portfolio assets	—	—	4 972	4 972
Other assets	—	—	—	—
Loans and advances	76 554	31 674	—	108 228
Non-current assets held for sale	—	—	—	—
Loans to Group companies	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	234 674	41 070	4 972	280 716
Liabilities				
Trading portfolio liabilities	91 396	—	—	91 396
Hedging portfolio liabilities	—	—	2 237	2 237
Other liabilities	—	—	—	—
Deposits	—	117 655	—	117 655
Debt securities in issue	—	60 989	—	60 989
Loans from Group companies	—	—	—	—
Borrowed funds	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	91 396	178 644	2 237	272 277

The investment in unlisted equity and hybrid instruments represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

Amounts of other assets, other liabilities, assets outside the scope of IFRS 9 and liabilities outside the scope of IFRS 9 have been restated due to the implementation of IFRS 17. Refer to note 1.21.

Company 2022								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Assets/ liabilities outside the scope of IFRS 9 Rm	Total Rm
—	—	—	—	37 344	—	37 344	—	37 344
43 745	434	29 926	74 105	16 025	24 738	40 763	—	127 220
—	—	—	—	—	—	—	614	155 778
—	—	—	—	—	—	—	—	4 972
—	—	—	—	14 698	—	14 698	2 416	17 114
—	—	—	—	916 063	2 953	919 016	—	1 027 244
—	—	—	—	—	—	—	90	90
—	—	—	—	81 939	—	81 939	—	81 939
—	—	—	—	—	—	—	27 686	27 686
43 745	434	29 926	74 105	1 066 069	27 691	1 093 760	30 806	1 479 387
—	—	—	—	—	—	—	—	91 396
—	—	—	—	—	—	—	—	2 237
—	—	—	—	20 935	—	20 935	2 630	23 565
—	—	—	—	899 552	—	899 552	—	1 017 207
—	—	—	—	131 847	4 407	136 254	—	197 243
—	—	—	—	16 354	—	16 354	—	16 354
—	—	—	—	26 282	—	26 282	—	26 282
—	—	—	—	—	—	—	4 387	4 387
—	—	—	—	1 094 970	4 407	1 099 377	7 017	1 378 671

52. Fair value disclosures

52.1 Assets and liabilities held at fair value

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

	Group							
	2023				2022			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	56 488	43 974	9 876	110 338	44 522	38 575	4 580	87 677
Trading and hedging portfolio assets	67 468	64 134	17 255	148 857	84 706	65 645	10 078	160 429
Debt instruments	65 688	2 334	285	68 307	81 011	2 348	486	83 845
Derivative assets	—	50 474	6 261	56 735	—	58 098	3 950	62 048
Commodity derivatives	—	400	26	426	—	188	—	188
Credit derivatives	—	21	368	389	—	32	192	224
Equity derivatives	—	5 466	1 879	7 345	—	5 027	3 752	8 779
Foreign exchange derivatives	—	11 752	2 599	14 351	—	16 388	6	16 394
Interest rate derivatives	—	32 835	1 389	34 224	—	36 463	—	36 463
Equity instruments	526	—	—	526	1 201	—	—	1 201
Money market assets	1 254	11 326	10 709	23 289	2 494	5 199	5 642	13 335
Loans and advances	—	105 887	6 746	112 633	—	98 701	9 527	108 228
Total financial assets	123 956	213 995	33 877	371 828	129 228	202 921	24 185	356 334
Financial liabilities								
Trading and hedging portfolio liabilities	13 098	43 233	3 850	60 181	36 847	56 424	363	93 634
Derivative liabilities	—	43 233	3 850	47 083	—	56 424	363	56 787
Commodity derivatives	—	342	26	368	—	117	—	117
Credit derivatives	—	—	348	348	—	—	260	260
Equity derivatives	—	2 328	533	2 861	—	4 588	90	4 678
Foreign exchange derivatives	—	10 713	2 350	13 063	—	16 934	13	16 947
Interest rate derivatives	—	29 850	593	30 443	—	34 785	—	34 785
Short positions	13 098	—	—	13 098	36 847	—	—	36 847
Deposits	9	120 526	2 264	122 799	1	115 373	2 281	117 655
Debt securities in issue	—	73 873	73	73 946	1 222	60 997	—	62 219
Total financial liabilities	13 107	237 632	6 187	256 926	38 070	232 794	2 644	273 508
Non-financial assets								
Commodities	1 011	—	—	1 011	614	—	—	614
Non-recurring fair value adjustments								
Non-current assets held for sale	—	—	191	191	—	—	90	90

52. Fair value disclosures (continued)

52.1 Assets and liabilities held at fair value (continued)

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

	Company							
	2023				2022			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	56 488	43 971	9 872	110 331	43 306	38 574	4 577	86 457
Trading and hedging portfolio assets	67 468	64 121	17 254	148 844	84 457	65 601	10 078	160 136
Debt instruments	65 688	2 333	285	68 306	81 012	2 348	486	83 846
Derivative assets	—	50 462	6 260	56 722	—	58 054	3 950	62 004
Commodity derivatives	—	400	26	426	—	188	—	188
Credit derivatives	—	22	367	389	—	32	192	224
Equity derivatives	—	5 466	1 879	7 345	—	5 006	3 752	8 758
Foreign exchange derivatives	—	11 752	2 599	14 351	—	16 388	6	16 394
Interest rate derivatives	—	32 822	1 389	34 211	—	36 440	—	36 440
Equity instruments	526	—	—	526	951	—	—	951
Money market assets	1 254	11 326	10 709	23 289	2 494	5 199	5 642	13 335
Loans and advances	—	105 887	6 746	112 633	—	98 700	9 527	108 227
Total financial assets	123 956	213 979	33 872	371 808	127 763	202 875	24 182	354 820
Financial liabilities								
Trading and hedging portfolio liabilities	13 098	43 233	3 850	60 181	36 847	56 424	363	93 634
Derivative liabilities	—	43 233	3 850	47 083	—	56 424	363	56 787
Commodity derivatives	—	342	26	368	—	117	—	117
Credit derivatives	—	—	348	348	—	—	260	260
Equity derivatives	—	2 328	533	2 861	—	4 588	90	4 678
Foreign exchange derivatives	—	10 713	2 350	13 063	—	16 934	13	16 947
Interest rate derivatives	—	29 850	593	30 443	—	34 785	—	34 785
Short positions	13 098	—	—	13 098	36 847	—	—	36 847
Deposits	9	120 526	2 264	122 799	1	115 373	2 281	117 655
Debt securities in issue	—	73 873	73	73 946	—	60 989	—	60 989
Total financial liabilities	13 107	237 632	6 187	256 926	36 848	232 786	2 644	272 278
Non-financial assets								
Commodity	1 011	—	—	1 011	614	—	—	614
Non-recurring fair value measurements								
Non-current assets held for sale	—	—	191	191	—	—	90	90

As a result of the uncertainties inherent in measuring the fair value of financial instruments, its measurement is estimated based on valuation assumptions and inputs derived from market expectations. Estimation involves judgements based on the latest available, reliable information. Resultantly, any changes in key assumptions relating to their valuation is treated as a change in accounting estimate and has been accounted for prospectively in the financial statements.

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

52. Fair value disclosures (continued)

52.2 Reconciliation of Level 3 assets and liabilities

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

	Group			
	2023			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets Rm
Opening balance at the beginning of the reporting period	10 078	9 527	4 580	24 185
Net interest income	—	59	47	106
Gains and losses from banking and trading activities	416	(95)	292	613
Purchases	11 865	91	5 453	17 409
Sales	(5 735)	(1 057)	(1 392)	(8 184)
Movement in other comprehensive income	—	—	(94)	(94)
Transfer to Level 3	903	—	1 139	2 042
Transfer out of Level 3	(272)	(1 779)	(149)	(2 200)
Closing balance at the end of the reporting period	17 255	6 746	9 876	33 877

	Group			
	2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets Rm
Opening balance at the beginning of the reporting period	2 327	16 729	6 424	25 480
Net interest income	—	202	144	346
Gains and losses from banking and trading activities	(544)	(447)	(52)	(1 043)
Purchases	5 689	816	596	7 101
Sales	(304)	(2 463)	(3 358)	(6 125)
Movement in other comprehensive income	—	—	14	14
Transfer to Level 3	3 450	—	813	4 263
Transfer out of Level 3	(540)	(5 310)	(1)	(5 851)
Closing balance at the end of the reporting period	10 078	9 527	4 580	24 185

	Company			
	2023			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets Rm
Opening balance at the beginning of the reporting period	10 078	9 527	4 576	24 181
Net interest income	—	59	47	106
Gains and losses from banking and trading activities	416	(95)	288	609
Purchases	11 865	91	5 440	17 396
Sales	(5 736)	(1 057)	(1 378)	(8 171)
Movement in other comprehensive income	—	—	(91)	(91)
Transfer to Level 3	903	—	1 139	2 042
Transfer out of Level 3	(272)	(1 779)	(149)	(2 200)
Closing balance at the end of the reporting period	17 254	6 746	9 872	33 872

52. Fair value disclosures (continued)

52.2 Reconciliation of Level 3 assets and liabilities (continued)

	Company 2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets Rm
Opening balance at the beginning of the reporting period	2 327	16 126	5 522	23 975
Net interest income	—	199	144	343
Gains and losses from banking and trading activities	(544)	(445)	(52)	(1 041)
Purchases	5 689	817	596	7 102
Sales	(304)	(2 463)	(2 458)	(5 224)
Movement in other comprehensive income	—	—	14	14
Transfer to Level 3	3 450	—	813	4 263
Transfer out of Level 3	(540)	(4 707)	(2)	(5 249)
Closing balance at the end of the reporting period	10 078	9 527	4 577	24 183

	Group 2023			
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	363	2 281	—	2 644
Gains and losses from banking and trading activities	(16)	194	—	178
Issues	3 495	220	—	3 715
Settlements	(60)	(33)	—	(93)
Transfer to Level 3	68	—	73	141
Transfer out of Level 3	—	(398)	—	(398)
Closing balance at the end of the reporting period	3 850	2 264	73	6 187

	Group 2022			
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	273	1 974	—	2 247
Gains and losses from banking and trading activities	(31)	(84)	—	(115)
Issues	240	1 145	—	1 385
Settlements	(8)	(736)	—	(744)
Transfer to Level 3	2	—	—	2
Transfer out of Level 3	(113)	(18)	—	(131)
Closing balance at the end of the reporting period	363	2 281	—	2 644

52. Fair value disclosures (continued)

52.2 Reconciliation of Level 3 assets and liabilities (continued)

	Company 2023 Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	**363**	**2 281**	**—**	**2 644**
Gains and losses from banking and trading activities	**(16)**	**194**	**—**	**178**
Issues	**3 495**	**220**		**3 715**
Settlements	**(60)**	**(33)**	**—**	**(93)**
Transfer to Level 3	**68**	**—**	**73**	**141**
Transfer out of Level 3	**—**	**(398)**	**—**	**(398)**
Closing balance at the end of the reporting period	**3 850**	**2 264**	**73**	**6 187**

	Company 2022 Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	273	1 974	—	2 247
Gains and losses from banking and trading activities	(31)	(84)	—	(115)
Issues	240	1 145	—	1 385
Settlements	(8)	(736)	—	(744)
Transfer to Level 3	2	—	—	2
Transfer out of Level 3	(113)	(18)	—	(131)
Closing balance at the end of the reporting period	363	2 281	—	2 644

52.2.1 Significant transfers between levels

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

52. Fair value disclosures (continued)

52.3 Unrealised gains and losses on Level 3 assets and liabilities

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

	Group and Company			
	2023			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	6 075	(42)	374	6 407

	Group and Company			
	2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Gains and (losses) from banking and trading activities	2 777	(306)	24	2 495

	Group and Company		
	2023		
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(3 850)	173	(3 677)

	Group and Company		
	2022		
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(30)	354	324

52. Fair value disclosures (continued)

52.4 Sensitivity analysis of valuations using unobservable inputs

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

The following tables reflects the reasonable possible variances applied to significant parameters utilised in our valuations:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

		Group and Company	
		2023	
		Potential effect recorded in profit or loss	**Potential effect recorded directly in equity**
	Significant unobservable parameters	**Favourable/(Unfavourable) Rm**	**Favourable/(Unfavourable) Rm**
Deposits	**Absa Group Limited/Absa funding spread**	**102/(109)**	**—/—**
Investment securities	**Risk adjustment yield curves, future earnings and marketability discount**	**—/—**	**(242)/252**
Loans and advances	**Credit spreads**	**(458)/505**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(927)/1 075**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(25)/25**	**—/—**

		Group and Company	
		2022	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding spread	119/(128)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(77)/80
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

52. Fair value disclosures (continued)

52.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

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

	Group and Company	
	2023 Rm	2022 Rm
Opening balance at the beginning of the reporting period	**(634)**	(521)
New transactions	**(49)**	(394)
Amounts recognised in profit or loss during the reporting period	**304**	281
Closing balance at the end of the reporting period	**(379)**	(634)

52.6 Third-party credit enhancements

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

52.7 Financial assets and financial liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value and for which the fair value is not considered to approximate the cost:

	Group				
	2023				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	41 439	41 408	39 016	—	2 392
Product Solutions Cluster	415 390	396 941	—	—	396 941
Home Loans	302 064	293 450	—	—	293 450
Vehicle and Asset Finance	113 326	103 491	—	—	103 491
Everyday Banking	59 287	57 134	—	—	57 134
Card	34 323	34 323	—	—	34 323
Personal loans	21 008	18 854	—	—	18 854
Transactions and Deposits	3 957	3 957	—	—	3 957
Relationship Banking	146 071	133 329	—	—	133 329
CIB	308 412	312 181	—	2 016	310 165
Loans and advances to customers	929 885	900 310	—	2 016	898 294
Loans and advances to banks	35 970	35 970	12 787	23 183	—
Loans and advances	965 855	936 280	12 787	25 199	898 294
Total assets (not held at fair value)	1 007 294	977 688	51 803	25 199	900 686
Financial liabilities					
Fixed deposits	198 202	199 257	—	198 202	1 055
Deposits due to customers	198 202	199 257	—	198 202	1 055
Deposits from banks	64 082	64 202	7 943	56 259	—
Deposits	262 284	263 459	7 943	254 461	1 055
Debt securities in issue	135 949	137 188	—	137 188	—
Borrowed funds	18 358	18 538	—	18 538	—
Total liabilities (not held at fair value)	416 591	419 185	7 943	410 187	1 055

52. Fair value disclosures (continued)

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

	Group 2022 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	40 763	40 337	40 337	—	—
Product Solutions Cluster	400 354	384 544	—	—	384 544
Home Loans	293 401	285 089	—	—	285 089
Vehicle and Asset Finance	106 953	99 455	—	—	99 455
Everyday Banking	54 945	53 285	—	—	53 285
Card	31 446	31 446	—	—	31 446
Personal loans	20 382	18 721	—	—	18 721
Transactions and Deposits	3 117	3 118	—	—	3 118
Relationship Banking	134 699	133 472	—	—	133 472
CIB	288 980	291 903	—	—	291 903
Loans and advances to customers	878 978	863 204	—	—	863 204
Loans and advances to banks	42 118	42 118	15 446	26 672	—
Loans and advances	921 096	905 322	15 446	26 672	863 204
Total assets (not held at fair value)	961 859	945 659	55 783	26 672	863 204
Financial liabilities					
Fixed deposits	171 107	171 119	—	68 552	102 567
Deposits due to customers	171 107	171 119	—	68 552	102 567
Deposits from banks	53 311	53 307	2 560	50 747	—
Deposits	224 418	224 426	2 560	119 299	102 567
Debt securities in issue	141 055	140 946	—	140 946	—
Borrowed funds	26 282	26 269	—	26 269	—
Total liabilities (not held at fair value)	391 755	391 641	2 560	286 514	102 567

52. Fair value disclosures (continued)

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

	Company				
	2023				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	41 439	41 408	39 016	—	2 392
Product Solutions Cluster	414 684	396 254	—	—	396 254
Home Loans	301 358	292 764	—	—	292 764
Vehicle and Asset Finance	113 326	103 490	—	—	103 490
Everyday Banking	59 287	57 134	—	—	57 134
Card	34 323	34 323	—	—	34 323
Personal loans	21 007	18 855	—	—	18 855
Transactions and Deposits	3 957	3 956	—	—	3 956
Relationship Banking	143 323	130 821	—	—	130 821
CIB	306 825	310 595	—	2 016	308 579
Loans and advances to customers	924 119	894 804	—	2 016	892 788
Loans and advances to banks	35 970	35 970	12 787	23 183	—
Loans and advances	960 089	930 774	12 787	25 199	892 788
Total assets (not held at fair value)	1 001 528	972 182	51 803	25 199	895 180
Financial liabilities					
Fixed deposits	198 202	199 257	—	198 203	1 055
Deposits due to customers	198 202	199 257	—	198 203	1 055
Deposits from banks	64 082	64 202	7 943	56 259	—
Deposits	262 284	263 459	7 943	254 462	1 055
Debt securities in issue	133 206	134 444	—	134 444	—
Borrowed funds	18 358	18 538	—	18 538	—
Total liabilities (not held at fair value)	413 848	416 441	7 943	407 444	1 055

52. Fair value disclosures (continued)

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

	Company				
	2022				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	40 763	40 336	40 336	—	—
Product Solutions Cluster	399 492	383 707	—	—	383 707
Home Loans	292 540	284 252	—	—	284 252
Vehicle and Asset Finance	106 952	99 455	—	—	99 455
Everyday Banking	54 945	53 285	—	—	53 285
Card	31 446	31 446	—	—	31 446
Personal loans	20 382	18 721	—	—	18 721
Transactions and Deposits	3 117	3 118	—	—	3 118
Relationship Banking	131 924	130 697	—	—	130 697
CIB	287 345	290 268	—	—	290 268
Loans and advances to customers	873 706	857 957	—	—	857 957
Loans and advances to banks	42 115	42 116	15 447	26 669	—
Loans and advances	915 821	900 073	15 447	26 669	857 957
Total assets (not held at fair value)	956 584	940 409	55 783	26 669	857 957
Financial liabilities					
Fixed deposits	171 107	171 119	—	68 552	102 567
Deposits due to customers	171 107	171 119	—	68 552	102 567
Deposits from banks	53 311	53 307	2 560	50 747	—
Deposits	224 418	224 426	2 560	119 299	102 567
Debt securities in issue	136 254	136 145	—	136 145	—
Borrowed funds	26 282	26 269	—	26 269	—
Total liabilities (not held at fair value)	386 954	386 840	2 560	281 713	102 567

The prior period has been restated to align with the current year approach not to disclose assets or liabilities where the fair value approximates the carrying amount.

Cash, cash balances and balances with central banks, other assets, non-current assets held for sale, loans and advances to/from group companies, certain deposits due to customers consisting of call deposits, cheque account deposits, credit card deposits, foreign currency deposits, notice deposits, other deposits, saving and transmission deposits and other liabilities have a carrying amount that approximates the fair value and hence they have not been disclosed in this note.

53. Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial assets designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements:

	Group and Company	
	2023 Rm	2022 Rm
Assets		
Investment securities	11 595	9 397
Loans and advances	33 142	31 675
Loans and advances to banks	—	367
Loans and advances to customers	33 142	31 308
	44 737	41 072

The Group utilised credit derivatives and credit linked notes as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss. The value of collateral has been limited to the fair value of the instrument.

The Group does not hold any collateral against the financial assets designated at fair value in the current year.

Contractual obligation at maturity of financial liabilities designated at fair value through profit and loss

The following table represents the carrying amount of financial liabilities designated at fair value through profit or loss and the amount that the Group is contractually required to pay to the holder of the obligation at maturity:

	Group and Company			
	2023		2022	
	Carrying amount Rm	Contractual obligation Rm	Carrying amount Rm	Contractual obligation Rm
Liabilities				
Deposits	122 799	146 332	117 655	135 253
Deposits from banks	36 923	43 964	47 689	52 436
Deposits due to customers	85 876	102 368	69 966	82 817
Debt securities in issue	73 946	83 978	62 219	71 163
	196 745	230 310	179 874	206 416

	Group and Company	
	2023 Rm	2022 Rm
(Increase)/decrease in fair value attributable to changes in own credit risk during the reporting period		
Liabilities		
Deposits from banks and customers	(330)	(202)
Cumulative adjustments in fair value attributable to changes in own risk		
Liabilities		
Deposits from banks and customers	1 042	712

The following approach is used in determining changes in fair value due to changes in own credit risk for deposits from banks and customers designated at fair value through profit or loss:

- The carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Absa Bank issued funding.

Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

54. Risk management

54.1 Effective risk management and control are essential for sustainable and profitable growth

The Group actively identifies and assesses risks arising from internal and external environments, and proactively identifying emerging risks. To ensure effective implementation, 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.

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 Enterprise Risk Management Framework. 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 Group Credit Risk Officer assumes responsibility for the Enterprise Risk Management Framework.

The Enterprise Risk Management Framework:

- 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; and
- sets out principal risks and assigns clear ownership and accountability for these risks.

The principal risks as defined in the Enterprise Risk Management Framework 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.

The Enterprise Risk Management Framework is reviewed and approved annually by the Board.

Strategy and 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 nature and amount of risk that the Group is willing to take to meet its strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within risk appetite, and that the organisation's decision-making and strategic planning is supported by risk information.

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 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.

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 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.

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.

Market risk

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

- **Trading book risk** – The market risk resulting from trading activities booked in trading books across the Group in accordance with regulatory requirements.
- **Banking book risk** – The risk that the Group's current or projected financial condition and resilience might be adversely affected by changes in interest rate levels, yield curves and spreads. This risk arises in the banking book, due to re-pricing differences between assets, liabilities and equity, and includes funding spread risk and foreign exchange rate risk.

54. Risk management (continued)

54.1 Effective risk management and control are essential for sustainable and profitable growth (continued)

Capital and Liquidity risk

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

- **Capital risk** – The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.
- **Liquidity risk** – The risk that the Group is unable to meet its contractual or contingent liquidity obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets.

Insurance risk

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

Company risk management

The financial risks inherent within the Group are considered to be substantially the same for the Company. As a result, the detailed information provided on credit risk and market risk applies substantially to both the Group and the Company, with material differences arising from the following:

- The company is exposed to less credit risk on loans and advances, as its exposure to maximum credit risk is **R5bn** (2022: R5bn) less than the Group's.
- The company has an additional maximum exposure to credit risk on loans to related parties totalling **R11bn** (2022: R8.7bn). This exposure is considered to be Stage 1 for ECL purposes and the related ECL allowance is insignificant.
- The company has **R7.8bn** additional loans from related parties (2022: R7.2bn). These loans are payable on demand.

54. Risk management (continued)

54.2 Credit risk

The following table sets out information about the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable:

	Group			
	2023			
		Stage 1		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	36 099	32 957	3 142	—
Cash, cash balances and balances with central banks	36 099	32 957	3 142	—
Government bonds	97 911	94 815	68	—
Other	10 104	6 208	1 892	—
Treasury bills	30 205	26 993	3 212	—
Investment securities	138 220	128 016	5 172	—
Accounts receivable	12 329	6 416	5 902	—
Settlement accounts	1 738	1 738	—	—
Other assets	14 067	8 154	5 902	—
Product Solutions Cluster	431 810	87 972	249 931	18 843
Home Loans	311 324	79 034	171 918	7 385
Vehicle and Asset Finance	120 486	8 938	78 013	11 458
Everyday Banking	73 065	6 402	41 156	4 910
Card	40 740	5 647	24 427	1 742
Personal Loans	27 240	349	14 172	2 927
Transactions and Deposits	5 033	406	2 557	241
Other	52	—	—	—
Relationship Banking	150 731	10 837	119 436	—
CIB	311 917	174 848	113 443	103
Head Office, Treasury and other operations	439	420	16	—
Loans and advances to customers	967 962	280 479	523 982	23 856
Loans and advances to banks	36 008	26 115	8 692	195
Loans and advances	1 003 970	306 594	532 674	24 051
Loans and advances to Group companies	61 733	61 733	—	—
Off-statement of financial position exposure				
Guarantees	37 244	20 108	12 715	44
Letters of credit	12 438	2 037	9 107	368
Revocable and irrevocable debt facilities	231 504	65 627	162 085	571
Total off-statement of financial position exposure	281 186	87 772	183 907	983

Refer to note 1.2.1.3 for DG bucket definitions.

The revocable and irrevocable debt facilities includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Group.

54. Risk management (continued)

54.2 Credit risk (continued)

	Group				
	2023				
	Stage 2			Stage 3	Purchased or originated credit impaired
Maximum exposure to credit risk (continued)	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm	Default Rm	Default Rm
Balances with the SARB	—	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—	—
Government bonds	—	3 028	—	—	—
Other	—	1 479	—	525	—
Treasury bills	—	—	—	—	—
Investment securities	—	4 507	—	525	—
Accounts receivable	—	11	—	—	—
Settlement accounts	—	—	—	—	—
Other assets	—	11	—	—	—
Product Solutions Cluster	229	9 258	26 738	38 839	—
Home Loans	223	6 388	17 769	28 607	—
Vehicle and Asset Finance	6	2 870	8 969	10 232	—
Everyday Banking	162	4 507	4 215	11 713	—
Card	20	1 551	1 924	5 429	—
Personal Loans	21	2 081	2 147	5 543	—
Transactions and Deposits	121	875	144	689	—
Other	—	—	—	52	—
Relationship Banking	822	11 366	—	8 270	—
CIB	737	15 183	1 367	6 236	—
Head Office, Treasury and other operations	—	3	—	—	—
Loans and advances to customers	1 950	40 317	32 320	65 058	—
Loans and advances to banks	—	998	8	—	—
Loans and advances	1 950	41 315	32 328	65 058	—
Loans and advances to Group companies	—	—	—	—	—
Off-statement of financial position exposure					
Guarantees	1	3 526	55	795	—
Letters of credit	—	897	29	—	—
Revocable and irrevocable debt facilities	285	2 448	175	313	—
Total off-statement of financial position exposure	286	6 871	259	1 108	—

54. Risk management (continued)

54.2 Credit risk (continued)

	Group			
	2022			
		Stage 1		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Balances with the SARB	31 103	31 103	—	—
Cash, cash balances and balances with central banks	31 103	31 103	—	—
Government bonds	87 924	84 295	3 629	—
Other	6 959	4 143	564	—
Treasury bills	19 551	19 551	—	—
Investment securities	114 434	107 989	4 193	—
Accounts receivable	10 865	6 264	4 595	—
Settlement accounts	3 973	705	3 268	—
Other assets	14 838	6 969	7 863	—
Product Solutions Cluster	414 412	36 597	295 636	19 283
Home Loans	300 980	31 623	216 777	9 038
Vehicle and Asset Finance	113 432	4 974	78 859	10 245
Everyday Banking	66 586	4 076	39 548	5 477
Card	37 249	3 449	23 698	2 066
Personal Loans	25 345	365	13 712	3 202
Transactions and Deposits	3 940	262	2 138	209
Other	52	—	—	—
Relationship Banking	139 526	12 947	106 061	—
CIB	292 220	173 654	92 852	14
Head Office, Treasury and other operations	2 875	2 010	863	—
Loans and advances to customers	915 619	229 284	534 960	24 774
Loans and advances to banks	42 146	36 034	5 133	—
Loans and advances	957 765	265 318	540 093	24 774
Loans and advances to Group companies	73 452	73 452	—	—
Off-statement of financial position exposure				
Guarantees	44 102	24 969	14 567	332
Letters of credit	12 872	6 798	5 228	268
Revocable and irrevocable debt facilities	206 220	41 636	160 325	731
Total off-statement of financial position exposure	263 194	73 403	180 120	1 331

Refer to note 1.2.1.3 for DG bucket definitions.

The revocable and irrevocable debt facilities include the risk that certain revocable debt facilities may be drawn, without further intervention from the Group.

Comparatives for loans and advances to customers, loans and advances to banks, guarantees and letters of credit for CIB SA have been restated due to data refinements and process enhancements. This restatement increased stage 2 gross loans and advances to customers by R8.9bn and decreased stage 1 gross loans and advances to customers by R8.9bn. The stage 2 gross loans and advances to banks decreased by R1.6bn and stage 1 gross loans and advances to banks increased by R1.6bn. The stage 2 guarantees increased by R556m, and stage 1 guarantees decreased by R556m. The stage 2 letters of credit decreased by R839m, and stage 1 letters of credit increased by R839m.

Despite these changes, there was no impact on the expected credit loss allowances, as the effect was determined to be immaterial.

54. Risk management (continued)

54.2 Credit risk (continued)

	Group				
	2022				
	Stage 2			Stage 3	Purchase or originated credit impaired
Maximum exposure to credit risk (continued)	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm	Default Rm	Default Rm
Balances with the SARB	—	—	—	—	—
Cash, cash balances and balances with central banks	—	—	—	—	—
Government bonds	—	—	—	—	—
Other	—	1 605	—	647	—
Treasury bills	—	—	—	—	—
Investment securities	—	1 605	—	647	—
Accounts receivable	—	6	—	—	—
Settlement accounts	—	—	—	—	—
Other assets	—	6	—	—	—
Product Solutions Cluster	497	13 323	19 489	29 587	—
Home Loans	496	9 774	12 094	21 178	—
Vehicle and Asset Finance	1	3 549	7 395	8 409	—
Everyday Banking	101	4 096	4 016	9 272	—
Card	11	1 275	1 931	4 819	—
Personal Loans	16	2 154	1 977	3 919	—
Transactions and Deposits	74	667	108	482	—
Other	—	—	—	52	—
Relationship Banking	741	12 103	—	7 674	—
CIB	13 327	6 374	123	5 876	—
Head Office, Treasury and other operations	—	2	—	—	—
Loans and advances to customers	14 666	35 898	23 628	52 409	—
Loans and advances to banks	—	739	240	—	—
Loans and advances	14 666	36 637	23 868	52 409	—
Loans and advances to Group companies	—	—	—	—	—
Off-statement of financial position exposure					
Guarantees	2	3 465	8	759	—
Letters of credit	—	575	—	3	—
Revocable and irrevocable debt facilities	454	2 527	212	335	—
Total off-statement of financial position exposure	456	6 567	220	1 097	—

54. Risk management (continued)

54.2 Credit risk (continued)

The following table sets out information about the credit quality of financial instruments which are classified at fair value through profit or loss:

Maximum exposure to credit risk	Group 2023 Gross carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Financial instruments				
Investment securities	12 221	11 679	542	—
Other	626	84	542	—
Treasury bills	11 595	11 595	—	—
Trading and hedging portfolio assets	148 331	120 960	27 282	89
Debt instruments	68 306	57 307	10 948	51
Derivative assets	56 735	43 508	13 189	38
Money market assets	23 290	20 145	3 145	—
Loans and advances	112 632	57 089	55 543	—
Loans and advances to customers	93 739	53 284	40 455	—
Loans and advances to banks	18 893	3 805	15 088	—
Total financial instruments	273 184	189 728	83 367	89

Maximum exposure to credit risk	Group 2022 Gross carrying amount Rm	DG1 – 9 Rm	DG10 – 19 Rm	DG 20 – 21 Rm
Financial instruments				
Investment securities	11 482	11 129	353	—
Other	353	—	353	—
Treasury bills	11 129	11 129	—	—
Trading and hedging portfolio assets	159 227	129 439	29 612	176
Debt instruments	83 846	72 739	10 936	171
Derivative assets	62 047	46 390	15 652	5
Money market assets	13 334	10 310	3 024	—
Loans and advances	108 228	38 483	69 745	—
Loans and advances to customers	73 802	24 941	48 861	—
Loans and advances to banks	34 426	13 542	20 884	—
Total financial instruments	278 937	179 051	99 710	176

54. Risk management (continued)

54.2 Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions:

	Group 2023				
Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	36 099	36 099
Investment securities	8 461	1 780	4	140 196	150 441
Trading portfolio assets	2 638	20 289	1 931	118 032	142 890
Hedging portfolio assets	—	—	—	5 441	5 441
Other assets	14	75	14	13 965	14 068
Loans and advances	32 216	35 354	55 852	993 180	1 116 602
Loans and advances to Group companies	—	1 700	5 893	54 140	61 733
Subject to credit risk	43 329	59 198	63 694	1 361 053	1 527 274
Off-statement of financial position exposures					
Guarantees	1 204	2 227	2 848	30 965	37 244
Letters of credit	973	813	6 309	4 343	12 438
Revocable and irrevocable debt facilities	—	—	—	231 504	231 504
Subject to credit risk	2 177	3 040	9 157	266 812	281 186

	Group 2022				
Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	31 103	31 103
Investment securities	11 359	—	31	114 526	125 916
Trading portfolio assets	5 341	23 687	5 078	120 150	154 256
Hedging portfolio assets	—	—	—	4 972	4 972
Other assets	50	—	626	14 161	14 837
Loans and advances	25 204	36 051	51 257	953 481	1 065 993
Loans and advances to Group companies	—	250	14 863	58 339	73 452
Subject to credit risk	41 954	59 988	71 855	1 296 732	1 470 529
Off-statement of financial position exposures					
Guarantees	917	3 055	2 638	37 492	44 102
Letters of credit	999	461	4 659	6 753	12 872
Revocable and irrevocable debt facilities	—	—	—	206 220	206 220
Subject to credit risk	1 916	3 516	7 297	250 465	263 194

IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for financial instruments that are credit impaired at the reporting date are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset and off statement of financial position exposure as described in note 1.2.1.

The Group offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Group has a legally enforceable right to do so. Amounts disclosed in the maximum exposure category are stated net of these.

The collateral reported is calculated by determining the values of available underlying collateral, limited to the carrying amount and the undrawn facility of the related credit exposure where a loan is possibly over-collateralised.

No ECL allowance is recognised in the instance where there is sufficient or excess collateral held. The Group has determined this to be the case for **4.4%** (2022: 0.5%) of gross loans and advances.

The Group may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount of this collateral and the value of this collateral is not reported.

During the period there were no changes in the Group's collateral policies.

Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements, put options, and
- Highly liquid securities held under reverse repo agreements.

54. Risk management (continued)

54.2 Credit risk (continued)

	Group				
	2023 Collateral – credit impaired financial assets				
Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Debt instruments	68 306	—	—	—	—
Derivative assets	56 735	—	—	—	—
Money market assets	23 290	—	—	—	—
Trading and hedging portfolio assets	148 331	—	—	—	—
Product Solutions Cluster	490 690	—	34 081	—	—
Home Loans	367 491	—	25 898	—	—
Vehicle and Asset Finance	123 199	—	8 183	—	—
Everyday Banking	102 712	—	—	—	—
Card	65 436	—	—	—	—
Personal Loans	27 722	—	—	—	—
Transactions and Deposits	9 502	—	—	—	—
Other	52	—	—	—	—
Relationship Banking	172 926	76	5 176	—	—
CIB	526 251	—	352	—	—
Head Office, Treasury and other operations	627	—	—	—	—
Loans and advances to customers	1 293 206	76	39 609	—	—
Loans and advances to banks	54 900	—	—	—	—
Loans and advances	1 348 106	76	39 609	—	—
Off statement of financial position exposure					
Guarantees	37 244	—	—	—	—
Letters of credit	12 438	—	—	—	—
Total off-statement of financial position exposure	49 682	—	—	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

Included in the gross maximum exposure, in the table above, is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Group to the risk of draw down in the absence of further intervention from the Group.

Group

		2023 Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets Rm
—	—	—	—	—	—	68 306	68 306
—	—	7 342	1 013	2 544	39 342	6 494	56 735
—	—	—	—	—	—	23 290	23 290
—	—	7 342	1 013	2 544	39 342	98 090	148 331
4 824	38 905	—	388 271	—	—	63 514	451 785
2 776	28 674	—	318 458	—	—	20 359	338 817
2 048	10 231	—	69 813	—	—	43 155	112 968
11 897	11 897	—	—	—	—	90 815	90 815
5 598	5 598	—	—	—	—	59 838	59 838
5 546	5 546	—	—	—	—	22 176	22 176
701	701	—	—	—	—	8 801	8 801
52	52	—	—	—	—	—	—
3 080	8 332	895	153 658	121	6	9 914	164 594
5 884	6 236	—	74 094	—	60 547	385 374	520 015
—	—	—	—	—	—	627	627
25 685	65 370	895	616 023	121	60 553	550 244	1 227 836
—	—	—	—	—	16 091	38 809	54 900
25 685	65 370	895	616 023	121	76 644	589 053	1 282 736
795	795	3	2 838	185	—	33 423	36 449
—	—	—	—	—	—	12 438	12 438
795	795	3	2 838	185	—	45 861	48 887

54. Risk management (continued)

54.2 Credit risk (continued)

		Group			
		2022			
		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Debt instruments	83 846	—	—	—	—
Derivative assets	62 048	—	—	—	—
Money market assets	13 335	—	—	—	—
Trading and hedging portfolio assets	159 229	—	—	—	—
Product Solutions Cluster	470 749	—	25 601	—	—
Home Loans	355 768	—	18 965	—	—
Vehicle and Asset Finance	114 981	—	6 636	—	—
Everyday Banking	94 769	—	—	—	—
Card	60 432	—	—	—	—
Personal Loans	25 853	—	—	—	—
Transactions and Deposits	8 432	—	—	—	—
Other	52	—	—	—	—
Relationship Banking	163 094	87	4 383	2	2
CIB	464 009	—	515	—	—
Head Office, Treasury and other operations	3 020	—	—	—	—
Loans and advances to customers	1 195 641	87	30 499	2	2
Loans and advances to banks	76 572	—	—	—	—
Loans and advances	1 272 213	87	30 499	2	2
Off statement of financial position exposure					
Guarantees	44 103	—	—	—	—
Letters of credit	12 873	—	—	—	—
Total off-statement of financial position exposure	56 976	—	—	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

Included in the gross maximum exposure, in the table above, is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Group to the risk of draw down in the absence of further intervention from the Group.

Group

2022

Unsecured Rm	Total maximum exposure credit impaired financial assets Rm	Collateral – not credit impaired financial assets: Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets Rm
—	—	—	—	—	—	83 846	83 846
—	—	6 550	—	1 727	48 390	5 381	62 048
—	—	—	—	—	—	13 335	13 335
—	—	6 550	—	1 727	48 390	102 562	159 229
4 028	29 629	—	374 625	—	—	66 495	441 120
2 255	21 220	—	313 517	—	—	21 031	334 548
1 773	8 409	—	61 108	—	—	45 464	106 572
9 472	9 472	—	—	—	—	85 297	85 297
4 999	4 999	—	—	—	—	55 433	55 433
3 923	3 923	—	—	—	—	21 930	21 930
498	498	—	—	—	—	7 934	7 934
52	52	—	—	—	—	—	—
3 293	7 767	1 442	142 984	122	6	10 773	155 327
5 361	5 876	—	56 248	—	103 497	298 388	458 133
—	—	—	—	—	778	2 242	3 020
22 154	52 744	1 442	573 857	122	104 281	463 195	1 142 897
—	—	—	—	—	47 552	29 020	76 572
22 154	52 744	1 442	573 857	122	151 833	492 215	1 219 469
759	759	5	1 957	149	19	41 214	43 344
3	3	—	—	—	—	12 870	12 870
762	762	5	1 957	149	19	54 084	56 214

54. Risk management (continued)

54.2 Credit risk (continued)

Financial assets written off during the financial period but still subject to enforcement activities

Contractual amount outstanding on financial assets that were written off during the reporting period but are still subject to enforcement activity:

	Group	
	2023 Rm	2022 Rm
Assets written off during financial period still subject to enforcement activities	11 446	9 251

Reconciliation of impairment loss allowance

As part of continuous review to enhance disclosures, the ECL reconciliations have been incorporated within the respective financial statement notes.

Modified financial assets

The following table provides information on financial assets that were modified during the reporting period, without resulting in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL:

	Group	
	2023 Rm	2022 Rm
Financial assets modified during the period		
Loans and advances		
Amortised cost before modification	5 339	3 188
New modification loss	(1 333)	(822)

There were no financial assets modified during the year for which loss allowance has changed to 12-month measurement.

54.3 Macro-overlays and sensitivity analysis

Macro-overlays

Macro-overlays have materially reduced from pandemic-period highs as a larger portion of anticipated risks are now captured through incurred losses or recalibrated IFRS 9 models, which reflect the COVID-19 loss experience. The remaining macro-overlay is primarily held for adjustments for vulnerable sectors in CIB.

Coverage levels have remained fairly stable despite the reduction in the macro-overlay.

Sensitivity of expected credit losses

For the purposes of the Group's actual weighting of its economic scenarios, a 40% probability weighting is applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios. However, given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario.

The table below reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	Group			
	2023		2022	
	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	10 260	—	10 281	—
Baseline	10 029	(2)	10 032	(2)
Upside	9 201	(10)	8 664	(16)
Downside	11 642	13	12 254	19

In addition, as at 31 December 2023, the Group assessed what the impact on expected credit losses would be, if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	Group			
	Stage 2 2023		Stage 2 2022	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 837	879	17 576	1 088
Everyday Banking	2 645	617	2 455	605
Relationship Banking	6 514	386	5 950	319
CIB	14 420	330	13 326	164

Comparatives for CIB have been restated due to data refinements and process enhancements. These adjustments led to the reallocation of exposures between stage 1 and stage 2. Please refer to note 54.2 Credit risk for further information.

54. Risk management (continued)

54.4 Equity investment risk

Equity risk in the banking book (ERBB) is defined as the risk of a loss arising from a decline in the value of investments in equity or an equity type instrument. This can be caused by the deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Banking book equity risk is governed under the Non-traded Equity Risk and Purchased Debt Standard. Its purpose is to set the criteria for in-scope non-traded equity, lay out the minimum approval requirements, outline the minimum monitoring requirements and controls, and defines the key criteria covering the methodology for investment valuation. Banking book equity limits consume banking book capital, while equity exposures in the trading book are managed by market risk and consume capital in the trading book.

Strategic investments are typically Board-approved investments for the Bank (such as investments in subsidiaries), investments for public interest or in utilities. Within each equity portfolio, the Bank aims to achieve a level of asset diversification to manage concentration risk.

Approach

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

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Group's equity investments are held in CIB and RBB.

Risk measurement

Equity investment risk is monitored monthly in terms of regulatory and economic capital (EC) requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

The Group employs the market-based simple risk weight approach as prescribed by Regulation 31 of the Regulations relating to Group to calculate risk-weighted assets (RWA) and regulatory capital (RC) and a historical simulation approach with volatility scaling to calculate EC for ERBB.

Consequently, the RWA requirement is calculated using adjusted risk weightings of **318%** (2022: 318%) and **424%** (2022: 424%) for listed and unlisted equity investments, respectively. For investments in which the Group owns between 10% and 20% of the issued common share capital of a financial entity, a 250% risk weight is applied. For investments not in the common share capital of financial entities, as well as any investments in financial entities (in common and non-common share capital) with a shareholding percentage of more than 20%, the Group applies a common equity Tier 1 capital deduction, also referred to as the threshold deduction, in accordance with Regulation 38 of the Regulations relating to Banks. RC requirements in respect of investments in associates and joint ventures, defined as financial companies in the Regulations relating to Banks, are calculated with reference to either the pro rata consolidation methodology or the deduction approach.

The approach in determining the EC requirement employs a historical simulation, which assumes that historical price movements of a different industry sector can be used to proxy the changes in the market value of the portfolio and a volatility forecast is applied to scale the historical returns to better reflect current market conditions. This allows for the capturing of diversification between individual industry sectors.

The Solvency Assessment Management (SAM) regime is a risk-based regulatory and solvency regime, prescribed by the Insurance Act of 2017, and applies to regulated insurance entities and insurance groups. Absa Financial Services entities' liabilities, capital and solvency positions will continue to be reported under parallel processes accordingly.

Analysis of equity investment risk in the banking book

The table below illustrates the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis.

	Group and Company									
	2023					2022				
	Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% reduction in fair value		Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% reduction in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Listed equity investments	(4)	(4)	150	4	4	(67)	(4)	1 414	67	4
Unlisted equity investments	(83)	(35)	1 181	83	35	(75)	(36)	1 110	75	36
Total Bank equity investments	(87)	(39)	1 331	87	39	(142)	(40)	2 524	142	40

The sensitivity impact analysis on listed investments is based on 5% whereas unlisted investments is based on 10%.

The figures exclude all associates and joint ventures, which account for the differences in fair value compared to that shown in the table titled equity investments in the banking book.

54. Risk management (continued)

54.5 Market risk

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

54.5.1 Traded book risk

Traded market risk

Traded Market risk is the market risk resulting from trading activities booked in trading books across the Bank in accordance with regulatory requirements.

The Traded Market Risk Committee (TMRC) meets monthly to review, challenge and make recommendations concerning the traded market risk profile, including risk appetite, policies, limits, risk utilisation, valuation risk and the effectiveness of the control environment.

The Market Risk Infrastructure, Data, Governance and Control Committee (MRIDGCC) is a subcommittee of the TMRC that provides oversight of the traded market risk and control environment.

Approach

Traded market risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, providing risk management solutions, generating revenues from assuming and managing risk, and execution of syndications.

Banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as 'Banking book risk' as part of the Market Risk Management Framework.

Risk appetite

The risk appetite for market risk is based on:

- proposed business strategy;
- budgeted revenue growth;
- statistical modelling measures; and
- risk equated to capital projection under normal and stressed market conditions.

Risk measurement

A number of techniques are used to measure and control traded market risk on a daily basis, which include:

- value at risk (VaR) based measures including both VaR and stressed value at risk (sVaR);
- tail metrics;
- position and sensitivity reporting;
- stress testing;
- back testing; and
- standardised general and specific risk, as relevant.

Daily value at risk

Daily value at risk (DVaR) 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 DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 99%.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history.
- DVaR is the 99th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss. Daily losses in excess of the DVaR figure are likely to occur, on average, up to six times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory back testing and regulatory capital (RC) calculation purposes, respectively. The VaR internal model has been approved by the PA to calculate RC for trading book portfolios in South Africa. The approval covers general position risk across interest rate, foreign exchange, commodity, equity and traded credit products. As part of this approval, the PA has assigned a DVaR and sVaR model multiplier to be used in RC calculations. In addition to the VaR internal model, products which have not received IMA approval are capitalised under the standardised approach.

General position risk in trading books in the Absa Regional Operations (ARO) is also capitalised under the regulatory standardised approach.

Issuer-specific risk is currently reported in accordance with the regulatory standardised approach across the Bank.

The performance of the DVaR model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days when actual losses from trading activities exceed the corresponding 99% level of confidence assuming a one-day holding period calculated by the DVaR model.

DVaR estimates have a number of limitations:

- Historical simulation assumes that the past is a good representation of the future, which may not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- DVaR does not indicate the potential loss beyond the selected percentiles.
- DVaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured.

sVaR uses a similar methodology to DVaR, but is based on a one-year period of financial stress which is reviewed quarterly and assumes a 10-day holding period and a worst case loss. The period of stress used for Regulatory Capital is currently the 2008/2009 financial crisis.

Loss thresholds, tail risk metrics, position and sensitivity reporting and stress testing are used to complement DVaR in the management of traded market risk.

54. Risk management (continued)

54.5 Market risk (continued)

54.5.1 Traded book risk (continued)

Analysis of traded market risk exposure

The following table reflects the VaR and sVaR statistics for trading book activities as measured by the internal model's approach (IMA). Traded market risk exposure, as measured by average total VaR, increased to **R72.97** (2022: R56.49m) for the reporting period, which is a **29%** (2022: 9%) increase on the prior year average. 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.

	Group							
	2023				2022			
	Average Rm	High Rm	Low Rm	As at the reporting date Rm	Average Rm	High Rm	Low Rm	As at the reporting date Rm
Interest rate risk	57.10	92.14	28.42	39.34	67.42	135.24	39.76	97.27
Foreign exchange risk	38.88	142.38	8.68	130.21	15.23	38.31	3.74	38.31
Equity risk	13.50	31.68	8.00	9.94	15.46	27.99	5.97	11.43
Commodity risk	0.86	4.64	0.34	0.55	0.72	2.93	0.43	0.94
Inflation risk	31.57	67.64	6.83	18.29	48.35	73.93	23.70	68.41
Credit spread risk	7.06	11.10	5.07	5.31	8.78	12.15	5.09	5.10
Diversification effect	(76.00)	—	—	(74.84)	(99.47)	—	—	(140.12)
Total DVaR	72.97	136.85	46.01	128.80	56.49	85.30	31.83	81.34
Regulatory VaR	72.97	136.85	46.01	128.80	56.49	85.30	31.83	81.34
Regulatory sVaR	75.59	127.38	34.33	83.99	64.62	109.11	34.10	75.19

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.

Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. The sVaR period is subject to ongoing review for appropriateness.

54.5.2 Banking book risk

Approach

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

The Bank'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 Bank Treasury, which is mandated to hedge material net exposures with the external market. This allows risk to be managed centrally and holistically for the Bank.

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.

Risk mitigation

Risk management strategies considered include:

- Strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- The execution of applicable derivative contracts to maintain the Bank's interest rate risk exposure within limits.
  - Where possible, hedge accounting is applied to derivatives that are used to hedge Banking book risk. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Bank's accounting policies, are followed.
  - Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Bank's equity, and is managed by Bank Treasury. The risk is managed by the local treasury functions, subject to risk limits and other controls.

Key assumptions

Embedded optionality risk may also give rise to Banking book risk:

- Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Bank is unable to collect full market-related compensation. This risk is managed by modelling the loans on a behaviouralised basis for both pricing and risk measurement. This treatment is also applied to non-maturing customer deposits.
- Recruitment risk arises when the Bank commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Processes are in place to enable robust management of these additional forms of Banking book risk.

54. Risk management (continued)

54.5 Treasury risk (continued)

54.5.2 Banking book risk (continued)

Key assumptions (continued)

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
- Economic capital
- Economic value of equity (EVE) sensitivity
- Stress testing

VaR, supporting metrics and stresses are reported daily for Bank Treasury, with the exception of two businesses where reporting is done monthly.

The repricing profiles, EaR, EVE sensitivity and stress results are reported monthly and limits are set and monitored through the formal governance process.

Re-pricing 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.

Earnings at risk (EaR)/Net interest income (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.

Value at 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 Bank'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.

Economic value of equity (EVE) sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point in time 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.

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics (position and sensitivity limits), as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective Rest of Africa market risk team with oversight provided by Market Risk.

Risk reporting

DVaR and supporting metrics are reported daily for Bank Treasury, with the exception of two businesses, where reporting is performed on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for Bank Treasury.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Bank's banking book are set out in the table that follows, namely, the re-pricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Re-pricing profile

The re-pricing profile of the Bank's banking books shows that the banking book remains asset sensitive, as interest-earning assets re-price sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates.

	Group			
	2023			
Expected repricing profile	On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Domestic bank book				
Interest rate sensitivity gap	167 742	(30 239)	(55 622)	(40 956)
Derivatives	(191 852)	39 930	61 274	90 647
Net interest rate sensitivity gap	(24 110)	9 691	5 652	49 691
Cumulative interest rate gap	(24 110)	(14 419)	(8 767)	40 925
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	(1.6)	(0.9)	(0.6)	2.7

54. Risk management (continued)

54.5 Treasury risk (continued)

54.5.2 Banking book risk (continued)

Re-pricing profile (continued)

Expected repricing profile	Group 2022 On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Domestic bank book				
Interest rate sensitivity gap	147 047	(4 632)	(58 428)	(46 695)
Derivatives	(127 205)	(18 469)	53 854	91 820
Net interest rate sensitivity gap	19 842	(23 101)	(4 574)	45 125
Cumulative interest rate gap	19 842	(3 259)	(7 833)	37 292
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	1.3	(0.2)	(0.5)	2.5

Interest rate sensitivity – Includes exposures held in the CIB banking book.

The domestic bank book Includes exposures held in the CIB banking book. Derivatives for interest rate risk management purposes (net nominal value).

Impact on earnings

The following table shows the impact on AEaR/NII for 100 and 200 bps up and down movements in market interest rates for the Bank's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of R0.5bn (2022: R0.6bn). A similar increase would result in an increase in projected 12-month net interest income of **R0.5bn** (2022: R0.6bn). AEaR decreased to **1.0%** (2022: 1.4%) of the Bank's net interest income.

Annual earnings at risk for 100 and 200 bps changes in market interest rates	Group 2023 Change in market interest rates 200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book (Rm)	**(460)**	**(184)**	**149**	**290**
Percentage of the Bank's net interest income (%)	**(1.0)**	**(0.4)**	**0.3**	**0.7**
Percentage of the Bank's equity (%)	**(0.4)**	**(0.2)**	**0.1**	**0.3**

	2022 Change in market interest rates 200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book (Rm)	(614)	(296)	318	628
Percentage of the Bank's net interest income (%)	(1.4)	(0.7)	0.8	1.5
Percentage of the Bank's equity (%)	(0.6)	(0.3)	0.3	0.6

The domestic bank book Includes exposures held in the CIB banking book. African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following three ways:

- Higher or lower profit after tax resulting from higher or lower net interest income;
- Higher or lower fair value through other comprehensive income reserve reflecting higher or lower fair values of fair value through other comprehensive income financial instruments; and
- Higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and fair value through other comprehensive income portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate fair value through other comprehensive income assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the fair value through other comprehensive income reserves is mainly due to the increase in the net directional risk.

54. Risk management (continued)

54.5 Treasury risk (continued)

54.5.2 Banking book risk (continued)

Sensitivity of reserves to market interest rate movements

	Group					
	2023			2022		
	Impact on equity at the reporting date Rm	Maximum impact Rm	Minimum impact Rm	Impact on equity at the reporting date Rm	Maximum impact Rm	Minimum impact Rm
Fair value through other comprehensive income reserve	970	174	1 073	1 877	2 405	1 119
Cash flow hedging reserve	1 983	7 088	1 983	(1 148)	191	(5 287)
	2 953	7 262	3 056	729	2 596	(4 168)
As a percentage of Group equity (%)	2.8	6.9	2.9	0.5	1.7	(2.7)

The sensitivity of reserves to market interest rate movements exhibit very little convexity resulting in a materially equivalent change in value for -100 bps parallel move. Basis risk has remained constant.

54.6 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.

54.6.1 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.

The Group's capital risk strategy, which is in line with and in support of the Group's strategy, is to create sustainable value for shareholders within the boundaries imposed by the Group's risk appetite through effective financial risk management.

The Group's capital risk priorities are to:

- 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 under normal and stressed business conditions, while maintaining 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 Groups 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 and repatriate subsidiaries' capital.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in domestic and/or international markets to optimise the level and composition of capital resources.

Various processes play a role in ensuring that the Group's capital risk priorities are met, including:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- Stress testing; and
- Recovery and Resolution Planning.

The capital risk process in the Group encompasses all regulated entities within it (including insurance entities and banking subsidiaries in the Absa Regional Operations). Appropriate Board approved capital buffers, above the minimum regulatory requirements, are held at an entity level. The Group ensures that all regulated entities are adequately capitalised in terms of their respective minimum capital adequacy requirements (CARs).

The Group's capital target ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios and its impact on the integrated plan, including the capital position of the Group;
- Current and future Basel III requirements and accounting developments; and
- Peer analysis.

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.1 Capital risk (continued))

Capital adequacy ratios (unaudited)

Group	2023	2022	2023 Board target ranges %	2023 Minimum regulatory capital requirements %	2022 Board target ranges %	2022 Minimum regulatory capital requirements %
Statutory capital ratios (includes unappropriated profits) (%)						
Common Equity Tier 1	11.9	12.5	10.5 – 12.0	8.5	10.5 – 12.0	8.5
Tier 1	14.4	14.8	>12.0	10.3	>12.0	10.3
Total	16.2	17.6	>14.5	12.5	>14.5	12.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	110 468	116 433				
Total RWA	682 654	662 093				

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions. Tier 1 – Common Equity Tier 1 plus perpetual, non-cumulative instruments with principal loss-absorption features issued in terms of the Basel III rules.

Total Capital – Tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III.

During the past year, the Bank complied in full with all externally imposed capital requirements which remained the same.

The 2023 minimum total regulatory capital adequacy requirement of 12.5% (2022: 12.5%) includes the capital conservation buffer, Pillar 2A at 1% and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.

54.6.2 Liquidity risk

Liquidity risk is defined as 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. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of group-specific and market-wide events.

- 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.

Priorities

The Group's liquidity risk management objectives are:

- Preserve the Group's liquidity position in line with risk appetite.
- Focus on growing core retail, relationship Group, 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 the SARB's approach to resolution planning, depositor insurance schemes framework in South Africa.

Approach to liquidity risk

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

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

Stress and scenario testing

Under the Capital and liquidity Risk Framework, the Group established the internal liquidity stress metric (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

The Contingency Funding Plan (CFP) includes, inter alia:

- the roles and responsibilities of senior management in a crisis.
- authorities for invoking the plan.
- communications strategy.
- an analysis of a realistic range of market-wide and 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 early warning indicators (EWIs), which assist in informing management when deciding whether the CFP should be invoked.

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 Group the CFP was merged with the recovery plan.

The Group's liquidity risk position was resilient, in line with risk appetite, and above the minimum regulatory requirements.

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

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity and mismatch position of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' time bucket at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity. Borrowed funds have been included based on contractual maturities and do not take into account the effect of early redemption features, which are being exercised. For details regarding early redemption options, refer to note 21.

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities (continued)

	Group					
	2023					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	15 357	26 153	—	—	—	41 510
Investment securities	2 505	44 315	51 115	53 843	(1)	151 777
Trading and hedging portfolio assets	143 471	164	700	4 521	—	148 856
Derivative assets	51 350	164	700	4 521	—	56 735
Non-derivative assets	92 121	—	—	—	—	92 121
Other financial assets	2 723	11 300	44	—	—	14 067
Loans and advances	133 133	273 486	417 161	292 822	(38 115)	1 078 487
Loans to Group companies	4 236	50 497	5 909	1 091	(285)	61 448
Financial assets	301 425	405 915	474 929	352 277	(38 401)	1 496 145
Non-financial assets						34 657
Total assets						1 530 802
Liabilities						
Trading and hedging portfolio liabilities	58 493	219	893	576	—	60 181
Derivative liabilities	45 395	219	893	576	—	47 083
Non-derivative liabilities	13 098	—	—	—	—	13 098
Other financial liabilities	16 731	8 667	—	—	—	25 398
Deposits	607 689	376 838	95 220	9 736	—	1 089 483
Debt securities in issue	468	90 809	105 189	13 429	—	209 895
Borrowed funds	1	2 920	15 437	—	—	18 358
Loans from Group companies	12 495	31	305	—	—	12 831
Financial liabilities	695 877	479 484	217 044	23 741	—	1 416 146
Non-financial liabilities						9 347
Total liabilities						1 425 493
Total equity						105 309
Total equity and liabilities						1 530 802
Net liquidity position of financial instruments	(394 452)	(73 569)	257 885	328 536	(38 401)	79 999

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

	Company					
	2023					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	15 357	26 153	—	—	—	41 510
Investment securities	2 501	44 312	51 115	53 843	(1)	151 770
Trading and hedging portfolio assets	143 459	164	700	4 521	—	148 844
Derivative assets	51 337	164	700	4 521	—	56 722
Non-derivative assets	92 122	—	—	—	—	92 122
Other financial assets	2 715	11 184	44	—	—	13 943
Loans and advances	133 159	279 192	407 268	291 653	(37 825)	1 073 447
Loans to Absa Group companies	8 559	57 110	5 909	1 091	(286)	72 383
Financial assets	305 750	418 115	465 036	351 108	(38 112)	1 501 897
Non-financial assets	32 370	—	—	—	—	32 370
Total assets						1 534 267
Liabilities						
Trading and hedging portfolio liabilities	58 493	219	893	576	—	60 181
Derivative liabilities	45 395	219	893	576	—	47 083
Non-derivative liabilities	13 098	—	—	—	—	13 098
Other financial liabilities	16 724	8 584				25 308
Deposits	609 097	376 835	95 220	9 736	—	1 090 888
Debt securities in issue	464	88 066	105 189	13 429	—	207 148
Borrowed funds	1	2 920	15 437	—	—	18 358
Loans from Absa Group Companies	20 600					20 600
Financial liabilities	705 379	476 624	216 739	23 741	—	1 422 483
Non-financial liabilities						9 139
Total liabilities						1 431 622
Equity						102 645
Total equity and liabilities						1 534 267
Net liquidity position of financial instruments	(399 629)	(58 509)	248 297	327 367	(38 112)	79 414

Liabilities do not include the maturity analysis of finance lease payables, which is detailed in note 35.

The following current items are disclosed under non-financial assets and non-financial liabilities: current tax liabilities, provisions (details on the current/non-current split are included in note 16).

The following non-current items are disclosed under non-financial assets and non-financial liabilities: Investments in associates and joint ventures, goodwill and intangible assets, provisions, (details on the current/non-current splits are included in note 16), non-current assets held for sale, property and equipment and deferred tax.

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

	Group					
	2022					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	37 344	—	—	—	—	37 344
Investment securities	2 524	46 173	44 746	34 997	(1)	128 439
Trading and hedging portfolio assets	155 458	192	313	4 467	—	160 430
Derivative assets	57 076	192	313	4 467	—	62 048
Non-derivative assets	98 382	—	—	—	—	98 382
Other financial assets	4 403	10 425	9	—	—	14 837
Loans and advances	117 710	266 002	390 421	291 859	(33 472)	1 032 520
Loans to Group companies	1 929	61 903	7 647	1 973	(249)	73 203
Financial assets	319 368	384 695	443 136	333 296	(33 722)	1 446 773
Non-financial assets		—	—	—	—	32 535
Total assets						1 479 308
Liabilities						
Trading and hedging portfolio liabilities	91 400	599	1 364	271	—	93 634
Derivative liabilities	54 552	599	1 364	271	—	56 786
Non-derivative liabilities	36 848	—	—	—	—	36 848
Other financial liabilities	11 430	7 024			—	18 454
Deposits	595 854	342 097	68 111	9 561	—	1 015 623
Debt securities in issue	2 465	115 148	74 054	11 608	—	203 275
Borrowed funds	—	14 971	11 311	—	—	26 282
Loans from Group companies	5 667	3 485	—	—	—	9 152
Financial liabilities	706 816	483 324	154 840	21 440	—	1 366 420
Non-financial liabilities						9 829
Total liabilities						1 376 249
Equity						105 309
Total equity and liabilities						1 481 558
Net liquidity position of financial instruments	(387 448)	(98 629)	288 296	311 856	(33 722)	80 353

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

	Company					
	2022					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	37 344	—	—	—	—	37 344
Investment securities	1 311	46 168	44 746	34 997	(1)	127 221
Trading and hedging portfolio assets	155 164	192	313	4 467	—	160 136
Derivative assets	57 032	192	313	4 467	—	62 004
Non-derivative assets	98 132	—	—	—	—	98 132
Other financial assets	4 482	10 207	9	—	—	14 698
Loans and advances	114 697	277 508	379 557	288 689	(33 206)	1 027 245
Loans to Absa Group Companies	6 808	65 761	7 648	1 973	(251)	81 939
Financial assets	319 806	399 836	432 273	330 126	(33 458)	1 448 583
Non-financial assets		—	—	—	—	30 804
Insurance related assets (refer to note 60.8)		—				—
Total assets						1 479 387
Liabilities						
Trading and hedging portfolio liabilities	91 399	599	1 364	271	—	93 633
Derivative liabilities	54 552	599	1 364	271	—	56 786
Non-derivative liabilities	36 847	—	—	—	—	36 847
Other financial liabilities	11 049	7 197	—	—	—	18 246
Deposits	597 437	342 097	68 111	9 561	—	1 017 206
Debt securities in issue	474	111 107	74 054	11 608	—	197 243
Borrowed funds	—	14 971	11 311	—	—	26 282
Loans from Absa Group Companies	16 354	—	—	—	—	16 354
Financial liabilities	716 713	475 971	154 840	21 440	—	1 368 964
Non-financial liabilities						9 707
Total liabilities						1 378 671
Total equity						100 716
Total equity and liabilities						1 479 387
Net liquidity position of financial instruments	(396 907)	(76 135)	277 433	308 686	(33 458)	79 619

The above table does not include the maturity analysis of finance lease payables, which is detailed in note 35.

The following current items are disclosed under non-financial assets and non-financial liabilities: current tax liabilities, provisions (details on the current/non-current split are included in note 16).

The following non-current items are disclosed under non-financial assets and non-financial liabilities: Investments in associates and joint ventures, goodwill and intangible assets, provisions, (details on the current/non-current splits are included in note 16), investment property, property and equipment and deferred tax.

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

Undiscounted maturity (statement of financial position value with impact of future interest)	Group 2023 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	58 493	230	1 078	1 320	(940)	60 181
Derivative liabilities	45 395	230	1 078	1 320	(940)	47 083
Non-derivative liabilities	13 098	—	—	—	—	13 098
Other financial liabilities	16 731	8 672	—	—	(5)	25 398
Deposits	607 689	382 466	116 643	21 302	(38 617)	1 089 483
Debt securities in issue	468	93 925	130 913	24 267	(39 678)	209 895
Borrowed funds	1	3 037	18 932	—	(3 612)	18 358
Loans from Absa Group companies	12 495	32	340	—	(36)	12 831
Financial liabilities	695 877	488 362	267 906	46 889	(82 888)	1 416 146
Non-financial liabilities						9 347
Total liabilities						1 425 493
Off-statement of financial position						
Financial guarantee contracts	37 243	—	—	—	—	37 243
Loan commitments	83 972	24 511	—	—	—	108 483
Letters of credit	12 439	—	—	—	—	12 439

Undiscounted maturity (statement of financial position value with impact of future interest)	Company 2023 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	58 493	230	1 078	1 320	(940)	60 181
Derivative liabilities	45 395	230	1 078	1 320	(940)	47 083
Non-derivative liabilities	13 098	—	—	—	—	13 098
Other financial liabilities	16 724	8 584	—	—	—	25 308
Deposits	609 097	382 463	116 643	21 302	(38 617)	1 090 888
Debt securities in issue	464	91 134	130 913	24 267	(39 630)	207 148
Borrowed funds	1	3 037	18 932	—	(3 612)	18 358
Financial liabilities	684 779	485 448	267 566	46 889	(82 799)	1 401 883
Non-financial liabilities						29 739
Total liabilities						1 431 622
Off-statement of financial position						
Financial guarantee contracts	37 256	—	—	—	—	37 256
Loan commitments	83 972	24 511	—	—	—	108 483
Letters of credit	12 439	—	—	—	—	12 439

54. Risk management (continued)

54.6 Capital and liquidity risk (continued)

54.6.2 Liquidity risk (continued)

Undiscounted maturity (statement of financial position value with impact of future interest)	Group 2022					
	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	91 400	623	1 723	572	(683)	93 635
Derivative liabilities	54 552	623	1 723	572	(683)	56 787
Non-derivative liabilities	36 848	—	—	—		36 848
Other financial liabilities	11 430	7 199	—	—	(175)	18 454
Deposits	595 854	346 657	86 348	21 670	(34 906)	1 015 623
Debt securities in issue	2 465	118 688	92 127	22 039	(32 044)	203 275
Borrowed funds	—	15 533	13 897	—	(3 148)	26 282
Loans from Group companies	12 637	3 525			(7 010)	9 152
Financial liabilities	713 786	492 225	194 095	44 281	(77 966)	1 366 421
Non-financial liabilities						9 828
Total liabilities						1 376 249
Off-statement of financial position						
Financial guarantee contracts	44 102	—	—	—	—	44 102
Loan commitments	76 843	21 536	—	—	—	98 379
Letters of credit	12 873	—	—	—	—	12 873

In 2022, the Group inadvertently disclosed the incorrect deposits amount. This has led to a restatement from R1 116 623m to R1 015 623m on total deposits with commensurate changes in each of the maturity buckets, the most significant of which relates to the within 1 year bucket which decreased from R433 753m to R346 657m.

Other financial assets and other financial liabilities have been restated due to the implementation of IFRS 17. Refer to material accounting policy 1.21.

Undiscounted maturity (statement of financial position value with impact of future interest)	Company 2022					
	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	91 399	622	1 723	572	(683)	93 633
Derivative liabilities	54 552	622	1 723	572	(683)	56 786
Non-derivative liabilities	36 847	—	—	—	—	36 847
Other financial liabilities	11 049	7 197	—	—		18 246
Deposits	597 437	346 657	86 348	21 670	(34 906)	1 017 206
Debt securities in issue	474	114 552	92 127	22 039	(31 949)	197 243
Borrowed funds	—	15 533	13 897	—	(3 148)	26 282
Loans from Group companies	16 354	—	—	—	—	16 354
Financial liabilities	716 713	484 561	194 095	44 281	(70 686)	1 368 964
Non-financial liabilities						9 707
Total liabilities						1 378 671
Off-statement of financial position						
Financial guarantee contracts	44 102	—	—	—	—	44 102
Loan commitments	76 721	21 536	—	—	—	98 257
Letters of credit	12 873	—	—	—	—	12 873

55. Going concern

The Directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the reporting period ahead. For this reason, these consolidated financial statements are prepared on a going concern basis.

56. Events after the reporting period

The directors are not aware of any other events, other than the aforementioned (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2023 and the date of authorisation of these annual consolidated and separate financial statements.

57. Directors' and prescribed officers' remuneration

The Group's Remuneration Committee's (RemCo) mandate includes ensuring that reward practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold.

The Group strives to promote reward practices that foster sustainable high performance and accordingly, the Group rewards both short and longer term performance. All elements of remuneration are benchmarked against the market, as well as local and international best practice.

The RemCo reviews executive director and prescribed officer performance against a balanced scorecard of objectives, which ensures rigorous focus on business imperatives including, importantly, financial performance. The outcomes of this are a primary input to variable remuneration decisions. Risk management is carefully considered.

The Group's remuneration approach complies with the regulatory and statutory provisions relating to remuneration governance, in all the countries where the Group operates and in accordance with relevant requirements in Africa and other relevant jurisdictions in which we conduct business operations.

57. Directors' and prescribed officers' remuneration (continued)

Tables for 2023 total awarded remuneration

Executive directors Awarded remuneration	Arrie Rautenbach 2023 R	Arrie Rautenbach 2022 R	Jason Quinn 2023 R	Jason Quinn 2022 R	Christopher Snyman 2023 R	Christopher Snyman 2022 R	Total 2023 R	Total 2022 R
Salary	9 794 398	8 689 014	5 853 292	6 098 485	357 333	—	16 005 023	14 787 499
Medical aid	180 960	167 556	119 494	123 804	12 691	—	313 145	291 360
Retirement benefits	189 634	185 596	444 457	462 660	21 524	—	655 615	648 256
Other employee benefits	269 994	232 918	69 424	67 380	4 286	—	343 704	300 298
Total fixed remuneration	10 434 986	9 275 084	6 486 667	6 752 329	395 834	—	17 317 487	16 027 413
Non-deferred cash award	6 800 000	9 750 000	—	8 000 000	2 625 000	—	9 425 000	17 750 000
Deferred share award	5 800 000	8 750 000	—	7 000 000	1 625 000	—	7 425 000	15 750 000
Total short-term incentive	12 600 000	18 500 000	—	15 000 000	4 250 000	—	16 850 000	33 500 000
Face value of long-term incentive award (on-target award)	17 000 000	17 000 000	—	13 000 000	5 000 000	—	22 000 000	30 000 000
Other payments	—	—	—	—	—	—	—	—
Total awarded remuneration	40 034 986	44 775 084	6 486 667	34 752 329	9 645 834	—	56 167 487	79 527 413

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.

Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the value applicable for "on-target" performance.

Total awarded remuneration for 2023 includes the fixed remuneration paid during 2023, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2024 and a deferred share award granted in April 2024), and the face value of the long-term incentive to be granted in April 2024. Amounts disclosed in 2022 follow the same principle.

Jason Quinn ceased to be the Group Financial Director and executive director on 22 November 2023. His disclosed remuneration has therefore been pro-rated for time in service as an executive director during 2023.

Christopher Snyman was appointed as Interim Group Financial Director and an executive director on 22 November 2023. His disclosed fixed remuneration has therefore been pro-rated for time in service as executive director during 2023. His short-term and long-term incentive awards have been disclosed in full. His fixed remuneration was not adjusted pursuant to his interim appointment.

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57. Directors' and prescribed officers' remuneration (continued)

Tables for 2023 total awarded remuneration

Prescribed officers Awarded remuneration	Charles Russon 2023 R	 2022 R	Punki Modise 2023 R	 2022 R
Salary	6 142 498	5 763 388		1 624 045
Medical aid	226 272	209 508		108 194
Retirement benefits	197 595	192 301		137 037
Other employee benefits	71 135	62 132		181 193
Total fixed remuneration	6 637 500	6 227 329		2 050 469
Non-deferred cash award	7 000 000	7 500 000		3 500 000
Deferred share award	6 000 000	6 500 000		2 500 000
Total short-term incentive	13 000 000	14 000 000		6 000 000
Face value of long-term incentive award (on-target award)	12 000 000	11 000 000		8 000 000
Other payments	—	—		—
Total awarded remuneration	31 637 500	31 227 329		16 050 469

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.

Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the value applicable for 'on-target' performance.

Total awarded remuneration for 2023 includes the fixed remuneration paid during 2023, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2024 and a deferred share award granted in April 2024), and the face value of the long-term incentive to be granted in April 2024. Amounts disclosed in 2022 follow the same principle.

Punki Modise was appointed as the Interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as Interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 are all set out in this table for ease of reference. Her fixed remuneration was pro-rated for the period served as an executive director and a prescribed officer during 2022, with the short-term incentive and long-term incentive shown at full value.

As a result of the Board-approved changes to the Group operating model, three new prescribed officers (Faisal Mkhize, Cowyk Fox, and Geoffrey Lee) were appointed on 1 July 2022. Their fixed remuneration for 2022 was pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value.

Faisal Mkhize		Cowyk Fox		Geoffrey Lee		Total	
2023 R	2022 R	2023 R	2022 R	2023 R	2022 R	2023 R	2022 R
5 150 753	2 543 235	5 055 165	2 478 656	5 251 388	2 652 901	21 599 804	15 062 225
124 676	55 710	101 840	104 754	237 456	94 266	690 244	572 432
393 982	196 991	199 537	99 769	199 537	107 639	990 651	733 737
345 933	79 064	392 859	293 380	61 619	19 664	871 546	635 433
6 015 344	2 875 000	5 749 401	2 976 559	5 750 000	2 874 470	24 152 245	17 003 827
2 875 000	4 000 000	2 516 000	4 000 000	3 139 250	4 000 000	15 530 250	23 000 000
1 875 000	3 000 000	1 516 000	3 000 000	2 139 250	3 000 000	11 530 250	18 000 000
4 750 000	7 000 000	4 032 000	7 000 000	5 278 500	7 000 000	27 060 500	41 000 000
7 500 000	8 500 000	4 500 000	8 500 000	9 500 000	8 500 000	33 500 000	44 500 000
—	—	—	—	—	—	—	—
18 265 344	18 375 000	14 281 401	18 476 559	20 528 500	18 374 470	84 712 745	102 503 827

57. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2023			
	Number of shares under award at 1 January 2023	Number of shares/Trust units awarded during 2023	Share price/Unit value on award R	Number of shares/cash released during 2023
Executive directors				
Arrie Rautenbach				
Share incentive plan deferral 2020 – 2023	19 911	—	—	19 911
Share incentive plan deferral 2021 – 2024	25 109	—	—	12 555
Long-term incentive award 2019	12 262	—	—	6 131
Share incentive plan performance 2020	130 321	—	—	29 752
Share incentive plan performance 2021	80 430	—	—	—
Share incentive plan deferral 2022 – 2025	31 972	—	—	10 657
Share incentive plan performance 2022	94 528	—	—	—
Share incentive plan deferral 2023 – 2026	—	48 275	181.25	—
Share incentive plan performance 2023	—	93 793	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	394 533	142 928		79 006
Jason Quinn				
Share incentive plan deferral 2020 – 2023	20 816	—	—	20 816
Share incentive plan deferral 2021 – 2024	25 109	—	—	12 555
Long-term incentive award 2019	11 964	—	—	5 981
Share incentive plan performance 2020	130 321	—	—	29 752
Share incentive plan performance 2021	78 468	—	—	—
Share incentive plan deferral 2022 – 2025	44 483	—	—	14 828
Share incentive plan performance 2022	69 506	—	—	—
Share incentive plan deferral 2023 – 2026	—	38 620	181.25	—
Share incentive plan performance 2023	—	71 724	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	380 667	111 204		83 932
Christopher Snyman				
Share incentive plan deferral 2020 – 2023	4 055	—	—	4 055
Share incentive plan deferral 2021 – 2024	785	—	—	392
Share incentive plan performance 2020	32 580	—	—	22 314
Share incentive plan performance 2021	25 894	—	—	
Share incentive plan deferral 2022 – 2025	6 672	—	—	2 224
Share incentive plan performance 2022	18 271	—	—	—
Share incentive plan deferral 2023 – 2026	—	8 275	181.25	—
Share incentive plan performance 2023	—	19 304	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	88 257	28 439		28 985

Arrie Rautenbach's outstanding share-based long-term awards include awards received prior to his appointment as CEO and an executive director on 29 March 2022.

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Performance awards.

For all executive directors, the 2020 and 2021 Share Incentive Plan performance awards will vest over a five year period. The number of shares that vest will be based on the measurement of the predetermined performance conditions linked to the performance awards. This applies only in respect of individuals who were executive directors at the time of the award.

For all executive directors, the 2022 and 2023 Share Incentive Plan performance award will vest over a three year period. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

On 1 September 2023, Absa implemented a B-BBEE transaction and staff incentivisation scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of five years.

Jason Quinn ceased to be an executive director on 22 November 2023. In March 2022, as part of the transitional arrangements to the new Group CEO, and aligned with the commercial imperative to ensure continuity and stability at senior executive level, the Board entered into a retention agreement with Jason upon his return to the Group Financial Director role. In terms of this retention arrangement, and subsequent exit terms, he forfeited 50% of all outstanding deferred short-term incentive awards and 100% of all long-term incentive awards on the date of notice of his resignation. The value of the awards subject to forfeiture, using the 31 December 2023 share price and before application of the adjustment for performance conditions on the 2021 long-term incentive, was R60.1m. Jason retained deferred short-term incentive awards worth R6.6m. The awards subject to eligible leaver status will remain in the Share Incentive Plan and will vest on their normal vesting date.

Christopher Snyman's outstanding share-based long-term incentive awards include awards received prior to his appointment as Interim Group Financial Director and executive director on 22 November 2023.

Christopher Snyman's 2020 to 2023 Share Incentive Plan Performance awards will vest after a period of three years. The number of shares to vest will be based on the measurement of the predetermined performance conditions linked to the Performance awards.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R163.71) or the Trust Unit value (R64.57) on 31 December 2023. For the 2020 to 2023 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

2023							
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2023	Number of shares/ Trust units under award/option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair value of unvested awards at 31 December 2023 R
184.60	3 675 571	623 025	—	—	2023/04/01	2023/04/01	—
184.60	2 317 653	205 091	—	12 554	2024/04/01	2024/04/01	2 055 215
171.72	1 052 815	265 136	—	6 131	2022/03/18	2024/03/18	1 003 706
184.60	5 492 219	931 122	41 066	59 503	2023/04/01	2025/04/01	9 741 236
—	—	—	—	80 430	2024/04/01	2026/04/01	13 167 195
184.60	1 967 282	128 851	—	21 315	2025/04/01	2025/04/01	3 489 479
—	—	—	—	94 528	2025/04/01	2025/04/01	15 475 179
—	—	—	—	48 275	2026/04/01	2026/04/01	7 903 100
—	—	—	—	93 793	2026/04/01	2026/04/01	15 354 852
—	—	—	—	860	2028/09/01	2028/09/01	55 530
	14 505 540	2 153 225	41 066	417 389			68 245 492
184.60	3 842 634	651 453	—	—	2023/04/01	2023/04/01	—
184.60	2 317 653	205 091	6 277	6 277	2024/04/01	2024/04/01	1 027 608
171.72	1 027 229	258 782	5 983	—	2022/03/18	2024/03/18	—
184.60	5 492 219	931 122	100 569	—	2023/04/01	2025/04/01	—
—	—	—	78 468	—	2024/04/01	2026/04/01	—
184.60	2 737 249	179 247	14 827	14 828	2025/04/01	2025/04/01	2 427 492
—	—	—	69 506	—	2025/04/01	2025/04/01	—
—	—	—	19 310	19 310	2026/04/01	2026/04/01	3 161 240
—	—	—	71 724	—	2026/04/01	2026/04/01	—
—	—	—	860	—	2028/09/01	2028/09/01	—
	15 416 984	2 225 695	367 524	40 415			6 616 340
184.60	748 553	126 820	—	—	2023/04/01	2023/04/01	—
184.60	72 363	6 276	—	393	2024/04/01	2024/04/01	64 338
184.60	4 119 164	698 342	10 266	—	2023/04/01	2023/04/01	—
			—	25 894	2024/04/01	2024/04/01	4 239 107
184.60	410 550	26 767	—	4 448	2025/04/01	2025/04/01	728 182
—	—	—	—	18 271	2025/04/01	2025/04/01	2 991 145
—	—	—	—	8 275	2026/04/01	2026/04/01	1 354 700
—	—	—	—	19 304	2026/04/01	2026/04/01	3 160 258
—	—	—	—	860	2028/09/01	2028/09/01	55 530
	5 350 630	858 205	10 266	77 445			12 593 260

57. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2023			
	Number of shares under award at 1 January 2023	Number of shares/Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/cash released during 2023
Prescribed officers				
Charles Russon				
Share incentive plan deferral 2020 – 2023	15 113	—	—	15 113
Share incentive plan deferral 2021 – 2024	20 925	—	—	10 462
Long-term incentive award 2019	8 374	—	—	4 187
Share incentive plan performance 2020	99 370	—	—	22 685
Share incentive plan performance 2021	54 927	—	—	—
Share incentive plan deferral 2022 – 2025	31 972	—	—	10 657
Share incentive plan performance 2022	55 604	—	—	—
Share incentive plan deferral 2023 – 2026	—	35 862	181.25	—
Share incentive plan performance 2023	—	60 689	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	286 285	97 411		63 104
Faisal Mkhize				
Share incentive plan deferral 2020 – 2023	5 430	—	—	5 430
Share incentive plan deferral 2021 – 2024	2 092	—	—	1 046
Share incentive plan performance 2020	35 295	—	—	24 173
Share incentive plan performance 2021	26 679	—	—	—
Share incentive plan deferral 2022-2025	8 340	—	—	2 780
Share incentive plan performance 2022	22 241	—	—	—
Share incentive plan performance 2022	24 536	—	—	—
Share incentive plan deferral 2023-2026	—	16 551	181.25	—
Share incentive plan performance 2023	—	46 896	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	1 032	79.61	—
Total	124 613	64 479		33 429
Cowyk Fox				
Share incentive plan deferral 2020 – 2023	6 049	—	—	6 049
Share incentive plan deferral 2021 – 2024	2 615	—	—	1 308
Share incentive plan performance 2020	40 400	—	—	27 669
Share incentive plan performance 2021	29 817	—	—	—
Share incentive plan deferral 2022 – 2025	9 035	—	—	3 012
Share incentive plan performance 2022	22 241	—	—	—
Share incentive plan performance 2022	24 536	—	—	—
Share incentive plan deferral 2023 – 2026	—	16 551	181.25	—
Share incentive plan performance 2023	—	46 896	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	134 693	64 307		38 038

2023

Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2023	Number of shares/ Trust units under award/option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair value of unvested awards at 31 December 2023 R
184.60	2 789 860	472 945	—	—	2023/04/01	2023/04/01	—
184.60	1 931 285	170 940	—	10 463	2024/04/01	2024/04/01	1 712 898
171.72	718 992	180 993	—	4 187	2022/03/18	2024/03/18	685 454
184.60	4 187 651	709 972	31 314	45 371	2023/04/01	2025/04/01	7 427 686
—	—	—	—	54 927	2024/04/01	2026/04/01	8 992 099
184.60	1 967 282	128 851	—	21 315	2025/04/01	2025/04/01	3 489 479
—	—	—	—	55 604	2025/04/01	2025/04/01	9 102 931
—	—	—	—	35 862	2026/04/01	2026/04/01	5 870 968
—	—	—	—	60 689	2026/04/01	2026/04/01	9 935 396
—	—	—	—	860	2028/09/01	2028/09/01	55 530
	11 595 070	1 663 701	31 314	289 278			47 272 441
184.60	1 002 378	169 832	—	—	2023/04/01	2023/04/01	—
184.60	193 092	16 983	—	1 046	2024/04/01	2024/04/01	171 241
18.60	4 462 336	756 491	11 122	—	2023/04/01	2023/04/01	—
—	—	—	—	26 679	2024/04/01	2024/04/01	4 367 619
184.60	513 188	33 597	—	5 560	2025/04/01	2025/04/01	910 228
—	—	—	—	22 241	2025/04/01	2025/04/01	3 641 074
—	—	—	—	24 536	2025/09/01	2025/09/01	4 016 789
—	—	—	—	16 551	2026/04/01	2026/04/01	2 709 564
—	—	—	—	46 896	2026/04/01	2026/04/01	7 677 344
—	—	—	—	1 032	2028/09/01	2028/09/01	66 636
	6 170 994	976 903	11 122	144 541			23 560 495
184.60	1 116 645	189 215	—	—	2023/04/01	2023/04/01	—
184.60	241 457	21 229	—	1 307	2024/04/01	2024/04/01	213 969
184.60	5 107 697	865 959	12 731	—	2023/04/01	2023/04/01	—
—	—	—	—	29 817	2024/04/01	2024/04/01	4 881 341
184.60	556 015	36 366	—	6 023	2025/04/01	2025/04/01	986 025
—	—	—	—	22 241	2025/04/01	2025/04/01	3 641 074
—	—	—	—	24 536	2025/09/01	2025/09/01	4 016 789
—	—	—	—	16 551	2026/04/01	2026/04/01	2 709 564
—	—	—	—	46 896	2026/04/01	2026/04/01	7 677 344
—	—	—	—	860	2028/09/01	2028/09/01	55 530
	7 021 814	1 112 769	12 731	148 231			24 181 636

57. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives (continued)

	2023			
	Number of shares under award at 1 January 2023	Number of shares/Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/cash released during 2023
Geoffrey Lee				
Share incentive plan deferral 2020 – 2023	5 973	—	—	5 973
Share incentive plan deferral 2021 – 2024	2 615	—	—	1 308
Share incentive plan performance 2020	35 295	—	—	24 173
Share incentive plan performance 2021	26 679	—	—	—
Share incentive plan deferral 2022 – 2025	9 730	—	—	3 243
Share incentive plan performance 2022	22 241	—	—	—
Share incentive plan performance 2022	24 536	—	—	—
Share incentive plan deferral 2023 – 2026	—	16 551	181.25	—
Share incentive plan performance 2023	—	46 896	181.25	—
Absa eKhaya Colleague Share Scheme 2023 – 2028	—	860	79.61	—
Total	127 069	64 307		34 697

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the performance awards.

Charles Russon's 2020 and 2021 Share Plan Incentive performance awards will vest over a five year period.

Charles Russon's 2022 and 2023 Share Incentive Plan performance award will vest over a three year period.

Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's outstanding share-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022.

Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's 2020 and 2021 Share Incentive Plan performance awards will vest over a three year period as they were made prior to them becoming prescribed officers. The 2022 and 2023 Share Incentive Plan Performance award will vest over a three year period for all prescribed officers. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

On 1 September 2023, Absa implemented B-BBEE transaction and staff incentivisation scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of five years.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R163.71) or the Trust Unit value (R64.57) on 31 December 2023. For the 2020 to 2023 Share Incentive Plan Performance awards, the fair value is calculated before the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

2023							
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2023	Number of shares/ Trust units under award/option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair value of unvested awards at 31 December 2023 R
184.60	1 102 616	186 815	—	—	2023/04/01	2023/04/01	—
184.60	241 457	21 229	—	1 307	2024/04/01	2024/04/01	213 969
184.60	4 462 336	756 491	11 122	—	2023/04/01	2023/04/01	—
—	—	—	—	26 679	2024/04/01	2024/04/01	4 367 619
184.60	598 658	39 135	—	6 487	2025/04/01	2025/04/01	1 061 987
—	—	—	—	22 241	2025/04/01	2025/04/01	3 641 074
—	—	—	—	24 536	2025/09/01	2025/09/01	4 016 789
—	—	—	—	16 551	2026/04/01	2026/04/01	2 709 564
—	—	—	—	46 896	2026/04/01	2026/04/01	7 677 344
—	—	—	—	860	2028/09/01	2028/09/01	55 530
	6 405 067	1 003 670	11 122	145 557			23 743 876

57. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2022			
	Number of shares under award at 1 January 2022	Number of shares/cash awarded during 2022	Share price on award R	Number of shares/cash released during 2022
Executive directors				
Arrie Rautenbach				
Share value plan 2019 – 2021	10 878	—	—	10 878
Share incentive plan deferral 2020 – 2023	39 821	—	—	19 910
Share incentive plan deferral 2021 – 2024	37 664	—	—	12 555
Long-term incentive award 2019	88 780	—	—	6 131
Share incentive plan performance 2020	130 321	—	—	—
Share incentive plan performance 2021	80 430	—	—	—
Share incentive plan deferral 2022 – 2025	—	31 972	179.84	—
Share incentive plan performance 2022	—	94 528	179.84	—
Total	387 894	126 500		49 474
Jason Quinn				
Share value plan 2019 – 2022	5 676	—	—	5 676
Share incentive plan deferral 2020 – 2023	41 631	—	—	20 815
Share incentive plan deferral 2022 – 2024	37 664	—	—	12 555
Long-term incentive award 2019	86 615	—	—	5 981
Share incentive plan performance 2020	130 321	—	—	—
Share incentive plan performance 2022	78 468	—	—	—
Share incentive plan deferral 2023 – 2025	—	44 483	179.84	—
Share incentive plan performance 2023	—	69 506	179.84	—
Total	380 375	113 989		45 027

Arrie Rautenbach's outstanding share-based long-term awards include awards received as a prescribed officer since 9 April 2018 and before his appointment as CEO and an executive director on 29 March 2022.

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the performance awards.

For all executive directors, the awards will vest over a five-year period.

For all executive directors, the 2022 Share Incentive Plan Performance award will vest over a three-year period.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price on 31 December 2022 (R193.90). For the 2020, 2021 and 2022 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

2022						
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2022	Number of shares under award/option at 31 December 2023	Last scheduled vesting date	Fair value of unvested awards at 31 December 2022 R
185.93	2 022 547	353 639	—	—	2022/03/18	—
191.00	3 802 810	371 113	—	19 911	2023/04/01	3 860 743
191.00	2 398 005	51 570	—	25 109	2024/04/01	4 868 635
185.93	1 139 937	199 317	70 387	12 262	2024/03/18	2 377 602
—	—	—	—	130 321	2025/04/01	25 269 242
—	—	—	—	80 430	2026/04/01	15 595 377
—	—	—	—	31 972	2025/04/01	6 199 371
—	—	—	—	94 528	2025/04/01	18 328 979
	9 363 299	975 639	70 387	394 533		76 499 949
185.93	1 055 339	184 628	—	—	2022/03/18	—
191.00	3 975 665	387 921	—	20 816	2023/04/01	4 036 222
191.00	2 398 005	51 570	—	25 109	2024/04/01	4 868 635
185.93	1 112 047	194 483	68 670	11 964	2024/03/18	2 319 820
—	—	—	—	130 321	2025/04/01	25 269 242
—	—	—	—	78 468	2026/04/01	15 214 945
—	—	—	—	44 483	2025/04/01	8 625 254
—	—	—	—	69 506	2025/04/01	13 477 213
	8 541 056	818 602	68 670	380 667		73 811 331

57. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	2022			
	Number of shares under award at 1 January 2022	Number of shares/cash awarded during 2022	Share price on award R	Number of shares/cash released during 2022
Prescribed officers				
Charles Russon				
Share value plan 2019 – 2021	4 020	—	—	4 020
Share incentive plan deferral 2020 – 2023	30 227	—	—	15 114
Share incentive plan deferral 2022 – 2024	31 387	—	—	10 462
Long-term incentive award 2019	60 630	—	—	4 187
Share incentive plan performance 2020	99 370	—	—	—
Share incentive plan performance 2021	54 927	—	—	—
Share incentive plan deferral 2021 – 2025	—	31 972	179.84	—
Share incentive plan performance 2021	—	55 604	179.84	—
Total	280 561	87 576		33 783
Punki Modise				
Share value plan 2019 – 2022	871	—	—	871
Share incentive plan deferral 2020 – 2023	6 661	—	—	3 330
Share incentive plan deferral 2022 – 2024	980	—	—	327
Long-term incentive award 2019	24 915	—	—	5 162
Share incentive plan performance 2020	32 580	—	—	—
Share incentive plan performance 2022	25 109	—	—	—
Share incentive plan deferral 2023 – 2025	—	25 022	179.84	—
Share incentive plan performance 2023	—	55 604	179.84	—
Total	91 116	80 626		9 690
Faisal Mkhize				
Share value plan 2019 – 2022	743	—	—	743
Share incentive plan deferral 2020 – 2023	10 860	—	—	5 430
Share incentive plan deferral 2022 – 2024	3 138	—	—	1 046
Long-term incentive award 2019	25 911	—	—	5 368
Share incentive plan performance 2020	35 295	—	—	—
Share incentive plan performance 2022	26 679	—	—	—
Share incentive plan deferral 2023 – 2025	—	8 340	179.84	—
Share incentive plan performance 2023	—	22 241	179.84	—
Share incentive plan performance 2023	—	24 536	183.40	—
Total	102 626	55 117		12 587
Cowyk Fox				
Share value plan 2019 – 2022	1 892	—	—	1 892
Share incentive plan deferral 2020 – 2023	12 098	—	—	6 049
Share incentive plan deferral 2022 – 2024	3 923	—	—	1 308
Long-term incentive award 2019	19 953	—	—	4 134
Share incentive plan performance 2020	40 400	—	—	—
Share incentive plan performance 2022	29 817	—	—	—
Share incentive plan deferral 2023 – 2025	—	9 035	179.84	—
Share incentive plan performance 2023	—	22 241	179.84	—
Share incentive plan performance 2023	—	24 536	183.40	—
Total	108 083	55 812		13 383
Geoffrey Lee				
Share value plan 2019 – 2022	1 135	—	—	1 135
Share incentive plan deferral 2020 – 2023	11 946	—	—	5 973
Share incentive plan deferral 2022 – 2024	3 923	—	—	1 308
Long-term incentive award 2019	25 911	—	—	5 368
Share incentive plan performance 2020	35 295	—	—	—
Share incentive plan performance 2022	26 679	—	—	—
Share incentive plan deferral 2023 – 2025	—	9 730	179.84	—
Share incentive plan performance 2023	—	22 241	179.84	—
Share incentive plan performance 2023	—	24 536	183.40	—
Total	104 889	56 507		13 784

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the performance awards.

Charles Russon's 2020 and 2021 Share Plan Incentive Performance awards will vest over a five-year period.

Charles Russon's 2022 Share Incentive Plan Performance award will vest over a three-year period.

Punki Modise's outstanding share-based long-term awards include awards received prior to becoming an executive director on 23 April 2021 to 29 March 2022. Punki Modise`s 2019 Long Term Incentive award vested based on the measurement of the predetermined performance conditions over a three year period. The 2020 and 2021 Share Plan Incentive Performance awards vest over a three year period as they were made prior to her becoming an executive director. The 2022 Share Plan Incentive Performance award will also vest over a three year period as it was made subsequent to her executive directorship coming to an end.

Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's outstanding share-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022. The 2020 and 2021 Share Plan Incentive Performance awards will vest over a three-year period as they were made prior to them becoming prescribed officers.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price on 31 December 2022 (R193.90). For the 2020, 2021 and 2022 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

2022						
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/options lapsed/(forfeited) in 2022	Number of shares under award/option at 31 December 2022	Last scheduled vesting date	Fair value of unvested awards at 31 December 2022 R
185.93	747 439	130 709	—	—	2022/03/18	—
191.00	2 886 774	281 725	—	15 113	2023/04/01	2 930 411
191.00	1 998 242	42 975	—	20 925	2024/04/01	4 057 358
185.93	778 489	136 101	48 069	8 374	2024/03/18	1 623 719
—	—	—	—	99 370	2025/04/01	19 267 843
—	—	—	—	54 927	2026/04/01	10 650 345
—	—	—	—	31 972	2025/04/01	6 199 371
—	—	—	—	55 604	2025/04/01	10 781 616
	6 410 944	591 510	48 069	286 285		55 510 663
185.93	161 945	28 261	—	—	2022/03/18	—
191.00	636 030	62 075	—	3 331	2023/04/01	645 881
191.00	62 457	1 337	—	653	2024/04/01	126 617
178.10	919 352	149 960	19 753	—	2023/09/02	—
—	—	—	—	32 580	2023/04/01	6 317 262
—	—	—	—	25 109	2024/04/01	4 868 635
—	—	—	—	25 022	2025/04/01	4 851 766
—	—	—	—	55 604	2025/04/01	10 781 616
	1 779 784	241 633	19 753	142 299		27 591 777
185.93	138 146	23 985	—	—	2022/03/18	—
191.00	1 037 130	101 230	—	5 430	2023/04/01	1 052 877
191.00	199 786	4 202	—	2 092	2024/04/01	405 639
178.10	956 041	155 838	20 543	-	2023/09/02	—
—	—	—	—	35 295	2023/04/01	6 843 701
—	—	—	—	26 679	2024/04/01	5 173 058
—	—	—	—	8 340	2025/04/01	1 617 126
—	—	—	—	22 241	2025/04/01	4 312 530
—	—	—	—	24 536	2025/09/01	4 757 530
	2 331 103	285 255	20 543	124 613		24 162 461
185.93	351 780	61 543	—	—	2022/03/18	—
191.00	1 155 359	112 690	—	6 049	2023/04/01	1 172 901
191.00	249 828	5 348	—	2 615	2024/04/01	507 049
185.93	768 635	134 427	15 819	—	2023/03/18	—
—	—	—	—	40 400	2023/04/01	7 833 560
—	—	—	—	29 817	2024/04/01	5 781 516
—	—	—	—	9 035	2025/04/01	1 751 887
—	—	—	—	22 241	2025/04/01	4 312 530
—	—	—	—	24 536	2025/09/01	4 757 530
	2 525 602	314 008	15 819	134 693		26 116 973
185.93	211 031	36 814	—	—	2022/03/18	—
191.00	1 140 843	111 353	—	5 973	2023/04/01	1 158 165
191.00	249 828	5 348	—	2 615	2024/04/01	507 049
178.10	956 041	155 837	20 543	—	2023/09/02	—
—	—	—	—	35 295	2023/04/01	6 843 701
—	—	—	—	26 679	2024/04/01	5 173 058
—	—	—	—	9 730	2025/04/01	1 886 647
—	—	—	—	22 241	2025/04/01	4 312 530
—	—	—	—	24 536	2025/09/01	4 757 530
	2 557 743	309 353	20 543	127 069		24 638 680

57. Directors' and prescribed officers' remuneration (continued)

Outstanding cash-based long-term awards

There are no outstanding cash-based long-term awards for any executive directors or prescribed officers for 2023. These all vested in 2022.

	2022				
	Value under award at 1 January 2022 R	Maximum potential value at 1 January 2022 R	Value awarded in the year R	Value released in the year R	Value forfeited in the year R
Executive directors					
Jason Quinn					
Cash value plan 2019 – 2022	983 000	1 277 900	—	983 000	—
Total	983 000	1 277 900	—	983 000	—
Prescribed officers					
Charles Russon					
Cash value plan 2019 – 2022	696 334	905 234	—	696 334	—
Total	696 334	905 234	—	696 334	—
Punki Modise					
Cash value plan 2019 – 2022	150 726	195 944	—	150 726	—
Total	150 726	195 944	—	150 726	—
Faisal Mkhize					
Cash value plan 2019 – 2022	128 800	167 440	—	128 800	—
Cash value plan (MRT) 2022	1 400 000	1 400 000	—	1 400 000	—
Total	1 528 800	1 567 440	—	1 528 800	—
Cowyk Fox					
Cash value plan 2019 – 2022	327 666	425 966	—	327 666	—
Cash value plan (MRT) 2022	1 500 000	1 500 000	—	1 500 000	—
Total	1 827 666	1 925 966	—	1 827 666	—
Geoffrey Lee					
Cash value plan 2019 – 2022	196 600	255 580	—	196 600	—
Cash value plan (MRT) 2022	1 500 000	1 500 000	—	1 500 000	—
Total	1 696 600	1 755 580	—	1 696 600	—

Punki Modise's outstanding cash-based long-term awards include awards received prior to becoming an executive director for the period 23 April 2021 to 29 March 2022

Faisal Mkhize's, Cowyk Fox' and Geoffrey Lee's outstanding cash-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022.

2022						
Converted to equity R	Service credit awarded in the year R	Service credit released in the year R	Service credit lapsed/(forfeited) in the year R	Value under award at 31 December 2022 R	Maximum potential value at 31 December 2022 R	Last scheduled vesting date
—	—	294 900	—			2022/03/18
—	—	294 900	—			
—	—	208 900	—			2022/03/18
—	—	208 900	—			
—	—	45 218	—			2022/03/18
—	—	45 218	—			
—	—	38 640	—			2022/03/18
—	—	—	—			2022/04/01
—	—	38 640	—			
—	—	98 300	—			2022/03/18
—	—	—	—			2022/04/01
—	—	98 300	—			
—	—	58 980	—			2022/03/18
—	—	—	—			2022/04/01
—	—	58 980	—			

57. Directors' and prescribed officers' remuneration (continued)

Group Chairman and non-executive directors' fees

Directors	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	2023 Total R	2022 Total R	2021 Total R
Alex Darko	483 840	999 218	79 542	—	—	**1 562 600**	2 192 190	2 255 669
Francis Okomo-Okello	483 840	509 245	79 542	—	156 742	**1 229 369**	1 601 992	1 971 912
Nhlanhla Mjoli-Mncube	892 619	738 491	106 917	—	—	**1 738 027**	1 627 935	—
René van Wyk	632 329	1 983 148	106 917	—	—	**2 722 394**	2 727 269	—
Rose Keanly	626 384	1 242 218	106 917	675 777	—	**2 651 296**	2 737 962	—
Sello Moloko	6 951 577	—	—	—	—	**6 951 577**	5 610 482	126 974
Tasneem Abdool-Samad	632 329	1 776 243	106 917	824 874	—	**3 340 363**	3 426 394	3 495 595
Total	10 702 917	7 248 563	586 750	1 500 652	156 742	**20 195 624**	19 924 224	7 850 150

Alex Darko and Francis Okomo-Okello retired from the Absa Bank board on 30 September 2023.

Nhlanhla Mjoli-Mncube is the Lead Independent Director (LID). The LID fees are included under the Group fee.

The fee applicable to Sello Moloko, the Group Chairman, covers chairmanship of the Absa Group and Absa Bank boards as well as membership of any board committees.

The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

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