Absa Group Limited

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

Absa Group Limited Annual consolidated and seperate 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.

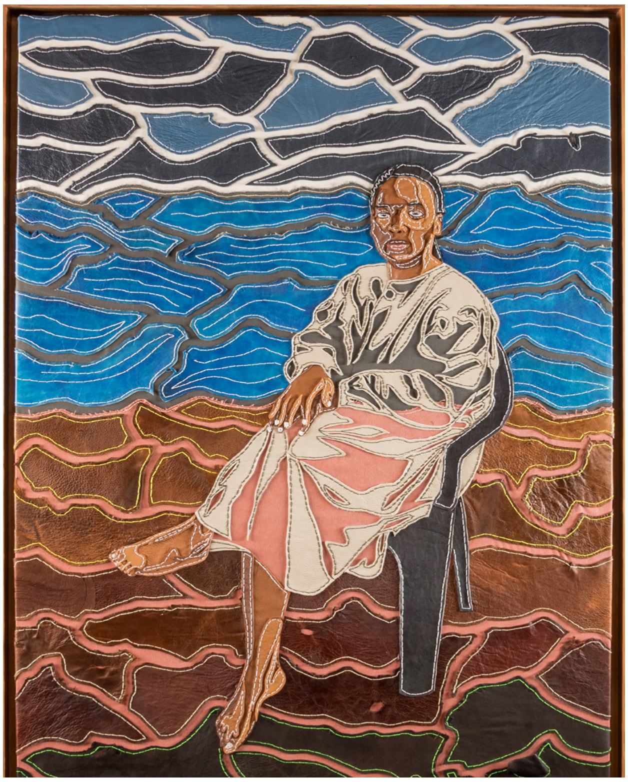
One of the pillars of our Growth Strategy focuses on what it means to be 'an active force for good in everything that we do'. Our commitment to be an active force for good includes our continued sponsorship of the Absa L'Atelier art competition. This longstanding and prestigious competition gives aspiring 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.

Abongile Sidzumo
2021 Absa L'Atelier
Gerard Sekoto award winner

Scan to view the artist full portfolio

Abongile Sidzumo (born 1996) is influenced by his life experience and the performance of everyday life in black communities. He uses discarded leather offcuts in his body of work and assembles them to create imaginary landscapes. The leather offcuts have been stitched together by thread, they explore ideas around migrant labour, land, and class. The act of repurposing leather offcuts draws influence from the livelihoods of the working class.

Featured Artwork



Soul healer. 2023

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Absa Group Limited
(1986/003934/06)

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 Group 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 13 is made to distinguish, for the benefit of shareholders, the respective responsibilities of the directors and of the auditors in relation to the consolidated and separate financial statements of Absa Group 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 Group Limited standalone company (the Company) and Absa Group 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 49.
- 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 13 to 17 of this report.

The Directors' Report on pages 9 to 12 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

Johannesburg
10 March 2024

Group Chief Executive 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 18 to 243, fairly present in all material respects the consolidated and separate financial position, financial performance and cash flows of Absa Group Limited in terms of the International Financial Reporting Standards (IFRS).

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

(c) Internal financial controls have been put in place to ensure that material information relating to Absa Group 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

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.

Annual financial statements and integrated reporting process (continued)

- 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

Company Secretary's certificate to the shareholders of Absa Group 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

Directors' report

General information and nature of activities

The Group, which has a primary listing on the JSE and a secondary listing on the A2X exchange, is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, insurance, financial services and wealth management products and services. The Group operates in 12 African countries, as well as the UK and USA and employs 37 107 people. The address of the registered office of the Group is the 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

The Group is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in Sub- Saharan Africa.

The Group has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, representative offices in Namibia and Nigeria, as well as securities entities in the United Kingdom and United States, along with Technology support in Czech Republic and general advisory support in China.

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 Board, on 10 March 2024.

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

Group Audit and Compliance Committee report

Refer to pages 4 to 7.

Group results

Main business and operations

The Group recorded an increase of 1% in headline earnings to **R20 074m** (2022: R19 974m) for the reporting period. Headline earnings per share (HEPS) increased by 1% to **2 422.3 cents** (2022: 2 408.2 cents) and diluted HEPS by 1% to **2 415.1 cents** (2022: 2 395.3 cents). Refer to note 39 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 for further details.

Headline earnings were derived from the following activities:

	Group	
	2023 Rm	Restated 2022 Rm
Product Solutions Cluster	**2 368**	3 096
Relationship Banking	**4 077**	4 132
Everyday Banking	**3 354**	4 047
Absa Regional Offices RBB	**1 510**	1 191
Corporate and Investment Banking	**11 033**	9 006
Head Office, Treasury and other operations	**(1 416)**	(745)
Barclays separation	**(852)**	(753)
Headline earnings (refer to note 39)	**20 074**	19 974

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

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 Beck (British)	Independent non-executive director	Appointed 1 December 2023
J Cummins (British)	Independent non-executive director	
A Darko (Ghanaian/British)	Independent non-executive director	Retired 30 September 2023
L Diogo (Mozambican)	Independent non-executive director	Appointed 1 September 2023
R Keanly	Independent non-executive director	
P Mageza	Independent non-executive director	Appointed 1 August 2023
A Mangale	Independent non-executive director	Appointed 1 July 2023
N Mjoli-Mncube	Lead independent non-executive director	
S Munyatwali (Ugandan/British)	Independent non-executive director	
D Naidoo	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	
I Rensburg	Independent non-executive director	
C Snyman	Interim Group Financial Director	Appointed 23 November 2023
F Tonelli	Independent non-executive director	
R van Wyk	Independent non-executive director	

Shareholder information

	2023			2022		
	Number of shareholders/ note holders	Number of shares/notes	% holding	Number of shareholders/ note holders	Number of shares/notes	% holding
Public and non-public shareholders						
Ordinary shares						
Public						
Public Investment Corporation (SA)	1	45 962 816	5.14	1	41 455 008	4.89
Other	56 502	782 379 493	87.48	52 918	785 457 981	92.66
Non-public		66 034 598	7.38		20 837 690	2.45
Treasury shares (Refer to note 22.2)		65 322 253	7.30		20 324 498	2.40
Directors and prescribed officers (refer to note 22.3)		712 345	0.08		513 192	0.05
Total		894 376 907	100		847 750 679	100

Additional Tier 1 capital

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Group 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 (PA) 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.

Treasury shares

The Absa Group Limited Share Incentive Trust and Absa Capital Securities Proprietary Limited hold treasury shares of **2 715 870** (2022: 4 344 343). Newshelf 1405 (RF) Proprietary Limited (which is currently consolidated into the Group) holds **62 606 383** (7%) Absa Group Limited shares (2022: 15 980 155) as part of the Group's B-BBEE transaction. 3% is designated for the SA Staff Scheme (eKhaya transaction), in which employees will become shareholders after five years (from 1 September 2023). 4% is designated for an evergreen CSI Trust. The CSI trust was established in 2023, and will transfer its substantial dividend income received to its beneficiaries, who will be primarily black participants in CSI programmes focusing on education and youth employment. For further information regarding the B-BBEE transaction, refer to note 22.

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' 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 Absa Group Ordinary shares awards, the details of which are included in the Directors' and prescribed officers' remuneration note 61.

No other contracts were entered into in which Directors and officers of the Company 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 61.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures are set out in note 46 to the consolidated financial statements.

Acquisitions during the current reporting period

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

Acquisitions during the prior reporting period

The Group acquired an equity interest of 17.5% in Sanlam Investment Holdings when selling its investment management business within Absa Investments. The transaction was first disclosed in the prior reporting period and concluded on 1 December 2022 where the Group received consideration comprising of ordinary shares (R679m, 12.6%), cumulative, convertible, redeemable preference shares (R266m, 4.9%) and deferred consideration (R143m) to be settled in cash. The interest in the ordinary shares resulted in the recognition of an investment in associate to the value of R679m.

Disposals during the current reporting period

As part of the agreement between Absa Group Limited and Sanlam Investment Holdings (refer to note 52. 4 below), NewFunds (RF) Proprietary Limited resigned as manager of the NewFunds Collective Investment Scheme in Securities (NewFunds CIS). This has resulted in the deconsolidation of NewFunds CIS.

As part of the Group's disposal of the Investment Management business, Head Office, Treasury and other operations have disposed of majority of its market Linked Investment Service Provider (LISP) business, a division of Absa Investment Management Services (Pty) Limited. The total carrying amount for the assets disposed is R98m and the total carrying amount for the liabilities disposed is R26m. The disposal resulted in a gross loss of R21m. Please refer to the acquisitions and disposals of business note for further details. The sale was concluded on 01 November 2023.

Disposals during the prior reporting period

Disposals in the prior year relate to the businesses sold within Absa Investments referred to above.

Refer to note 52 for additional information on the acquisitions and disposals of businesses and other significant assets.

Dividends

- On 14 August 2023 an interim dividend of 685 cents per ordinary share was declared. The dividend was announced on 14 August 2023 to ordinary shareholders registered on 15 September 2023. The dividend was paid on 18 September 2023.
- On 10 March 2024, a final dividend of 685 cents per ordinary share was approved by the Board. The dividend was announced on 11 March 2024 to ordinary shareholders registered on 19 April 2024. This dividend is payable on 22 April 2024.
- Refer to Note 42 for 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 share capital of the Company of R1 900 000 000 consists of 950 000 000 ordinary shares of R2,00 each.

Issued

The total issued share capital at the reporting date was made up as follows:

894 376 907 (2022: 847 750 679) ordinary shares of R2,00 each.

No preference shares are currently in issue by the Group.

Independent auditors’ report to the shareholders of Absa Group Limited

To the Shareholders of Absa Group 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 Group Limited (the group and company), set out on pages 18 to 243 which comprise:

- the consolidated and company statements of financial position as at 31 December 2023;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company financial statements excluding the sections marked as “unaudited” in notes 48, 58.6.1 and 58.7 to the consolidated 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 Group 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.

We have determined that there are no key audit matters to communicate in our report with regard to the separate financial statements of the company.

Level	Key audit matter	How our audit addressed the key audit matter
Absa Group Limited (consolidated)	**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 financial statements in the following accounting policies and notes: • Note 1.2.1 – Approach to credit risk and impairment of loans and advances • Note 1.7.4 – Expected credit losses on financial assets • Note 7 – Loans and advances • Note 33 – Credit impairment charges • Note 58.2 – Credit risk • Note 58.3 – Macro-overlays and sensitivity analysis	

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Absa Group Limited (consolidated) (continued)</td><td>The group's loans and advances to customers and the related ECL is material to the consolidated 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 is accounted for by 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 requires 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>

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Absa Group Limited (consolidated) (continued)</td><td>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.</td><td>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.</td></tr>
<tr><td></td><td>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.</td><td>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 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.</td></tr>
<tr><td></td><td>4. Disclosures related to credit risk
Credit risk disclosures are significant as they rely on material data inputs and explain management judgement, estimates and assumptions used in determining the ECL.</td><td>4. Disclosures related to credit risk
• We tested the design and implementation and operating effectiveness of controls over the credit risk financial reporting process in respect of the disclosures presented in note 58.2 to the consolidated financial statements.
• We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates and macroeconomic forecasts.
• We assessed the disclosures in the financial statements for compliance in accordance with the requirements of IFRS 9.</td></tr>
</table>

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Absa Group Limited (consolidated) (continued)</td><td colspan="2">Valuation of complex financial instruments
The disclosure associated with the valuation of complex financial instruments is set out in the consolidated financial statements in the following material accounting policies and notes:
• Note 1.2.3 – Fair value measurements
• Note 56 – Fair value disclosures</td></tr>
<tr><td></td><td>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 (XVAs).

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.</td><td>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.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Absa Group 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 Group Limited, the Group Audit and Compliance Committee report and the Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the 'Absa Group Limited Integrated Report 2023 for the year ended 31 December 2023' which is expected to be made available to us after that date. 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 48, 58.6.1 and 58.7 to the consolidated financial statements).

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

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 obtained prior to the date of this auditors' report, 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.

Auditors' 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 Group 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 the Absa Group Limited's website is beyond the scope of the audit of the consolidated and separate financial statements. Accordingly, we accept no responsibility for the process over the electronic distribution of the consolidated and separate financial statements.

Consolidated statement of financial position

as at 31 December

		Group		
			Restated	
				1 January
		2023	2022	2022
	Note	Rm	Rm	Rm
Assets				
Cash, cash balances and balances with central banks	2	**77 815**	66 429	66 041
Investment securities	3	**236 498**	215 637	188 898
Trading portfolio assets	4	**191 097**	206 454	203 240
Hedging portfolio assets	4	**5 441**	4 973	3 697
Other assets	5	**27 805**	23 980	23 903
Current tax assets		**627**	658	666
Non-current assets held for sale	6	**197**	212	4 259
Loans and advances	7	**1 271 357**	1 213 399	1 092 257
Insurance contract assets	8	**693**	613	1 404
Reinsurance contract assets	8	**972**	1 025	939
Investments linked to investment contracts	9	**21 045**	19 288	19 803
Investments in associates and joint ventures	10	**2 644**	2 409	1 593
Investment property	11	**378**	397	421
Property and equipment	12	**16 016**	15 325	15 970
Goodwill and intangible assets	13	**14 442**	12 901	11 903
Deferred tax assets	14	**7 849**	8 401	5 755
Total assets		**1 874 876**	1 792 101	1 640 749
Liabilities				
Trading portfolio liabilities	15	**62 548**	94 910	73 568
Hedging portfolio liabilities	15	**1 688**	2 237	2 910
Other liabilities	16	**42 093**	34 291	47 928
Provisions	17	**6 045**	5 860	5 348
Current tax liabilities		**833**	971	1 091
Non-current liabilities held for sale	6	**—**	26	3 465
Deposits	18	**1 339 536**	1 241 918	1 173 766
Debt securities in issue	19	**211 128**	205 519	129 775
Liabilities under investment contracts	20	**21 247**	19 999	21 126
Insurance contract liabilities	8	**6 426**	6 601	6 194
Reinsurance contract liabilities	8	**252**	45	124
Borrowed funds	21	**18 502**	26 420	26 600
Deferred tax liabilities	14	**181**	168	528
Total liabilities		**1 710 479**	1 638 965	1 492 423
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	22	**1 657**	1 654	1 660
Share premium	22	**10 464**	10 191	10 644
Retained earnings		**130 308**	122 161	111 547
Other reserves	23	**2 157**	535	6 934
		144 586	134 541	130 785
Non-controlling interest – ordinary shares		**6 905**	6 448	5 893
Non-controlling interest – preference shares	24.1	**4 644**	4 644	4 644
Other equity: Additional Tier 1 capital	24.2	**8 262**	7 503	7 004
Total equity		**164 397**	153 136	148 326
Total liabilities and equity		**1 874 876**	1 792 101	1 640 749

Statement of financial position has been restated. Refer to the reporting changes overview in note 1.21.

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Group 2023 Rm	Group Restated 2022 Rm
Net interest income		68 055	60 498
Interest and similar income	25	154 462	112 232
Effective interest income		151 693	110 315
Other interest income		2 769	1 917
Interest expense and similar charges	26	(86 407)	(51 734)
Non-interest income		36 587	36 338
Net fee and commission income		24 971	24 504
Fee and commission income	27	28 214	27 546
Fee and commission expense	27	(3 243)	(3 042)
Insurance service result		1 998	2 003
Insurance revenue	28	11 585	10 136
Insurance service expenses	8	(8 913)	(7 940)
Net expense from reinsurance contracts	8	(674)	(193)
Net finance expense from insurance contracts	29	(150)	(63)
Net finance expense from reinsurance contracts	29	(4)	(7)
Changes in investment contract liabilities	20	(1 443)	1 186
Gains and losses from banking and trading activities	30	8 081	7 728
Gains and losses from investment activities	31	2 642	(532)
Other operating income	32	492	1 519
Total income		104 642	96 836
Credit impairment charges	33	(15 535)	(13 703)
Operating income before operating expenditure		89 107	83 133
Operating expenditure	32	(55 704)	(50 474)
Other expenses	34	(3 353)	(2 440)
Other impairments	35	(459)	(591)
Indirect taxation	36	(2 344)	(1 849)
Loss on net monetary position		(550)	—
Share of post-tax results of associates and joint ventures		200	137
Operating profit before income tax		30 250	30 356
Taxation expense	37	(7 687)	(7 952)
Profit for the reporting period		22 563	22 404
Profit attributable to:			
Ordinary equity holders		19 891	20 265
Non-controlling interest – ordinary shares		1 400	1 264
Non-controlling interest – preference shares		373	266
Other equity: Additional Tier 1 capital		899	609
		22 563	22 404
Earnings per share:			
Basic earnings per share (cents)	38.1	2 400.3	2 443.3
Diluted earnings per share (cents)	38.2	2 393.0	2 430.1

The statement of comprehensive income has been restated. Refer to the reporting changes overview in note 1.21.

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Group 2023 Rm	Restated 2022 Rm
Profit for the reporting period		**22 563**	22 404
Other comprehensive income			
Items that will not be reclassified to profit or loss		**(447)**	(20)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)		**1**	(1)
Fair value losses		**1**	(1)
Deferred tax		**—**	—
Movement on liabilities designated at FVTPL due to changes in own credit risk		**(241)**	(151)
Fair value movements		**(330)**	(202)
Deferred tax		**89**	51
Movement in retirement benefit fund assets and liabilities		**(207)**	132
Increase/(decrease) in retirement benefit surplus	41	**368**	(37)
(Increase)/decrease in retirement benefit deficit	41	**(611)**	148
Deferred tax	14	**36**	21
Items that are or may be subsequently reclassified to profit or loss		**762**	(7 123)
Movement in foreign currency translation reserve		**(1 235)**	(1 785)
Differences in translation of foreign operations		**(1 235)**	(1 785)
Movement in cash flow hedging reserve		**1 936**	(4 477)
Fair value movements		**1 410**	(3 460)
Amounts transferred within other comprehensive income		**(26)**	21
Amount removed from other comprehensive income and recognised in profit or loss	54	**1 268**	(2 718)
Deferred tax	14	**(716)**	1 680
Movement in fair value of debt instruments measured at FVOCI		**(195)**	(237)
Fair value movements		**(202)**	(364)
Release to profit or loss	30	**(66)**	(7)
Deferred tax	14	**73**	134
Movement in Insurance finance reserve		**257**	(624)
Finance income/(expense) from insurance contracts		**362**	(767)
Finance (expense)/income from reinsurance contracts		**(19)**	(92)
Deferred tax		**(52)**	235
Current tax		**(34)**	—
Total comprehensive income for the reporting period		**22 878**	15 261
Total comprehensive income attributable to:			
Ordinary equity holders		**20 521**	13 298
Non-controlling interest – ordinary shares		**1 085**	1 088
Non-controlling interest – preference shares		**373**	266
Other equity: Additional Tier 1 capital		**899**	609
		22 878	15 261

The statement of comprehensive income has been restated. Refer to the reporting changes overview note 1.21.

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Consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	122 161	536	808	(992)
Impact of Hyperinflation	—	—	—	815	(5)	—	(27)
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	122 976	531	808	(1 019)
Total comprehensive income	—	—	—	19 443	1 078	—	(181)
Profit for the period	—	—	—	19 891	—	—	—
Other comprehensive income	—	—	—	(448)	1 078	—	(181)
Shares issued	46 626	93	7 710	—	—	—	—
Dividends paid during the reporting period	—	—	—	(11 065)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(567)	(772)	—	—	—
Elimination of the movement in treasury shares held by Group entities	(44 999)	(90)	(7 437)	—	—	—	—
Movement in share-based payment reserve	—	—	567	—	275	—	—
Transfer from share-based payment reserve	—	—	567	—	(567)	—	—
Value of employee services	—	—	—	—	1 034	—	—
Deferred tax	—	—	—	—	(192)	—	—
Movement in general credit risk reserve	—	—	—	(87)	87	87	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	13	(13)	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(200)	200	—	—
Balance at the end of the reporting period	829 054	1 657	10 464	130 308	2 157	895	(1 200)
Note	22	22	22			23	23

Consolidated statement of changes in equity

for the reporting period ended 31 December

Group

2023

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital Rm	Total equity Rm
(3 215)	1 393	57	(356)	1 102	1 739	134 542	6 448	4 644	7 503	153 137
—	—	—	—	22	—	810	—	—	—	810
(3 215)	1 393	57	(356)	1 124	1 739	135 352	6 448	4 644	7 503	153 947
1 936	(892)	—	216	—	—	20 521	1 085	373	899	22 878
—	—	—	—	—	—	19 891	1 400	373	899	22 563
1 936	(892)	—	216	—	—	630	(315)	—	—	315
—	—	—	—	—	—	7 803	—	—	—	7 803
—	—	—	—	—	—	(11 065)	(628)	(373)		(12 066)
—	—	—	—	—	—	—	—	—	(899)	(899)
—	—	—	—	—	—	—	—	—	2 000	2 000
—	—	—	—	—	—	—	—	—	(1 241)	(1 241)
—	—	—	—	—	—	(1 339)	—	—	—	(1 339)
—	—	—	—	—	—	(7 527)	—	—	—	(7 527)
—	—	—	—	275	—	842	—	—	—	842
—	—	—	—	(567)	—		—	—	—	
—	—	—	—	1 034	—	1 034	—	—	—	1 034
—	—	—	—	(192)	—	(192)	—	—	—	(192)
—	—	—	—	—	—	—	—	—	—	—
—	—	(13)	—	—	—	—	—	—	—	—
—	—	—	—	—	200	—	—	—	—	—
(1 279)	501	44	(140)	1 399	1 939	144 586	6 905	4 644	8 262	164 397
23	23	23	23				24	24		

Consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance as reported at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 703	825	(845)
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	688	231	—	—
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 547	6 934	825	(845)
Total comprehensive income	—	—	—	20 240	(6 942)	—	(147)
Profit for the period	—	—	—	20 265	—	—	—
Other comprehensive income	—	—	—	(25)	(6 942)	—	(147)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Redemption of Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(357)	(163)	—	—	—
Elimination of the movement in treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—
Movement in share-based payment reserve	—	—	357	—	423	—	—
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—
Value of employee services	—	—	—	—	652	—	—
Deferred tax	—	—	—	—	128	—	—
Movement in general credit risk reserve	—	—	—	17	(17)	(17)	—
Movement in foreign insurance subsidiary regulatory reserve							
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—
Balance at the end of the reporting period	827 426	1 654	10 191	122 161	535	808	(992)

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 1.21.

Consolidated statement of changes in equity

for the reporting period ended 31 December

Restated

2022

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
1 262	3 123	57	—	679	1 602	129 866	5 798	4 644	7 004	147 312
—	(3)	—	234	—	—	919	94	—	—	1 013
1 262	3 120	57	234	679	1 602	130 785	5 892	4 644	7 004	148 325
(4 477)	(1 727)	—	(590)	—	—	13 298	1 088	266	609	15 261
—	—	—	—	—	—	20 265	1 264	266	609	22 404
(4 477)	(1 727)	—	(590)	—	—	(6 967)	(176)	—	—	(7 143)
—	—	—	—	—	—	(9 343)	(532)	(266)	—	(10 141)
—	—	—	—	—	—	—	—	—	(609)	(609)
—	—	—	—	—	—	—	—	—	1 999	1 999
—	—	—	—	—	—	—	—	—	(1 500)	(1 500)
—	—	—	—	—	—	(520)	—	—	—	(520)
—	—	—	—	—	—	(459)	—	—	—	(459)
—	—	—	—	423	—	780	—	—	—	780
—	—	—	—	(357)	—	—	—	—	—	—
—	—	—	—	652	—	652	—	—	—	652
—	—	—	—	128	—	128	—	—	—	128
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	137	—	—	—	—	—
(3 215)	1 393	57	(356)	1 102	1 739	134 541	6 448	4 644	7 503	153 136

Consolidated statement of cash flows

for the reporting period ended 31 December

		Group	
	Note	2023 Rm	Restated 2022 Rm
Cash flow from operating activities			
Profit before tax		**30 250**	30 356
Depreciation and amortisation	34	**5 932**	5 846
Other impairments	35	**459**	591
Share of post-tax results of associates and joint ventures		**(200)**	(137)
Profit on sale of the investment management business			(759)
Loss on net monetary position		**550**	—
Other non-cash items included in profit before tax		**(130)**	(8)
Dividends received from investing activities		**(404)**	(449)
Cash flow from operating activities before changes in operating assets and liabilities		**36 457**	35 440
Net (increase)/decrease in trading and hedging portfolio assets		**16 492**	(8 206)
Net increase in loans and advances		**(63 074)**	(116 404)
Net decrease in other assets		**1 067**	10 315
Net increase in investment securities		**(21 659)**	(26 176)
Net decrease/(increase) in trading and hedging portfolio liabilities		**(33 110)**	20 476
Net (decrease) in investment contracts		**(508)**	(611)
Net increase/(decrease) in insurance and reinsurance contract assets/liabilities		**452**	(5 681)
Net increase in deposits		**103 573**	64 842
Net increase in other labilities		**11 399**	59 369
Income taxes paid		**(7 509)**	(10 351)
Net cash generated from/(utilised in) operating activities		**43 580**	23 013
Cash flow from investing activities			
Proceeds from disposal of non-current assets held sale		**233**	54
Dividends received from investment activities		**252**	422
Purchase of property and equipment		**(2 542)**	(2 214)
Proceeds from disposal of investment properties		**2**	1
Proceeds from disposal of properties and equipment	12	**293**	125
Purchase of intangible assets	13	**(4 638)**	(3 674)
Proceeds from disposal of intangible assets		**41**	3
Net cash utilised in investing activities		**(6 359)**	(5 283)
Cash flow from financing activities			
Sale/(purchase) of own shares		**276**	(459)
Purchase of Group shares in respect of equity settled share-based payment schemes		**(1 340)**	(518)
Issue of Additional Tier 1 capital		**2 000**	1 999
Expiry of Additional Tier 1 capital		**(1 241)**	(1 499)
Proceeds from borrowed funds		**2 497**	1 916
Repayment of borrowed funds		**(11 317)**	(2 204)
Repayment of lease liabilities		**(1 255)**	(1 098)
Distributions paid to Tier 1 Capital holders		**(899)**	(609)
Dividends paid		**(12 066)**	(10 141)
Net cash (utilised in)/generated from financing activities		**(23 345)**	(12 613)
Net increase/(decrease) in cash and cash equivalents		**13 876**	5 117
Cash and cash equivalents at the beginning of the reporting period		**75 268**	68 978
Effect of exchange rate movement/hyperinflation on cash and cash equivalents		**(690)**	1 173
Cash and cash equivalents at the end of the reporting period	50	**88 454**	75 268

As part of operating activities, interest income amounting to **R146 973m** (2022: 114 446m); and interest expense amounting to **R80 453m** (2022: R51 073m) were received and paid in cash respectively. Amounts reported above may differ from the actual underlying cash flows on the date of the transaction as they have been adjusted due to the impact of accounting for the effects of a subsidiary operating in a hyperinflationary economy. Included in other liabilities are debt securities in issue and provisions.

Summary of material accounting policies

for the reporting period ended 31 December 2023

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 effect of the change in purchase power for entities within the group that has a functional currency of a hyperinflationary economy, and for the fair valuation of investment property as well as policyholder liabilities 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.

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).

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)

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

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

1.2.1.1 Approach to credit modelling/internal ratings

The key objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the 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. 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

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.

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. 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)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2023:

	Baseline					Mild upside					Mild downside				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
Botswana															
Real GDP (%)	3.8	3.7	3.9	4.0	4.0	4.5	5.0	5.4	5.3	5.3	3.3	2.9	3.0	2.8	2.8
CPI (%)	5.4	5.1	4.5	4.4	4.4	4.5	3.0	3.5	3.2	3.2	5.7	6.5	5.8	5.7	5.7
Average policy rate (%)	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.3	2.3	2.3	2.7	3.8	4.9	5.0	5.0
Ghana															
Real GDP (%)	2.8	3.9	4.5	5.0	5.0	4.0	4.9	5.8	6.0	6.0	2.0	2.5	3.2	4.0	4.0
CPI (%)	40.1	23.1	15.6	12.6	10.5	38.0	16.0	11.5	9.0	9.0	41.2	27.0	19.0	15.5	15.5
Average policy rate (%)	29.3	27.9	19.5	17.0	16.1	29.1	20.7	15.3	14.0	14.0	29.4	30.4	25.7	23.1	20.4
Kenya															
Real GDP (%)	5.2	5.4	5.5	5.5	5.5	5.5	6.9	7.0	7.2	7.3	4.9	4.1	4.1	4.0	4.0
CPI (%)	7.8	6.8	5.7	5.4	5.4	6.8	5.4	4.9	4.6	4.6	8.2	7.9	7.4	7.2	7.2
Average policy rate (%)	9.8	10.4	9.5	9.1	9.0	9.8	9.5	8.3	8.0	8.0	10.0	11.5	10.9	10.5	10.5
Mauritius															
Real GDP (%)	5.2	4.7	4.2	3.7	3.7	5.8	5.9	5.4	4.8	4.8	4.3	2.9	2.0	2.0	2.0
CPI (%)	7.0	3.5	3.9	3.6	3.6	6.6	1.9	2.3	2.0	2.0	7.6	6.0	5.7	5.4	5.4
Average policy rate (%)	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.0	4.0	4.0	4.8	6.5	6.5	6.5	6.5

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

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Botswana															
Real GDP (%)	5.0	4.4	4.0	3.8	3.8	6.6	5.8	5.4	5.2	5.2	4.3	3.0	3.0	2.7	2.7
CPI (%)	12.3	6.2	3.9	3.6	3.6	11.9	4.9	2.4	2.2	2.2	13.0	8.0	5.5	5.4	5.4
Average policy rate (%)	2.8	2.7	2.9	3.4	3.9	2.8	2.7	2.7	3.0	3.2	2.8	3.9	4.6	5.1	5.2
Ghana															
Real GDP (%)	3.4	3.0	3.6	4.4	5.0	4.5	4.8	5.3	6.0	6.6	2.1	0.4	1.6	2.4	2.8
CPI (%)	29.5	25.0	12.1	13.1	11.0	28.0	19.5	8.9	10.5	9.0	30.5	31.0	17.4	15.5	13.0
Average policy rate (%)	19.0	24.2	21.0	20.0	19.1	19.0	22.9	19.7	18.2	17.1	19.5	27.4	22.8	21.6	21.3
Kenya															
Real GDP (%)	5.3	5.0	5.2	5.5	5.5	6.0	6.5	6.5	7.0	7.0	4.0	3.7	4.0	4.3	4.3
CPI (%)	7.5	4.5	4.6	4.7	4.7	7.0	3.5	3.7	3.9	3.9	8.0	6.2	6.3	6.5	6.5
Average policy rate (%)	7.5	8.8	8.8	8.8	8.8	7.4	8.0	8.0	8.0	8.0	7.6	10.4	10.8	11.3	11.3
Mauritius															
Real GDP (%)	7.4	5.5	4.2	4.0	4.0	9.2	7.0	5.5	5.0	5.0	3.9	3.0	2.9	2.9	2.9
CPI (%)	10.5	5.5	4.0	3.8	3.7	10.1	4.0	3.2	2.6	2.5	11.0	7.4	6.3	5.3	5.0
Average policy rate (%)	2.4	4.3	4.5	4.5	4.5	2.3	3.8	4.0	3.8	3.8	2.4	5.1	6.0	6.0	6.0

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 are 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 as compared to conditions of just 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 downwards 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 of 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 also as 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.

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)

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 to average 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.

ARO

The economic landscape of our presence in countries in ARO displays significant diversity. Based on a GDP-weighted analysis, Absa's projections for economic growth in the ARO region for 2023 have been trimmed to 4.3%, about half a percent slower than 2022. Absa expects growth to revert to 4.8% in 2024, largely as very difficult economic conditions in Ghana and Zambia abate.

1.2.1.6 Critical judgement with regards to modification of financial assets

The Group views pervasive changes to the contractual arrangements of debt instruments issued by entities that carry significant systemic risk as substantial modifications; regardless of the reason for the restructure. As a result, the existing instruments are derecognised, and new financial assets are recognised. The new instruments will be measured as POCI assets if the terms thereof meet the relevant criteria included in IFRS 9.

For more information, refer to note 55

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.

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 from 7% to 16% at 31 December 2023 (6% to 17% at 31 December 2022). The discount rates used have been adjusted from 11.5% to 33.5% at 31 December 2023 (11% to 26.5% 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 13 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.

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)

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.

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.

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)

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.

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	
			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 models, third-party valuations, earnings multiples 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.

1.2.4 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.

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 (continued)

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 46 and 47.

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 41 for the specific assumptions used and carrying amounts of post-retirement benefits.

1.2.6 Provisions

In terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), a provision is recognised when the 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 17 for details of provisions recognised and refer to note 49 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.

1. Summary of material accounting policies (continued)

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

1.2.7 Income taxes (continued)

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 zeros-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 50.

1.2.9 Insurance and reinsurance 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 and estimates of any relevant market variables 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, 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.

Discount rates

The Group adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group applies the bottom-up approach in determining the relevant discount rate for all insurance contracts, where discounting is required. These discount rates are determined by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underpin the rates observed in the market and the liquidity characteristics of the insurance contracts.

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

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)

Discount rates (continued)

The table below sets out the yield curves used to discount cash flows of insurance contracts for major currencies:

	Life		Non-life	
	2023 %	2022 %	2023 %	2022 %
1 year				
BWP	6.73	5.68		
Kes	16.25	10.46	16.10	10.31
ZAR	8.54	7.67	7.78	7.93
ZMW	16.07	16.69		
5 years				
BWP	7.48	7.14		
Kes	17.40	13.54	17.45	13.53
ZAR	8.14	8.09	8.61	8.57
ZMW	16.07	16.69		
10 years				
BWP	8.89	8.66		
Kes	15.70	13.78	15.70	13.77
ZAR	8.58	8.68	8.68	9.79
ZMW	16.07	16.69		
15 years				
BWP	9.11	8.84		
Kes	15.73	13.94	15.73	13.93
ZAR	9.12	9.12	8.60	10.12
ZMW	16.07	16.69		
20 years				
BWP	9.00	8.79		
Kes	15.90	14.05	15.90	14.05
ZAR	9.50	9.36	8.54	10.01
ZMW	16.07	16.69		

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. Furthermore, the RA for non-financial risk of the Group's reinsurance contracts is the amount of risk being transferred by the Group to the reinsurer and is aligned to the methodologies applied to the insurance contracts measured under the general measurement model (GMM) and the premium allocation approach (PAA) model.

The following confidence levels were used to determine the RA for non-financial risk for insurance and reinsurance contracts held:

	2023 %	2022 %
Life contracts (weighted average)	90	93
Non-life contracts (weighted average)	75	75

Contractual Service Margin and coverage units (CSM)

The number of coverage units refers to the quantity of services provided by the contracts in a group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date. The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year and is calculated with reference to the CSM allocated to coverage units released in the year. The coverage units released is determined with reference to the total contractual sum assured for the risks insured with the Group at each valuation/reporting date, factoring in discounting and the expected duration of the contract.

Presentation and disclosure

The amounts presented as insurance service result in the income statement under IFRS 17 include:

- Insurance revenue that reflects the total of the changes in the LRC that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows (excluding any investment components).
- 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. Amortisation of insurance acquisition cash flows, as well as any adjustment to the liability for incurred claims are also included. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.
- Net expenses from reinsurance contracts reflecting the amounts recovered from reinsurers and reinsurance expenses.

For contracts measured under the PAA, expected premiums are recognised as revenue (a.k.a. earned premiums) proportionally over the risk period, using the passage of time as the risk is spread evenly over the period of insurance. For warranties, premiums are recognised using the earning pattern that reflects how the risk is released over time.

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.

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.

Net finance income or expenses from insurance and reinsurance contracts

Changes in the carrying amounts of groups of insurance contracts and reinsurance arising from the effects of the time value of money, financial risk and changes therein will be presented as net finance income or expenses from insurance and reinsurance contracts. The Group has applied the accounting policy choice to disaggregate the net finance income or expense between profit or loss and other comprehensive income (OCI). This is achieved through a systematic allocation of the expected total insurance finance income or expense over the duration of the related group of contracts.

1. Summary of material accounting policies (continued)

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

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 45.

1.2.11 Translation of foreign currencies

In instances where the Group would be unable to repatriate funds from foreign subsidiaries at official published rates, it translates balances based on the spot rate at year end that the Group is able to access, should it wish to repatriate the funds at that date. For more detail, refer to Note 58.8.1.

1.2.12 Hyperinflation

The determination of whether an economy is hyperinflationary is based on the indicators included in IAS 29 which considers qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%.

Refer to Note 58.8.2 for more information in this regard.

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.

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. Summary of material accounting policies (continued)

1.3 Consolidated financial statements of the Group (continued)

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. The segment results reported to the CODM exclude the impact of hyperinflation (refer to note 58.8.2) and as a result, the effect of hyperinflation is included as a reconciling adjustment in the Segment Report.

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. For foreign operations that are considered to operate in hyperinflationary economies, the assets, liabilities, income, expense and OCI items are translated into Rand at the closing rate. 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.

In terms of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29), the financial results of Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the purchase power current at the end of the reporting period, following the application of the historic cost approach. As the Group presents its financial information in a stable currency, comparative amounts are not adjusted for the effect of the change in purchase power. The Group has elected to recognise differences between comparative amounts arising annually in the standalone accounts of Group entities applying hyperinflation and current year hyperinflation-adjusted amounts in OCI as part of exchange differences in the FCTR.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the reporting period end date. Gains or losses on the net monetary position are recognised in profit or loss. All income statement amounts are restated by applying the change in the general price index from the date on which a transaction was initially recognised to the reporting period end date. At the end of the reporting period, all components of equity are restated by applying a general price index from the beginning of the year or a later contribution date, if applicable. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

At the beginning of the initial year of application, equity components, excluding retained earnings, are restated by applying a general price index, determined based on the dates the components were initially recognised. The Group has elected to recognise the impact of these restatements directly in retained earnings. Restated retained earnings are therefore derived from all other amounts in the restated statement of financial position.

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. Summary of material accounting policies (continued)

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.

1.7.3 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. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.3 Classification and measurement of financial instruments (continued)

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.

1.7.3.3 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.

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.4 Expected credit losses on financial assets (continued)

Three-stage approach to ECL (continued)

- **Stage 2:** Exposures are required to be classified within stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the 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.

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 (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the 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.

1. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

1.7.4 Expected credit losses on financial assets (continued)

Write-off (continued)

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.

1.7.5 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. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

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.

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. Summary of material accounting policies (continued)

1.7 Financial instruments (continued)

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.

1.8 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. Summary of material accounting policies (continued)

1.9 Revenue recognition (continued)

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.

1.10 Classification of insurance and investment contracts

The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. 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. IFRS 17 is applied to insurance contracts as defined in the standard. This may differ from the definitions applied by insurance regulators in determining which contracts are to be written on an insurance license.

Hence, certain contracts are recognised and presented as insurance contracts in accordance with IFRS 17, despite not being considered as regulated insurance contracts.

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

1.10.1 Insurance contracts

1.10.1.1 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 limit the offsetting of gains on groups of profitable contracts, which are generally deferred, against losses on groups of onerous contracts, which are recognised immediately.

1.10.1.2 Measurement overview

The Group has divided its insurance contracts issued and reinsurance contracts held into two broad portfolios, namely life and non-life contracts. The general measurement model (GMM) is largely applied to the Group's life contracts whilst the premium allocation approach (PAA) is largely applied to the Group's non-life insurance contracts and group life policies.

Contracts measured using GMM

Under the GMM, groups of insurance contracts are measured by estimating the related fulfilment cash flows, including the CSM that is representative of unearned profit.

The fulfilment cash flows comprise of:
- Probability-weighted estimates of expected cash flows from premiums, claims and benefits within the contract boundary, including directly attributable expenses to determine the expected value of a range of scenarios that reflects the full range of possible outcomes;
- An explicit entity specific adjustment for non-financial risk (i.e. risk adjustment) (see note 1.2.9); and
- An adjustment for the time value of money and financial risks associated with the future cash flows (see note 1.2.9).

The Group has elected to disaggregate insurance finance income or expense between profit or loss and other comprehensive income. This is achieved through a systematic allocation of the expected total insurance finance income or expense over the duration of the related group of contracts.

The carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The LRC comprises the fulfilment cash flows that relate to services that will be provided under contracts in future periods and any remaining CSM and risk adjustment (RA) at the reporting date. The CSM at the reporting date is the carrying amount at the beginning of the year adjusted for any new contracts added to the group in the current year, interest accretion, changes in fulfilment cash flows that relate to future services, changes specific to foreign exchange differences and the amount of CSM released as revenue. The RA at the reporting date is determined similar to that of the CSM, with the exclusion of interest. The Group has elected, as allowed by the Standard, not to disaggregate the change in RA between the insurance service result and insurance finance income or expense. All changes in the RA are included in the insurance service result.

1. Summary of material accounting policies (continued)

1.10 Classification of insurance and investment contracts (continued)

1.10.1 Insurance and reinsurance contracts (continued)

1.10.1.2 Measurement overview (continued)

Contracts measured using GMM (continued)

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. Additionally, it also relates to the Group's obligation to pay amounts for insurance services already provided, investment components or other amounts that are not related to the provision of insurance contract services and that does not form part of the LRC. 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).

The Group discounts its liabilities for unpaid claims. The Group estimates the LIC estimated using the input of assessments for individual cases reported and statistical analyses.

Contracts measured using PAA

PAA is a simplified measurement model and is applied by the Group when the contract boundary for each contract in a group of insurance contracts is one year or less or applying it will produce a measurement of the LRC for the group that would not differ materially from applying the GMM.

Under the PAA, the LRC is determined on initial recognition as the premiums received less acquisition cost cash flows, where applicable. Insurance acquisition cash flows for life contracts recognised using PAA will be expensed immediately in profit or loss when incurred, whilst such cash flows will be deferred for the non-life contracts.

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 for contracts measured using the PAA will be determined in the same manner as that for contracts measured using the GMM.

Measurement of insurance acquisition cash flows

Insurance acquisition costs comprise of commissions and other variable costs arising from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows that are directly attributable to a group of contracts are allocated only to that group and to the groups that will include renewals of those contracts.

When the Group defers insurance acquisition cash flows for insurance contracts measured using the GMM or PAA, these acquisition costs are allocated on a systematic and rational method to future groups. Should an indicator of impairment arise, the deferred portion of the insurance acquisition cash flows is assessed for impairment and recognised accordingly. The Group derecognises the asset for insurance acquisition cash flows and include it in the measurement of the related group of insurance contracts when this group is recognised.

1.10.1.3 Reinsurance contracts held

Reinsurance contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

For contracts which do not meet the requirements to be classified as reinsurance, the total asset is recognised under financial assets.

Measurement of reinsurance contacts

The carrying amount of a group of reinsurance contracts is the sum of the asset/liability for remaining coverage and the asset for incurred claims. The Group applies the GMM except when reinsurance contracts are eligible for measurement under the PAA (i.e. when the contract boundary is one year or less).

In applying the GMM to the Group's reinsurance contracts, the Group measures the estimate of the present value of future cash flows using cash flows that would only relate to the reinsurance contract and includes the directly attributable expenses with an adjustment for any risk of non-performance by the reinsurer. The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer. The calculation thereof is aligned to the respective methodologies applied to the insurance contracts measured under the GMM and PAA models.

The discount rate used for reinsurance contracts held is determined in the same manner as that applied to a group of insurance contract liabilities.

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. Summary of material accounting policies (continued)

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.

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

1. Summary of material accounting policies (continued)

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.

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. Summary of material accounting policies (continued)

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.

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.

1. Summary of material accounting policies (continued)

1.18 Employee benefits (continued)

1.18.3 Share-based payments (continued)

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 50 includes details of the Group's share awards. Share-based payments are recognised as expenses 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.

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 16 for the carrying amount of liabilities arising from cash-settled arrangements.

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 Correction of prior period errors

1.21.1.1 Mobile money platforms

On review of all ARO countries within the Group which operate mobile money platforms and maintain a mobile money wallet, it was concluded that certain of these mobile money wallets:

(a) represent 'virtual money' and not physical cash and should therefore be presented within 'Other assets' per the Group's accounting policy (as they are deposits placed with other entities) as opposed to 'Cash and cash balances with central banks' in the statement of financial position and;

(b) meet the definition of cash equivalents per IAS 7, Statement of cash flows ("IAS 7") and should therefore be included in the calculation of Cash and cash equivalents' presented in the statement of cash flows.

The combined balance on all mobile money platforms held by the Group amounted to R1 825m in the prior year. Upon investigation, it was identified that R750m of this balance was incorrectly accounted for as 'Coins and notes' within 'Cash and cash balances with central banks' and have therefore been reclassified to 'Other assets' resulting in a restatement in the statement of financial position. The prior period opening balance has not been restated. This misclassification has no impact on the statement of comprehensive income, the statement of changes in equity or earnings per share. As this amount was included as 'Coins and notes' within the 'Cash and cash equivalents', this misclassification also has no impact on the statement of cash flows.

The remaining balance on these mobile money platforms, being R1 075m, was correctly accounted for within 'Other assets' in the statement of financial position. This amount was however incorrectly excluded from the calculation of 'Cash and cash equivalents' and instead included as part of 'Net decrease/(increase) in other assets'. As a result, the statement of cash flows has been restated to account for this error. This misclassification does not have an impact on the statement of comprehensive income, the statement of financial position, the statement of changes in equity or earnings per share.

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.1 Correction of prior period errors (continued)

1.21.1.2 Current accounts with other central banks

As part of the Group's ongoing process to improve disclosure, it was identified that current accounts held with central banks in certain ARO regions were incorrectly included as part of money market assets within 'Cash and cash balances with central banks' and consequently excluded from the calculation of 'cash and cash equivalents'. R2 370m was reclassified from 'money market assets', which were classified as fair value through other comprehensive income to 'Balances with central banks', which are classified as amortised cost. There is no impact on measurement.

Additionally, another current account of R1 347m held with a central bank in an ARO region was erroneously excluded from the calculation of 'mandatory reserve balances with the SARB and other central banks' in the calculation of 'cash and cash equivalents' in the statement of cash flow. This error has been restated on the statement of cash flows and has no impact on the statement of comprehensive income, the statement of financial position, the statement of changes in equity or earnings per share.

1.21.1.3 Calculation of settlement balances with the JSE

We have adjusted the methodology used internally in the settlement calculations to more closely align with the JSE's Strate system. The adjustment in the calculation of this amount resulted in a re-allocation between 'Other assets' and 'Trading portfolio assets ' to 'Other liabilities' and 'Trading portfolio liabilities'. This misclassification has been restated on the statement of financial position and has no impact on the statement of comprehensive income, the statement of changes in equity or earnings per share. This restatement did not impact the statement of financial position as at 1 January 2022 and only arose in the prior year, as a result there is no impact on the third balance sheet.

The impact of the afore-mentioned restatement can be shown as follows:

	2022				
Statement of financial position	As previously reported Rm	Mobile money platforms Rm	Strate settlement accounts Rm	Impact of IFRS 17 Rm	Restated Rm
Assets					
Cash, cash balances and balances with central banks	67 179	(750)	—	—	66 429
Other assets	25 190	750	(1 692)	(268)	23 980
Trading portfolio assets	206 436	—	18	—	206 454
Liabilities					
Other liabilities	36 520	—	(1 689)	(540)	34 291
Trading portfolio liabilities	94 895	—	15	—	94 910

	2022					
Statement of cash flows	As previously reported Rm	Mobile money platforms Rm	Current accounts Rm	Strate settlement accounts Rm	Impact of IFRS 17 Rm	Restated Rm
Cash and cash equivalents	70 476	1 075	3 717	—	—	75 268
Net increase in trading and hedging portfolio assets	(8 188)	—	—	(18)	—	(8 206)
Net decrease in other assets	3 563	1 075	3 717	1 692	268	10 315
Net increase in trading and hedging portfolio liabilities	20 461	—	—	15	—	20 476
Net increase in other liabilities	61 598	—	—	(1 689)	(540)	59 369

1.21.2 Business portfolio changes

Following the changes to the reportable segments made in 2022, some income & 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 intergroup asset/liability balances. Specifically loans to and from group companies. These balances are included in 'other assets' and 'other liabilities'.

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 and prior period error columns are included for the purpose of reconciling to the segments' restated balances. For more information on these changes, refer to notes 1.21.1 and 1.21.3.

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.2 Business portfolio changes (continued)

	2022			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	IFRS 17 adjustment Rm	Restated Rm
Total income				
Product Solutions Cluster	14 356	(235)	(1 168)	12 953
Everyday Banking	26 487	(8)	(53)	26 426
Relationship Banking	14 442	(1)	—	14 441
ARO RBB	13 854	(5)	(104)	13 745
CIB	26 783	(37)	—	26 746
Head Office, Treasury and other operations	2 952	286	(757)	2 481
Operating expenses				
Product Solutions Cluster	(6 435)	62	641	(5 732)
Everyday Banking	(13 917)	(90)	—	(14 007)
Relationship Banking	(7 933)	172	—	(7 761)
ARO RBB	(9 777)	156	132	(9 489)
CIB	(12 508)	70	—	(12 438)
Head Office, Treasury and other operations	(337)	(370)	762	55
Other expenses				
Product Solutions Cluster	(284)	(15)	101	(198)
Everyday Banking	(576)	41	—	(535)
Relationship Banking	(70)	(21)	—	(91)
ARO RBB	(425)	(10)	—	(435)
CIB	(296)	4	—	(292)
Head Office, Treasury and other operations	(890)	1	—	(889)
Tax expense				
Product Solutions Cluster	(1 396)	52	126	(1 218)
Everyday Banking	(1 846)	17	12	(1 817)
Relationship Banking	(1 661)	(42)	—	(1 703)
ARO RBB	(813)	(43)	—	(856)
CIB	(2 815)	(8)	—	(2 823)
Head Office, Treasury and other operations	152	24	—	176

	2022				
Statement of financial position	As previously reported Rm	Business portfolio changes Rm	IFRS 17 adjustment Rm	Prior period errors Rm	Restated Rm
Loans and advances					
Product Solutions Cluster	402 364	(13)	—	—	402 351
Head Office, Treasury and other operations	12 003	13	—	—	12 016
Other assets (as per segment report)					
Product Solutions Cluster	59 235	52	471	—	59 758
Everyday Banking	309 590	231	(16)	—	309 805
Relationship Banking	123 819	3 320	(46)	—	127 093
ARO RBB	57 096	678	36	—	57 810
CIB	513 409	178	—	(1 674)	511 913
Head Office, Treasury and other operations	(701 282)	(4 459)	129	—	(705 612)
Other liabilities (as per segment report)					
Product Solutions Cluster	476 612	179	756	—	477 547
Everyday Banking	94 699	283	(46)	—	94 936
Relationship Banking	60 914	3 206	(171)	—	63 949
ARO RBB	19 887	577	(142)	—	20 322
CIB	540 231	148	—	(1 674)	538 705
Head Office, Treasury and other operations	(998 888)	(4 393)	90	—	(1 003 191)

Other assets referred to above includes all assets other than investment securities and loans and advances. Similarly, other liabilities referred to above includes all liabilities other than deposits and debt securities in issue.

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

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

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

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

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 5, 8, 14, 16, 17, 20, 27, 28, 29, 32, 34, 36, 37, 39, 53, 56.1, 57 and 58.2. As allowed by IFRS 17, the impact of transition on each of these notes are not required to be quantified.

Furthermore, the EPS and HEPS restatement disclosed in notes 38 and 39 is inclusive of the IFRS 17 transition impact. The effects of adopting IFRS 17 on the results on 1 January 2022 are presented in the statement of changes in equity.

In the statement of cash flows for the year ended 31 December 2022, the cash flows generated/utilised in operating, investing, and financing activities remain the same upon the adoption of IFRS 17.

Impact of the adoption of the Standard

The below should be read in conjunction with the insurance contract accounting policies set out in note 1.2.9: 'Insurance and reinsurance contracts' and note 1.10: 'Classification of insurance and investment contracts'.

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

The Group's contracts recognised as insurance and reinsurance contracts under IFRS 4, remain largely the same under the new Standard.

Where practical, the Group has applied the Standard fully retrospectively in terms of which the Group:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts as if the Standard had always been applied;
- derecognised previously reported balances that would not have existed if the Standard had always been applied (including some deferred acquisition costs); and
- recognised any resulting net difference in equity without adjusting the carrying amount of goodwill from previous business combinations.

The Group has assessed that it has been impractical to apply the full retrospective approach to life insurance contracts issued and reinsurance contracts held prior to 2016 that are measured using the GMM since either:

- the information required has not been collected or is unavailable because of system migrations, data retention requirements or other reasons; or
- it would have resulted in the use of hindsight in determining management's intention and/or estimates in prior periods.

Under the fair value approach, the contractual service margin (CSM) (or loss component) on 1 January 2022 was determined as the difference between the fair value of a group of contracts and the fulfilment cash flows at the date. The Group measured the fair value of the contracts as the sum of the present value of the net cash flows expected to be generated by the contracts by using a discounted cash flow technique, and an additional margin by referring to a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows. The Group's own non-performance risk has been considered when measuring the fair value of insurance contract liabilities upon transition. However, when measuring fulfilment cash flows on a go-forward basis, the effect of non-performance risk is insignificant and has not been considered.

When measuring fair value, the Group includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows, and a profit margin to reflect what market participants would require to assume the obligations to service insurance contracts. In determining this margin, the Group considered certain risks that are not reflected in fulfilment cash flows as required by the Standard (e.g., general operational risk) that a market participant would consider, and which will give rise to a CSM as at 1 January 2022. For all contracts measured under the fair value approach, the Group used reasonable and supportable information available as at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract;
- how to identify discretionary cash flows for contracts without direct participation features; and
- whether an investment component meets the definition of an investment contract with DPF.

The groups of contracts measured under the fair value approach contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition have been determined at 1 January 2022 instead of at the date of initial recognition. For groups of reinsurance contracts covering onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022, referencing the amount of the loss component that relates to the underlying contracts.

The Group has elected to disaggregate insurance finance income or expense between profit or loss and other comprehensive income for those contracts measured according to the GMM. In applying this election to those contracts measured at fair value on transition, the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date has been determined as nil.

The Group has elected not to redesignate any financial assets as allowed for in the transition to IFRS 17.

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.3 Implementation of new IFRS (continued)

1.21.3.1 Adoption of IFRS 17 Insurance contracts (continued)

Impact of the adoption of the Standard (continued)

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

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

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Total income	98 918	(2 082)	96 836
Operating expenses	(52 009)	1 535	(50 474)
Profit for the period	22 711	(307)	22 404

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

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

Condensed consolidated statement of financial positions as at 31 December 2022

	As previously reported Rm	IFRS 17 adjustment Rm	Restated amount Rm
Assets			
Reinsurance assets	663	(663)	—
Insurance contract assets	—	613	613
Reinsurance contract assets	—	1 025	1 025
Liabilities			
Policyholder liabilities under insurance contracts	5 384	(5 384)	—
Insurance contract liabilities	—	(6 601)	(6 601)
Reinsurance contract liabilities	—	(45)	(45)

Impact of the adoption of the Standard

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

	Retained earnings Rm	Insurance finance reserve Rm	Other equity Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 Capital Rm	Total equity Rm
Balance reported as at 1 January 2022	110 859	—	19 007	129 866	5 798	4 644	7 004	147 312
Impact of adopting IFRS 17	688	234	(3)	919	94	—	—	1 013
Restated balance as at 1 January 2022	111 547	234	19 004	130 785	5 892	4 644	7 004	148 325
Restated total comprehensive income for the reporting period ended 31 December 2022	20 240	(590)	(6 352)	13 298	1 088	266	609	15 261
Other equity movements	(9 626)	—	84	(9 542)	(532)	(266)	(110)	(10 450)
Restated balance as at 1 January 2023	122 161	(356)	12 736	134 541	6 448	4 644	7 503	153 136

1. Summary of material accounting policies (continued)

1.21 Reporting changes overview (continued)

1.21.3 Implementation of new IFRS (continued)

1.21.3.1 Adoption of IFRS 17 Insurance contracts (continued)

Impact of the adoption of the Standard (continued)

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

- **Total equity:** On transition the impact of adopting IFRS 17 resulted in a decrease in the net insurance contract liabilities (net of reinsurance contracts) due to profits emerging in a different pattern than under IFRS 4. In terms of IFRS 17, profits are recognised as and when services are provided applying a systematic method for the release of such profits.
- In South Africa, the tax legislation for insurance companies is highly interrelated with the accounting treatment of insurance contracts. Consequently, the tax legislation was amended to incorporate the changes that were brought about by IFRS 17. The amended tax legislation was substantively enacted in December 2022 and promulgated on 5 January 2023. In accordance with this legislation, the once off impact of transition will be subject to current tax in a phased-in approach of six years and three years for long-term and short-term insurers respectively. Given this timing difference, it will impact the recognition and measurement of the related deferred tax, both on transition and thereafter. On transition, the Group has recognised a deferred tax liability of R204m in relation to the life business and a deferred tax liability of R34m for the non-life business.
- **Total comprehensive income for the reporting period:** The change is attributable to the disaggregation of insurance finance income and expenses between profit or loss and other comprehensive income for life insurance contracts issued and reinsurance contracts held that are measured using the general measurement model (GMM). This is an accounting policy election made by the Group to reduce volatility in profit or loss due to changing interest rates.

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:

- The impact on retained earnings and the insurance finance reserve was disclosed as R471m and R327m respectively. R93m was reallocated between retained earnings and the insurance finance reserve on 1 January 2022 following a further review of the changes to the South African tax legislation caused by the transition to IFRS 17. This reallocation had no impact on the total adjustment made to equity on transition to IFRS 17.
- The allocation between reinsurance and insurance contract assets and liabilities was disclosed for 31 December 2022 based on the asset/liability position of the respective measurement components rather than per portfolio. These balances were restated to reflect the position per portfolio. Insurance contract assets moved from R11 212m to R613m and insurance contract liabilities moved from R16 953m to R6 601m. Reinsurance contract assets moved from R3 544m to R1 025m and reinsurance contract liabilities from R2 821m to R45m. This adjustment had no impact on the overall adjustment made to net assets as at 31 December 2022 following the transition to IFRS 17.
- A further portfolio of contracts was identified 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 was an increase in retained earnings of R125m (net of tax), whilst other liabilities reduced by R183m and insurance contract liabilities increased by R13m. This did not have a discernible impact on the profit or loss for the year ended 31 December 2022 and the insurance contract liabilities on that date.

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 2023 Rm	Group 2022 Rm
Balances with other central banks	**24 248**	17 961
Balances with the SARB	**36 098**	31 103
Coins and bank notes	**13 173**	13 551
Money market assets	**4 336**	3 840
Gross cash, cash balances and balances with central banks	**77 855**	66 455
Impairment losses	**(40)**	(26)
	77 815	66 429

Included above are money market assets of **R235m** (2022: R742m) which are linked to investment contracts (refer to note 3).

The minimum reserve balance held in cash with the SARB and other central banks across the different jurisdictions is determined in accordance with the regulatory terms applicable to the respective countries. The portion of the balance that can be utilised by the Group is included in cash and cash equivalents (note 51) and is calculated by applying the percentage that is accessible to the bank in accordance with the respective regulatory terms for each jurisdiction.

Money market balances of **R1 409m** (2022: R1 829m) are excluded from note 51 as these do not meet the definition of Cash and cash equivalents as set out in the Accounting policies.

Balances with other central banks, Coins and bank notes and Money market assets have been restated. Refer to note 1.21.

2.1 Reconciliation of ECL allowance

The following table set out the breakdown of ECL opening and closing IFRS 9 ECL allowances for Cash, cash balances and balances with central banks.

	Group 2023 Lifetime expected credit losses ('LEL')			
Cash, cash balances and balances with central banks at amortised cost	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total Rm**
Balance at the beginning of the reporting period	**(26)**	**52**	**—**	**26**
Asset moved/allowance transferred to stage 1	**11**	**(11)**	**—**	**—**
Asset moved/allowance transferred to stage 2	**(7)**	**7**	**—**	**—**
Current period provision	**19**	**(1)**	**—**	**18**
Foreign exchange and hyperinflation movements	**—**	**(4)**	**—**	**(4)**
Balance at the end of the reporting period	**(3)**	**43**	**—**	**40**

	Group 2022 Lifetime expected credit losses ('LEL')			
Cash, cash balances and balances with central banks at amortised cost	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	6	16	—	22
Current period provision	(36)	41	—	5
Foreign exchange and hyperinflation movements	4	(5)	—	(1)
Balance at the end of the reporting period	(26)	52	—	26

3. Investment securities

	Group 2023 Rm	Group 2022 Rm
Government bonds	**156 426**	150 306
Listed equity instruments	**2 598**	4 529
Other debt securities	**17 694**	13 289
Treasury bills	**56 538**	44 647
Unlisted equity and hybrid instruments	**3 261**	3 068
Gross investment securities	**236 517**	215 839
Impairment losses	**(19)**	(202)
	236 498	215 637

Impairment losses of **R19m** (2022: R202m) in the table above, relate to expected credit losses raised on investment securities held at amortised cost. Expected credit losses of **R337m** (2022: R 2 455m) have been recognised on investment securities at FVOCI.

3.1 Reconciliation of ECL allowance

The following tables show reconciliations from the opening to closing balance of the loss allowances by classes of investment securities at amortised cost and FVOCI.

	Group 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	**254**	**27**	**2 376**	**2 657**
Current period provision	**(7)**	**38**	**121**	**152**
Foreign exchange and hyperinflation movements	**(1)**	**—**	**(269)**	**(270)**
Financial assets that have been derecognised	**—**	**—**	**(2 052)**	**(2 052)**
Amounts written-off	**—**	**—**	**(145)**	**(145)**
Net change in interest	**—**	**—**	**14**	**14**
Balance at the end of the reporting period	**246**	**65**	**45**	**356**

	Group 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	184	20	210	414
Asset moved/allowance transferred to stage 1	8	(8)	—	—
Asset moved/allowance transferred to stage 3	(20)	—	20	—
Current period provision	91	(19)	2 106	2 178
Foreign exchange and hyperinflation movements	(9)	34	23	48
Net change in interest	—	—	17	17
Balance at the end of the reporting period	254	27	2 376	2 657

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was immaterial.

As part of the structural and fiscal reforms required to restore fiscal stability and debt sustainability in Ghana, the Domestic Debt Exchange Programme ("DDEP") was created during 2022. The Group's sovereign bond exposures formed part of the DDEP, which took place during February and September 2023 and involved the exchange of certain domestic notes and bonds, for new bonds of the Republic of Ghana.

For the purposes of the February Bond exchange, the Group derecognised bonds previously classified as FVOCI instruments of R4 723m and recognising new bonds at their fair value, which approximates their previous carrying amount, of R2 615m.

The September exchange also led to the derecognition of cocoa bills that were previously classified as FVOCI instruments of R331m and amortised cost instruments of R164m. The cocoa bonds received were recognised as FVOCI at a credit impaired fair value amount of R316m. The Group also derecognised USD denominated bonds previously classified as FVOCI instruments of R2 479m and recognised the new bonds at a credit impaired fair value of R2 277m.

The initial recognition of the new bonds in all instances was determined to be purchased originated credit impaired exposures. As at 31 December 2023, the ECL allowance recognised on the new bonds is immaterial since the fair value on initial recognition for these instruments reflects an embedded provision for credit losses. The instruments are also not able to cure during their lifetime.

4. Trading and hedging portfolio assets

	Group 2023 Rm	Group 2022 Rm
Commodities	**1 011**	614
Debt instruments	**74 149**	91 717
Derivative assets (refer to note 54.3 and 54.4)	**51 450**	58 588
Commodity derivatives	**426**	188
Credit derivatives	**367**	224
Equity derivatives	**7 345**	8 761
Foreign exchange derivatives	**15 008**	17 924
Interest rate derivatives	**28 304**	31 491
Equity instruments	**38 855**	39 694
Money market assets	**25 632**	15 841
Total trading portfolio assets	**191 097**	206 454
Hedging portfolio assets (refer to note 54.3)	**5 441**	4 973
	196 538	211 427

Trading portfolio assets with carrying values of **R43 393m** (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.

Trading and hedging portfolio assets were restated. Refer to the reporting changes overview note 1.21.

5. Other assets

	Group 2023 Rm	Group 2022 Rm
Accounts receivable	**19 350**	15 184
Prepayments	**3 254**	2 470
Other deferred costs	**241**	192
Inventories	**188**	258
Cost	**188**	405
Write-down	**—**	(147)
Retirement benefit fund surplus (refer to note 41)	**478**	475
Settlement accounts	**4 307**	5 414
Gross other assets	**27 818**	23 993
Impairment losses	**(13)**	(13)
	27 805	23 980

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

Accounts receivable, prepayments, deferred costs and settlement accounts have been restated. Please refer to material accounting policy 1.21.

Deferred acquisition costs have been reclassified to the Accounts receivable balance due to nature of the account post implementation of IFRS 17. Refer to material accounting policy 1.21.

5.1 Reconciliation of ECL allowance

The ECL recognised on other assets measured at amortised cost for the current financial year amounted to **R13m** (2022: R13m).

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

	Group 2023 Rm	2022 Rm
Non-current assets held for sale		
Balance at the beginning of the reporting period	**212**	4 259
Disposals	**(131)**	(4 106)
Transfer from property and equipment (refer to note 12)	**116**	67
Transfer from goodwill and intangibles assets (refer to note 13)	**—**	1
Transfer from other assets	**—**	(3)
Transfer from deferred tax assets	**—**	(6)
Balance at the end of the reporting period	**197**	212
Non-current liabilities held for sale		
Balance at the beginning of the reporting period	**26**	3 465
Disposals	**(26)**	(3 433)
Transfer from deferred tax liabilities	**—**	(1)
Transfer from other liabilities	**—**	(5)
Balance at the end of the reporting period	**—**	26

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

As part of the Group's disposal of the Investment Management business, Head Office, Treasury and other operations have disposed of majority of its market Linked Investment Service Provider (LISP) business, a division of Absa Investment Management Services (Pty) Limited. The total carrying amount for the assets disposed is **R98m** and the total carrying amount for the liabilities disposed is **R26m**. The disposal resulted in a gross loss of **R21m**. Please refer to note 52 for further details.

Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of **R33m**.

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 have disposed of the Absa Investment Cluster (comprising Absa Asset Management (Pty)Limited, Absa Alternative Asset Management (Pty) Limited, Absa Fund Managers (Pty) Limited and the multi-manager business, a division of Absa Investment Management Services (Pty) Limited. The total carrying amount for the assets disposed is R4.07bn and the total carrying amount for the liabilities disposed is R3.4bn. The disposed funds have resulted in a de-consolidation from the investment funds. The disposal resulted in a gross profit of R759m. Please refer to note 52 for further details .

Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R35m. The disposal resulted in a gross profit of R19m.

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
Corporate overdrafts and specialised finance loans	**20 434**	23 428
Credit cards	**56 757**	52 539
Foreign currency loans	**61 893**	55 852
Instalment credit agreements	**137 969**	123 865
Finance lease receivables (refer to note 7.1)	**3 021**	3 311
Loans to associates and joint ventures	**28 730**	25 163
Micro loans	**5 570**	4 897
Mortgages	**418 218**	399 583
Other advances	**20 572**	21 730
Overdrafts	**72 814**	65 655
Overnight finance	**20 043**	25 227
Personal and term loans	**188 241**	167 953
Preference shares	**32 184**	30 190
Reverse repurchase agreements (Carries)	**60 547**	44 490
Wholesale overdrafts	**119 470**	110 756
Gross loans and advances to customers	**1 246 463**	1 154 639
Gross loans and advances to banks	**74 460**	103 649
Gross loans and advances	**1 320 923**	1 258 288
Impairment losses	**(49 566)**	(44 889)
Impairment losses for loans and advances to customers	**(49 477)**	(44 810)
Impairment losses for loans and advances to banks	**(89)**	(79)
Net loans and advances	**1 271 357**	1 213 399

The Group has securitised certain loans and advances to customers, the total value of these securitised assets is **R9 036m** (2022: R8 466m). Included in the 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. These financial assets are pledged under terms that are usual and customary to such arrangements.

Other advances include working capital solutions, collateralised loans and specialised products in ARO.

Included in both gross loans and advances to customers, and in the total allowance for impairment losses, is accrued interest in suspense of **R6 866m** (2022: R5 562m).

Included above in gross loans and advances to banks are reverse repurchase agreements of **R17 986m** (2022: R41 553m) and other collateralised loans of **R4m** (2022: R4 180m) relating to securities borrowed.

Included in the gross loans and advances to customers and gross loans and advances to banks are credit linked notes, of which **R4 381m** (2022: R2 351m) relate to loans and advances to customers and **R2 018m** (2022: R1 097m) to loans and advances to banks.

7.1 Finance lease receivables

	Group 2023 Gross advances Rm	Group 2023 Unearned finance charges Rm	Group 2023 Net advances Rm	Group 2022 Gross advances Rm	Group 2022 Unearned finance charges Rm	Group 2022 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 enters into finance lease contracts in respect of motor vehicles, equipment and medical equipment.

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

Under the terms of the agreements, no contingent rentals are payable 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. Loans and advances (continued)

7.2 Reconciliation of ECL allowance

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

	Group							
	2023							
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relation-ship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352
Stage 1	1 534	2 503	544	1 163	779	528	6	7 057
Stage 2	2 209	2 897	747	908	311	458	5	7 535
Stage 3	10 315	8 749	3 536	3 784	2 177	2 199	—	30 760
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	358	378	427	159	71	79	—	1 472
Transfers to stage 1	692	1 070	478	240	85	102	—	2 667
Transfers (from) stage 2	(192)	(395)	(33)	(54)	(13)	(21)	—	(708)
Transfers (from) stage 3	(142)	(297)	(18)	(27)	(1)	(2)	—	(487)
Stage 2 net transfers	20	(1 462)	(461)	(338)	(42)	(71)	—	(2 354)
Transfers (from) stage 1	(455)	(983)	(446)	(173)	(63)	(102)	—	(2 222)
Transfers to stage 2	1 278	843	90	78	29	57	—	2 375
Transfers (from) stage 3	(803)	(1 322)	(105)	(243)	(8)	(26)	—	(2 507)
Stage 3 net transfers	(378)	1 084	34	179	(29)	(8)	—	882
Transfers (from) stage 1	(237)	(87)	(32)	(66)	(21)	—	—	(443)
Transfers (from) stage 2	(1 086)	(449)	(57)	(25)	(17)	(36)	—	(1 670)
Transfers to stage 3	945	1 620	123	270	9	28	—	2 995
Credit impairment charges raised	4 026	7 564	1 036	1 788	959	83	27	15 483
Amounts written off	(3 207)	(6 765)	(1 702)	(1 405)	(984)	(518)	—	(14 581)
Net change in interest	1 543	1 504	498	257	298	59	—	4 159
Foreign exchange and hyperinflation movements	—	—	—	(419)	—	(17)	(16)	(452)
Balances at the end of the reporting period	16 420	16 452	4 659	6 076	3 540	2 792	22	49 961
Stage 1	1 530	2 489	594	1 103	735	562	17	7 030
Stage 2	1 940	2 674	779	923	438	173	5	6 932
Stage 3	12 950	11 289	3 286	4 050	2 367	2 057	—	35 999

7. Loans and advances (continued)

7.2 Reconciliation of ECL allowance (continued)

	Group 2022							
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	13 156	12 601	5 236	5 556	2 922	2 447	2	41 920
Stage 1	1 535	2 285	682	1 135	1 137	403	2	7 179
Stage 2	2 001	2 396	913	1 129	256	501	—	7 196
Stage 3	9 620	7 920	3 641	3 292	1 529	1 543	—	27 545
Transfers between stages	—	—	—	—	—	—	—	—
Stage 1 net transfers	546	107	337	281	(47)	53	—	1 277
Transfers (from)/to stage 1	805	558	409	336	(56)	88	—	2 140
Transfers (from)/to stage 2	(159)	(243)	(42)	(37)	8	(19)	—	(492)
Transfers (from)/to stage 3	(100)	(208)	(30)	(18)	1	(16)	—	(371)
Stage 2 net transfers	(200)	(996)	(411)	(484)	48	(72)	—	(2 115)
Transfers (from)/to stage 1	(500)	(497)	(351)	(291)	56	(88)	—	(1 671)
Transfers (from)/to stage 2	909	225	110	58	(8)	19	—	1 313
Transfers (from) stage 3	(609)	(724)	(170)	(251)	—	(3)	—	(1 757)
Stage 3 net transfers	(346)	889	74	203	(1)	19	—	838
Transfers (from) stage 1	(305)	(62)	(58)	(45)	—	—	—	(470)
Transfers (from)/to stage 2	(750)	19	(68)	(21)	—	—	—	(820)
Transfers (from)/to stage 3	709	932	200	269	(1)	19	—	2 128
Credit impairment charges raised	2 607	5 900	771	1 434	333	716	10	11 771
Amounts written off	(2 678)	(5 279)	(1 648)	(1 252)	(173)	(119)	(1)	(11 150)
Net change in interest	973	927	468	292	185	227	—	3 072
Foreign exchange and hyperinflation movements	—	—	—	(175)	—	(86)	—	(261)
Transfers to non-current assets held for sale	—	—	—	—	—	—	—	—
Balances at the end of the reporting period	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352
Stage 1	1 534	2 503	544	1 163	779	528	6	7 057
Stage 2	2 209	2 897	747	908	311	458	5	7 535
Stage 3	10 315	8 749	3 536	3 784	2 177	2 199	—	30 760

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 843m).
- The value of loans written off during the year amounted to **R3 207m** (2022: R2 678m), Home loans: **R779m** (2022: R680m), Vehicle and asset finance: **R2 497m** (2022: R1 998m). This led to a decrease in the ECL allowance for the year of **R3 207m** (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), 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 **R88 832m** (2022: R81 632m) 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 **R3 922m** (2022: R3 918m).
- The value of loans written off during the year amounted to **R6 765m** (2022: R5 279m), Personal loans: **R2 407m** (2022: R2 084m), Transactions and deposits: **R554m** (2022: R513m), Card: **R3 842m** (2022: R2 682m). This led to a decrease in the ECL allowance for the year of **R6 765m** (2022: R5 279m).
- Loan modifications that did not result in derecognition of the loan amounted to **R1 668m** (2022: R1 343m), Personal loans: **R268m** (2022: R670m), Transactions and deposits: **R63m** (2022: R65m), Card: **R1 337m** (2022: R608m).
- Gross loans and advances sold during the current year amounted to **R2 181m** (2022: R1 347m), Personal loans: **R1 084m** (2022: R770m), Card: **R1 097m** (2022: R577m). This resulted in a decrease of **R1 966m** (2022: R1 215m) to the ECL allowance.

7. Loans and advances (continued)

7.2 Reconciliation of ECL allowance (continued)

Relationship Banking

- During the current financial year, gross loans and advances increased to **R150 730m** (2022: R139 605m) 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 the 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.

ARO RBB

- During the current financial year, gross loans and advances increased to **R84 560m** (2022: R77 938m) largely driven by strong new loan book growth mainly in Kenya and Tanzania. This resulted in an increase in ECL allowance of **R539m** (2022: R30m).
- Settlement amounts of **R2 191m** (2022: R0m) were received during the year. This led to a related reduction in ECL of **R50m** (2022: R0m).
- The value of loans written off during the year amounted to **R1 405m** (2022: R1 252m). This led to a decrease in the ECL allowance for the year of **R1 405m** (2022: R1 252m).
- There were no loan modifications during the year.
- There were no gross loans and advances sold during the year.

CIB SA

- During the current financial year, gross loans and advances increased to **R405 682m** (2022: R366 055m) of which **R396 467m** (2022: R364 085m) relate to exposure to which the impairment requirements of IFRS9 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: R173m). This led to a decrease in the ECL allowance for the year of **R984m** (R173m).
- 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).

CIB ARO

- During the current financial year, gross loans and advances increased to **R84 524m** (2022: R71 832m) particularly driven by book growth predominantly in Mauritius, Kenya, Tanzania and Uganda with continued focus on key clients, sectors and quality originations. This resulted in an increase in ECL allowance of **R583m** (2022: R711m)
- Settlement amounts of **R17 036m** (2022: R0m) were received during the year. This led to a decrease in ECL allowance of **R720m** (2022: R0m).
- The value of gross loans written off during the year amounted to **R518m** (2022: R119m). This led to a decrease in the ECL allowance for the year of **R518m** (2022: R119m).
- There were no Loan modifications during the year.

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 **R4 159m** (2022: R3 072m) disclosed is therefore reflective of the amount of interest not recognised during the current reporting period.

8. Insurance and reinsurance contracts

The below table summarises the Group's insurance and reinsurance contracts per portfolio.

	Group					
	2023			2022		
	Life Rm	Non-Life Rm	Total Rm	Life Rm	Non-Life Rm	Total Rm
Insurance contracts						
Insurance contract assets	693	—	693	613	—	613
Insurance contract liabilities	(4 614)	(1 812)	(6 426)	(4 567)	(2 034)	(6 601)
Reinsurance contracts						
Insurance contract assets	511	461	972	543	482	1 025
Insurance contract liabilities	(130)	(122)	(252)	(8)	(37)	(45)

8. Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts

Analysis by remaining coverage and incurred claims – contracts not measured under PAA

	Group							
	2023				2022			
	Remaining coverage				Remaining coverage			
	Excluding loss component Rm	Loss component Rm	Liabilities for incurred claims Rm	Total Rm	Excluding loss component Rm	Loss component Rm	Liabilities for incurred claims Rm	Total Rm
Opening balance assets	848	(142)	(93)	613	1 579	(140)	(36)	1 403
Opening balance liabilities	(2 846)	(581)	(313)	(3 740)	(2 395)	(539)	(532)	(3 466)
Net opening balance	(1 998)	(723)	(406)	(3 127)	(816)	(679)	(568)	(2 063)
Changes in the statement of comprehensive income								
Insurance revenue	5 081	—	—	5 081	4 823	—	—	4 823
Contracts under the fair value approach	1 293	—	—	1 293	1 183	—	—	1 183
Other contracts	3 788	—	—	3 788	3 640	—	—	3 640
Insurance service expenses	(310)	(162)	(3 371)	(3 843)	(140)	6	(3 099)	(3 233)
Incurred claims and other insurance service expenses (excluding investment components)	—	200	(3 438)	(3 238)	—	135	(3 263)	(3 128)
Amortisation of insurance acquisition cash flows	(310)	—	—	(310)	(140)	—	—	(140)
Losses and reversal of losses on onerous contracts	—	(362)	—	(362)	—	(129)	—	(129)
Adjustments to liabilities for incurred claims	—	—	67	67	—	—	164	164
Investment components and premium refunds	282	—	(282)	—	124	—	(124)	—
Insurance service result	5 053	(162)	(3 653)	1 238	4 807	6	(3 223)	1 590
Net finance expenses from insurance contracts	296	(71)	—	225	(958)	(58)	—	(1 016)
Effects of movements in exchange rates	96	48	2	146	16	8	—	24
Total changes in the statement of comprehensive income	5 445	(185)	(3 651)	1 609	3 865	(44)	(3 223)	598
Total cash flows	(5 313)	—	3 650	(1 663)	(5 047)	—	3 319	(1 728)
Premiums received	(5 969)	—	—	(5 969)	(5 513)	—	—	(5 513)
Claims and other insurance service expenses paid, including investment components	—	—	3 650	3 650	—	—	3 319	3 319
Insurance acquisition cash flows	656	—	—	656	466	—	—	466
Transfers to other items in the statement of financial position	—	—	65	65	—	—	66	66
Closing balance assets	929	(182)	(54)	693	848	(142)	(93)	613
Closing balance liabilities	(2 795)	(726)	(288)	(3 809)	(2 846)	(581)	(313)	(3 740)
Net closing balance	(1 866)	(908)	(342)	(3 116)	(1 998)	(723)	(406)	(3 127)

8. Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA.

	Group 2023				
			CSM		
	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	6 044	(864)	(1 436)	(3 131)	613
Opening balance liabilities	1 354	(792)	(742)	(3 560)	(3 740)
Net opening balance	7 398	(1 656)	(2 178)	(6 691)	(3 127)
Changes in the statement of comprehensive income					
Changes that relate to current services	(225)	189	147	1 354	1 465
CSM recognised for services provided	—	—	147	1 354	1 501
Change in risk adjustment for non-financial risk for risk expired	—	189	—	—	189
Experience adjustments	(225)	—	—	—	(225)
Changes that relate to future services	1 226	(264)	(102)	(1 222)	(362)
Contracts initially recognised in the year	1 954	(326)	—	(1 807)	(179)
Changes in estimates that adjust the CSM	(638)	155	(102)	585	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(90)	(93)	—	—	(183)
Changes that relate to past services	135	—	—	—	135
Adjustments to liabilities for incurred claims	135	—	—	—	135
Insurance service result	1 136	(75)	45	132	1 238
Net finance expenses from insurance contracts	786	—	(109)	(452)	225
Effects of movements in exchange rates	122	2	(2)	24	146
Total changes in the statement of comprehensive income	2 044	(73)	(66)	(296)	1 609
Total cash flows	(1 663)	—	—	—	(1 663)
Premiums received	(5 969)	—	—	—	(5 969)
Claims and other insurance service expenses paid, including investment components	3 650	—	—	—	3 650
Insurance acquisition cash flows	656	—	—	—	656
Transfers to other items in the statement of financial position	65	—	—	—	65
Closing balance assets	5 973	(866)	(1 446)	(2 968)	693
Closing balance liabilities	1 871	(863)	(798)	(4 019)	(3 809)
Net closing balance	7 844	(1 729)	(2 244)	(6 987)	(3 116)

8. Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts (continued)

Analysis by measurement component – contracts not measured under the PAA.

	Group 2022				
			CSM		
	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	7 053	(1 019)	(1 659)	(2 972)	1 403
Opening balance liabilities	146	(652)	(440)	(2 520)	(3 466)
Net opening balance	7 199	(1 671)	(2 099)	(5 492)	(2 063)
Changes in the statement of comprehensive income					
Changes that relate to current services	391	33	179	952	1 555
CSM recognised for services provided	—	—	179	952	1 131
Change in risk adjustment for non-financial risk for risk expired	—	33	—	—	33
Experience adjustments	391	—	—	—	391
Changes that relate to future services	1 847	(20)	(171)	(1 785)	(129)
Contracts initially recognised in the year	1 678	(266)	—	(1 541)	(129)
Changes in estimates that adjust the CSM	170	245	(171)	(244)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1)	1	—	—	—
Changes that relate to past services	164	—	—	—	164
Adjustments to liabilities for incurred claims	164	—	—	—	164
Insurance service result	2 402	13	8	(833)	1 590
Net finance expenses from insurance contracts	(554)	—	(89)	(373)	(1 016)
Effects of movements in exchange rates	13	2	2	7	24
Total changes in the statement of comprehensive income	1 861	15	(79)	(1 199)	598
Total cash flows	(1 728)	—	—	—	(1 728)
Premiums received	(5 513)	—	—	—	(5 513)
Claims and other insurance service expenses paid, including investment components	3 319	—	—	—	3 319
Insurance acquisition cash flows	466	—	—	—	466
Transfers to other items in the statement of financial position	66	—	—	—	66
Closing balance assets	6 044	(864)	(1 436)	(3 131)	613
Closing balance liabilities	1 354	(792)	(742)	(3 560)	(3 740)
Net closing balance	7 398	(1 656)	(2 178)	(6 691)	(3 127)

8. Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts (continued)

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

	Group 2023			
	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance liabilities	(227)	(599)	(1)	(827)
Changes in the statement of comprehensive income				
Insurance revenue	1 038	—	—	1 038
Insurance service expenses	—	(667)	(7)	(674)
Incurred claims and other insurance service expenses	—	(575)	(7)	(582)
Adjustments to liabilities for incurred claims	—	(92)	—	(92)
Insurance service result	1 038	(667)	(7)	364
Effects of movements in exchange rates	10	(7)	—	3
Total changes in the statement of comprehensive income	1 048	(674)	(7)	367
Total cash flows	(947)	602	—	(345)
Premiums received	(947)	—	—	(947)
Claims and other insurance service expenses paid	—	602	—	602
Closing balance liabilities	(126)	(671)	(8)	(805)

	Group 2022			
	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance liabilities	(199)	(588)	(1)	(788)
Changes in the statement of comprehensive income				
Insurance revenue	680	—	—	680
Insurance service expenses	—	(844)	—	(844)
Incurred claims and other insurance service expenses	—	(838)	—	(838)
Adjustments to liabilities for incurred claims	—	(6)	—	(6)
Insurance service result	680	(844)	—	(164)
Effects of movements in exchange rates	1	(7)	—	(6)
Total changes in the statement of comprehensive income	681	(851)	—	(170)
Total cash flows	(709)	839	—	130
Premiums received	(709)	—	—	(709)
Claims and other insurance service expenses paid	—	839	—	839
Transfers to other items in the statement of financial position	—	1	—	1
Closing balance liabilities	(227)	(599)	(1)	(827)

8. Insurance and reinsurance contracts (continued)

Non-life risk: Insurance contracts

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

	Group 2023					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component Rm	Loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Assets for insurance acquisition cash flows Rm	Total Rm
Opening balance liabilities	(1 114)	(5)	(1 137)	(42)	263	(2 035)
Changes in the statement of comprehensive income						
Insurance revenue	5 484	—	—	(18)	—	5 466
Insurance service expenses	(566)	2	(3 840)	8	—	(4 396)
Incurred claims and other insurance service expenses	—	—	(3 853)	—	—	(3 853)
Amortisation of insurance acquisition cash flows	(566)	—	—	—	—	(566)
Losses and reversal of losses on onerous contracts	—	2	—	—	—	2
Adjustments to liabilities for incurred claims	—	—	13	8	—	21
Insurance service result	4 918	2	(3 840)	(10)	—	1 070
Net finance expenses from insurance contracts	—	—	(14)	—	—	(14)
Effects of movements in exchange rates	29	—	35	5	—	69
Total changes in the statement of comprehensive	4 947	2	(3 819)	(5)	—	1 125
Total cash flows	(5 403)	—	3 982	—	517	(904)
Premiums received	(5 451)	—	—	—	—	(5 451)
Claims and other insurance service expenses paid	—	—	3 982	—	—	3 982
Insurance acquisition cash flows	48	—	—	—	517	565
Allocation for assets for insurance contracts	502	—	—	—	(502)	—
Closing balance liabilities	(1 068)	(3)	(974)	(47)	278	(1 814)

8. Insurance and reinsurance contracts (continued)

Non-life risk: Insurance contracts (continued)

	Group 2022					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component Rm	Loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Assets for insurance acquisition cash flows Rm	Total Rm
Opening balance liabilities	(1 069)	(3)	(1 031)	(88)	252	(1 939)
Changes in the statement of comprehensive income						
Insurance revenue	4 633	—	—	—	—	4 633
Insurance service expenses	(472)	(2)	(3 440)	49		(3 865)
Incurred claims and other insurance service expenses	—	—	(3 420)	47	—	(3 373)
Amortisation of insurance acquisition cash flows	(472)	—	—	—	—	(472)
Losses and reversal of losses on onerous contracts	—	(2)	—	—	—	(2)
Adjustments to liabilities for incurred claims	—	—	(20)	2	—	(18)
Insurance service result	4 161	(2)	(3 440)	49	—	768
Net finance expenses from insurance contracts	—	—	(9)	(4)	—	(13)
Effects of movements in exchange rates	3	—	(2)	1	—	2
Total changes in the statement of comprehensive	4 164	(2)	(3 451)	46	—	757
Total cash flows	(4 694)	—	3 345	—	496	(853)
Premiums received	(4 696)	—	—	—	—	(4 696)
Claims and other insurance service expenses paid	—	—	3 345	—	—	3 345
Insurance acquisition cash flows	2	—	—	—	496	498
Allocation for assets for insurance contracts	485	—	—	—	(485)	—
Closing balance liabilities	(1 114)	(5)	(1 137)	(42)	263	(2 035)

8. Insurance and reinsurance contracts (continued)

Life risk: Re-insurance contracts

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

	Group 2023			
	Assets for remaining coverage	Assets for incurred claims		
	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance assets	111	195	1	307
Net opening balance	111	195	1	307
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums	(451)	—	—	(451)
Amounts recoverable from reinsurers	—	218	1	219
Recoveries of incurred claims and other insurance services expenses	—	200	—	200
Changes to amounts recoverable for incurred claims	—	18	1	19
Net expenses from reinsurance contracts	(451)	218	1	(232)
Effects of movements in exchange rates	(7)	(1)	(1)	(9)
Total changes in the statement of comprehensive income	(458)	217	—	(241)
Total cash flows	292	(190)	—	102
Premiums paid	292	—	—	292
Amounts received	—	(190)	—	(190)
Closing balance assets	21	222	1	244
Closing balance liabilities	(76)	—	—	(76)
Net closing balance	(55)	222	1	168

	Group 2022			
	Assets for remaining coverage	Assets for incurred claims		
	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance assets	11	204	—	215
Net opening balance	11	204	—	215
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums	(226)	—	—	(226)
Amounts recoverable from reinsurers	—	133	1	134
Recoveries of incurred claims and other insurance services expenses	—	124	—	124
Changes to amounts recoverable for incurred claims	—	9	1	10
Net expenses from reinsurance contracts	(226)	133	1	(92)
Effects of movements in exchange rates	(2)	2	—	—
Total changes in the statement of comprehensive income	(228)	135	1	(92)
Total cash flows	328	(144)	—	184
Premiums paid	328	-	—	328
Amounts received	—	(144)	—	(144)
Closing balance assets	111	195	1	307
Net closing balance	111	195	1	307

8. Insurance and reinsurance contracts (continued)

Non-life risk: Reinsurance contracts

Analysis by remaining coverage and incurred claims – contracts measured under PAA. (continued)

	Group 2023		
	Assets remaining coverage	Assets for incurred claims	
	Excluding loss-recovery component Rm	Estimates of present value of future cash flows Rm	Total Rm
Opening balance assets	427	55	482
Opening balance liabilities	(84)	46	(38)
Net opening balance	343	101	444
Changes in the statement of comprehensive income			
Allocation of reinsurance premiums	(399)	—	(399)
Amounts recoverable from reinsurers	—	(64)	(64)
Recoveries of incurred claims and other services expenses	—	(49)	(49)
Changes to amounts recoverable for incurred claims	—	(15)	(15)
Net expenses from reinsurance contracts	(399)	(64)	(463)
Net finance expenses from insurance contracts	—	(1)	(1)
Effect of movements in exchange rates	(17)	(17)	(34)
Total changes in the statement of comprehensive income	(416)	(82)	(498)
Total cash flows	216	178	394
Premiums paid	216	—	216
Amounts received	—	178	178
Closing balance assets	265	197	462
Closing balance liabilities	(122)	—	(122)
Net closing balance	143	197	340

8. Insurance and reinsurance contracts (continued)

Non-life risk: Reinsurance contracts (continued)

Analysis by remaining coverage and incurred claims – contracts measured under PAA. (continued)

	Group 2022		
	Assets for remaining coverage	Assets for incurred claims	
	Excluding loss-recovery component Rm	Estimates of present value of future cash flows Rm	Total Rm
Opening balance assets	312	182	494
Opening balance liabilities	(72)	48	(24)
Net opening balance	240	230	470
Changes in the statement of comprehensive income			
Allocation of reinsurance premiums	(124)	—	(124)
Amounts recoverable from reinsurers	—	94	94
Recoveries of incurred claims and other insurance services expenses	—	94	94
Net expenses from reinsurance contracts	(124)	94	(30)
Effect of movements in exchange rates	(4)	—	(4)
Total changes in the statement of comprehensive income	(128)	94	(34)
Total cash flows	231	(223)	8
Premiums paid	231	—	231
Amounts received	—	(223)	(223)
Closing balance assets	427	55	482
Closing balance liabilities	(84)	46	(38)
Net closing balance	343	101	444

8. Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts

Analysis by remaining coverage and incurred claims – reinsurance contracts not measured under PAA

	Group 2023			
	Remaining coverage			
	Excluding loss-recovery component Rm	Loss-recovery component Rm	Assets for incurred claims Rm	Total Rm
Opening balance assets	157	29	50	236
Opening balance liabilities	(41)	33	—	(8)
Net opening balance	116	62	50	228
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums	(313)	—	—	(313)
Amounts recoverable from reinsurers	—	(11)	345	334
Recoveries of incurred claims and other service expenses	—	(12)	358	346
Changes to amounts recoverable for incurred claims	—	—	(13)	(13)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	1	—	1
Net income from reinsurance contracts	(313)	(11)	345	21
Net finance expenses from insurance contracts	(27)	2	—	(25)
Effect of movements in exchange rates	(6)	—	13	7
Total changes in the statement of comprehensive income	(346)	(9)	358	3
Total cash flows	328	—	(346)	(18)
Premiums paid	328	—	—	328
Amounts received	—	—	(346)	(346)
Closing balance assets	152	53	62	267
Closing balance liabilities	(54)	—	—	(54)
Net closing balance	98	53	62	213

8. Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts (continued)

Analysis by remaining coverage and incurred claims – reinsurance contracts not measured under PAA.

	Group 2022			
	Remaining coverage			
	Excluding loss-recovery component Rm	Loss-recovery component Rm	Assets for incurred claims Rm	Total Rm
Opening balance assets	124	23	84	231
Opening balance liabilities	(136)	36	—	(100)
Net opening balance	(12)	59	84	131
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums	(154)	—	—	(154)
Amounts recoverable from reinsurers	—	—	83	83
Recoveries of incurred claims and other expenses	—	2	247	249
Changes to amounts recoverable for incurred claims	—	—	(164)	(164)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(2)	—	(2)
Net expenses from reinsurance contracts	(154)	—	83	(71)
Net finance income from insurance contracts	98	4	—	102
Effect of movements in exchange rates	—	(1)	(2)	(3)
Total changes in the statement of comprehensive income	(56)	3	81	28
Total cash flows	184	—	(115)	69
Premiums paid	184	—	—	184
Amounts received	—	—	(115)	(115)
Closing balance assets	157	29	50	236
Closing balance liabilities	(41)	33	—	(8)
Net closing balance	116	62	50	228

8. Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts (continued)

Analysis by measurement component – reinsurance contracts not measured under the PAA.

	Group 2023				
			CSM		
	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	(173)	88	5	316	236
Opening balance liabilities	(660)	196	84	372	(8)
Net opening balance	**(833)**	**284**	**89**	**688**	**228**
Changes in the statement of comprehensive income					
Changes that relate to current services	**149**	**(8)**	**(15)**	**(92)**	**34**
CSM recognised for services provided	—	—	(15)	(92)	(107)
Change in risk adjustment for non-financial risk for risk expired	—	(8)	—	—	(8)
Experience adjustments	149	—	—	—	149
Changes that relate to future services	**(79)**	**15**	**28**	**36**	**—**
Contracts initially recognised in the year	(157)	36	—	150	29
Changes in estimates that adjust the CSM	78	(21)	25	(82)	—
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	—	—	3	(32)	(29)
Changes that relate to past services	**(13)**	**—**	**—**	**—**	**(13)**
Changes to incurred claims component	(13)	—	—	—	(13)
Net income from reinsurance contracts	**57**	**7**	**13**	**(56)**	**21**
Net finance expenses from insurance contracts	(72)	—	4	43	(25)
Effects of movements in exchange rates	4	2	(1)	1	6
Total changes in the statement of comprehensive income	**(11)**	**9**	**16**	**(12)**	**2**
Total cash flows	**(18)**	**—**	**—**	**—**	**(18)**
Premiums paid net of ceding commission	328	—	—	—	328
Amounts received	(346)	—	—	—	(346)
Closing balance assets	(767)	285	106	642	266
Closing balance liabilities	(95)	8	(1)	34	(54)
Net closing balance	**(862)**	**293**	**105**	**676**	**212**

8. Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts (continued)

Analysis by measurement component – reinsurance contracts not measured under the PAA.

	Group 2022				
			CSM		
	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	(19)	66	(25)	209	231
Opening balance liabilities	(647)	162	50	336	(99)
Net opening balance	(666)	228	25	545	132
Changes in the statement of comprehensive income					
Changes that relate to current services	58	(16)	(10)	(68)	(36)
CSM recognised for services provided	—	—	(10)	(68)	(78)
Change in risk adjustment for non-financial risk for risk expired	—	(16)	—	—	(16)
Experience adjustments	58	—	—	—	58
Changes that relate to future services	(319)	65	71	180	(3)
Contracts initially recognised in the year	(196)	40	—	180	24
Changes in estimates that adjust the CSM	(120)	26	70	24	—
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	(3)	(1)	1	(24)	(27)
Changes that relate to past services	(33)	—	—	—	(33)
Changes to incurred claims component	(33)	—	—	—	(33)
Net expenses from reinsurance contracts	(294)	49	61	112	(72)
Net finance income from insurance contracts	68	—	2	32	102
Total changes in the statement of comprehensive income	(226)	49	63	144	30
Total cash flows	61	7	—	—	68
Premiums paid net of ceding commission	176	7	—	—	183
Amounts received	(115)	—	—	—	(115)
Closing balance assets	(173)	89	5	316	237
Closing balance liabilities	(660)	196	84	372	(8)
Net closing balance	(833)	285	89	688	229

8. Insurance and reinsurance contracts (continued)

Effects of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance and reinsurance contracts arising from the initial recognition of contracts not measured under the PAA that were initially recognised in the year.

	Group 2023 Life				
	Profitable contracts issued Rm	Profitable contracts acquired Rm	Onerous contracts issued Rm	Onerous contracts acquired Rm	Total Rm
Insurance acquisition cash flows	332	—	133	—	465
Claims and other insurance service expenses payable	3 009	—	894	—	3 903
Estimates of present value of cash outflows	3 341	—	1 027	—	4 368
Estimates of present value of cash inflows	(5 301)	—	(916)	—	(6 217)
Risk adjustment for non-financial risk	274	—	31	—	305
CSM	1 686	—	—	—	1 686
Losses recognised on initial recognition	—	—	142	—	142

	Group 2022 Life				
	Profitable contracts issued Rm	Profitable contracts acquired Rm	Onerous contracts issued Rm	Onerous contracts acquired Rm	Total Rm
Insurance contracts					
Insurance acquisition cash flows	347	—	114	—	461
Claims and other insurance service expenses payable	2 768	—	451	—	3 219
Estimates of present value of cash outflows	3 115	—	565	—	3 680
Estimates of present value of cash inflows	(4 900)	—	(465)	—	(5 365)
Risk adjustment for non-financial risk	243	—	23	—	266
CSM	1 542	—	—	—	1 542
Losses recognised on initial recognition	—	—	123	—	123

	Group Life			
	2023		2022	
	Contracts initiated without a loss-recovery component Rm	Contracts initiated with a loss-recovery component Rm	Contracts initiated without a loss-recovery component Rm	Contracts initiated with a loss-recovery component Rm
Reinsurance contracts				
Estimates of present value of cash outflows	—	(704)	—	(530)
Estimates of present value of cash inflows	(6)	564	(5)	339
Risk adjustment for non-financial risk	2	31	1	35
CSM	4	130	4	170
Income recognised on initial recognition	—	21	—	14

8. Insurance and reinsurance contracts (continued)

Contractual service margin

The following table illustrates when the Group expects to recognise the remaining CSM as revenue for contracts not measured under the PAA.

	Group			
	2023			
	Next 3 years Rm	4 to 10 years Rm	More than 10 years Rm	Total Rm
Life Insurance Contracts	(2 532)	(3 219)	(3 478)	(9 229)
Life Reinsurance Contracts	368	179	235	782
	(2 164)	(3 040)	(3 243)	(8 447)

	2022			
	Next 3 years Rm	4 to 10 years Rm	More than 10 years Rm	Total Rm
Life Insurance Contracts	(2 385)	(3 068)	(3 415)	(8 868)
Life Reinsurance Contracts	452	140	185	777
	(1 933)	(2 928)	(3 230)	(8 091)

Insurance and reinsurance contracts have been restated due to the implementation of IFRS 17. Refer to note 1.21.

9. Investments linked to investment contracts

	Group	
	2023 Rm	2022 Rm
Debt instruments	2 216	1 767
Listed equity instruments	18 822	17 510
Money market instruments	7	11
	21 045	19 288

10. Investments in associates and joint ventures

	Group	
	2023 Rm	2022 Rm
Unlisted investments	2 644	2 409

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

	Group	
	2023 Rm	2022 Rm
Balance at the beginning of the reporting period	2 409	1 593
Share of current reporting period post-tax results	200	137
Share of current reporting period results before taxation	277	186
Taxation on reporting period results	(77)	(49)
Addition of investment	35	679
Balance at the end of the reporting period	2 644	2 409

10. Investments in associates and joint ventures (continued)

10.2 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	122	38	78	99
Total comprehensive income	122	38	78	99

10.3 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	803	768
Share of post-acquisition reserves	1 724	1 524
Additional capital contribution	117	117
	2 644	2 409

10.4 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	1 297	1 347	2 644	1 140	1 269	2 409
Fair value through profit or loss	—	209	209	—	209	209
	1 297	1 556	2 853	1 140	1 478	2 618

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 46 for additional disclosure of the Group's investments in associates and joint ventures.

11. Investment properties

	Group	
	2023 Rm	2022 Rm
Balance at the beginning of the reporting period	397	421
Change in fair value (refer to note 32)	—	(21)
Disposals	(2)	(1)
Foreign exchange and hyperinflation movements	(17)	(2)
Balance at the end of the reporting period	378	397

Investment properties comprise a number of properties leased to third parties for either commercial or residential use. Each of the leases contain an initial rental period ranging from six months to ten years, depending on the use of the building being leased. Subsequent renewals are negotiated with the lessee. No contingent rentals are charged.

12. Property and equipment

	Group					
	2023			2022		
	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying amount Rm	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying amount Rm
Computer equipment	7 544	(5 286)	2 258	7 999	(6 064)	1 935
Freehold property	7 176	(1 146)	6 030	7 226	(1 088)	6 138
Furniture and other equipment	13 093	(8 859)	4 234	12 419	(8 161)	4 258
Leasehold property	4	—	4	5	—	5
Motor vehicles	162	(81)	81	112	(68)	44
Right-of-use assets	8 667	(5 575)	3 092	7 464	(4 519)	2 945
Aircraft	326	(9)	317	—	—	—
	36 972	(20 956)	16 016	35 225	(19 900)	15 325

	Group									
	2023									
Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer (to)/from intangible assets Rm	Transfer to non-current assets held for sale Rm	Foreign exchange and hyper-inflation on movements Rm	Depre-ciation Rm	Impair-ment charge Rm	Closing balance Rm
Computer equipment	1 935	811	(4)	(3)	—	—	323	(785)	(19)	2 258
Freehold property	6 138	436	(176)	(28)	—	(116)	(72)	(84)	(68)	6 030
Furniture and other equipment	4 258	1 235	(83)	27	—	—	7	(1 100)	(110)	4 234
Leasehold property	5	—	—	—	—	—	(1)	—	—	4
Motor vehicles	44	60	(2)	3	—	—	(1)	(23)	—	81
Right-of-use assets	2 945	1 513	(192)	1	—	—	(23)	(1 135)	(17)	3 092
Aircraft	—	326	—	—	—	—	—	(9)	—	317
	15 325	4 381	(457)	—	—	(116)	233	(3 136)	(214)	16 016
Note						6		34	35	

	Group									
	2022									
Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Transfers Rm	Transfer (to)/from intangible assets Rm	Transfer to non-current assets held for sale Rm	Foreign exchange and hyperinflation movements Rm	Depre-ciation Rm	Impair-ment charge Rm	Closing balance Rm
Computer equipment	1 978	902	(36)	24	(11)	—	(13)	(860)	(49)	1 935
Freehold property	5 912	625	(41)	(164)	(13)	(65)	(7)	(82)	(27)	6 138
Furniture and other equipment	4 824	671	(14)	136	18	(2)	(10)	(1 205)	(160)	4 258
Leasehold property	5	—	—	—	—	—	—	—	—	5
Motor vehicles	43	16	—	3	—	—	(5)	(13)	—	44
Right-of-use assets	3 208	1 017	(24)	1	—	—	(31)	(1 108)	(118)	2 945
	15 970	3 231	(115)	—	(6)	(67)	(66)	(3 268)	(354)	15 325
Note						6		34	35	

Included in the above additions is **R1 271m** (2022: R604m) 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 **R1 718m** (2022: R164m).

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

Included in the foreign exchange column, is **R327m** relating to hyperinflation.

13. Goodwill and intangibles

	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	21 788	(8 162)	13 626	19 658	(7 582)	12 076
Customer lists and relationships	255	(239)	16	255	(235)	20
Goodwill	1 061	(292)	769	1 049	(292)	757
Other	124	(93)	31	155	(107)	48
	23 228	(8 786)	14 442	21 117	(8 216)	12 901

	Group								
	2023								
Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Disposals Rm	Foreign exchange and hyper-inflation on movements Rm	Amor-tisation Rm	Impairment charge Rm	Transfer to non-current assets held for sale Rm	Transfers Rm	Closing balance Rm
Computer software development costs	12 076	4 603	(35)	8	(2 781)	(245)	—	—	13 626
Customer lists and relationships	20	—	—	—	(4)	—	—	—	16
Goodwill	757	—	—	12	—	—	—	—	769
Other	48	—	(6)	—	(11)	—	—	—	31
	12 901	4 603	(41)	20	(2 796)	(245)	—	—	14 442
Note					34	35	6	12	

	Group								
	2022								
Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Disposals Rm	Foreign exchange and hyper-inflation movements Rm	Amor-tisation Rm	Impairment charge Rm	Transfer to non-current assets held for sale Rm	Transfers Rm	Closing balance Rm
Computer software development costs	11 064	3 779	(4)	(3)	(2 561)	(237)	(1)	39	12 076
Customer lists and relationships	24	—	—	—	(4)	—	—	—	20
Goodwill	754	—	—	3	—	—	—	—	757
Other	61	—	—	—	(13)	—	—	—	48
	11 903	3 779	(4)	—	(2 578)	(237)	(1)	39	12 901
Note					34	35	6	12	

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.

13. Goodwill and intangibles (continued)

	Group 2023 Rm	2022 Rm
Composition of goodwill		
Absa Bank Ghana Limited	63	63
Absa Bank Mauritius Limited	54	50
Absa Bank Uganda Limited	128	120
Absa Instant Life Proprietary Limited	20	20
Absa Vehicle and Management Solutions Proprietary Limited	112	112
First Assurance Company Limited	69	69
Global Alliance Seguros S.A.	24	24
Woolworths Financial Services Proprietary Limited	299	299
	769	757

14. Deferred tax

14.1 Reconciliation of net deferred tax (asset)/liability

	Group 2023 Rm	2022 Rm
Balance at the beginning of the reporting period	(8 233)	(5 227)
Deferred tax on amounts charged directly to other comprehensive income and equity	848	(2 140)
Credit to profit or loss (refer to note 37)	(537)	(900)
Tax effect of translation and other differences	254	34
Balance at the end of the reporting period	(7 668)	(8 233)

14.2 Deferred tax (asset)/liability

	Group 2023 Rm	2022 Rm
Tax effects of temporary differences between tax and book value for:		
Deferred tax liability	181	168
Prepayments, accruals and other provisions	180	201
Capital allowances	1	(7)
Cash flow hedge and available for sale reserve	—	(27)
Cash flow hedge and financial assets at fair value through other comprehensive income	—	(1)
Impairment of loans and advances	—	2
Deferred tax asset	(7 849)	(8 401)
Assessed losses	(93)	(217)
Fair value adjustments on financial instruments	(386)	(399)
Cash flow hedge and financial assets at fair value through other comprehensive income	(449)	(1 146)
Impairment of loans and advances	(5 003)	(5 671)
Lease and rental debtor allowances	(510)	(514)
Prepayments, accruals and other provisions	(1 727)	(1 165)
Own credit risk	(263)	(167)
Capital allowances	1 023	1 381
Retirement benefit assets	(38)	12
Share-based payments	(403)	(515)
Net deferred tax (asset)/liability	(7 668)	(8 233)

Deferred tax has been restated due to the implementation of IFRS 17. Please refer to note 1.21

14.3 Future tax relief

The Group has estimated tax losses of **R1 398m** (2022: R1 462m) which are available for set-off against future taxable income. Deferred tax assets of **R93m** (2022: R217m) relating to tax losses carried forward were recognised because management considered it probable that future taxable profits would be available against which such losses can be used.

Of the total losses of **R1 211m** (2022: R935m) relating to Mozambique, only **R297m** (2022: R935m) was recognised for the purposes of deferred tax. The unrecognized amount was **R914m** (2022: 0m), due to management not considering it probable that future taxable profits would be available against which such losses can be used within the allowed 5 years, following the first tax year in which it arose.

15. Trading and hedging portfolio liabilities

	Group	
	2023 Rm	2022 Rm
Derivative liabilities	**46 701**	56 591
Commodity derivatives	**368**	117
Credit derivatives	**348**	938
Equity derivatives	**2 696**	4 679
Foreign exchange derivatives	**14 927**	18 310
Interest rate derivatives	**28 362**	32 547
Short positions	**15 847**	38 319
Total trading portfolio liabilities	**62 548**	94 910
Hedging portfolio liabilities (refer to note 54)	**1 688**	2 237
	64 236	97 147

Trading and hedging portfolio liabilities were restated. Refer to the reporting changes overview note 1.21.

16. Other liabilities

	Group	
	2023 Rm	2022 Rm
Accruals	**3 180**	3 306
Audit fee accrual	**286**	229
Cash-settled share-based payment liability (refer to note 50)	**131**	138
Creditors	**18 400**	16 253
Deferred income	**211**	342
Lease liabilities	**3 805**	3 577
Retirement benefit funds and post-retirement medical plan obligations (refer to note 41)	**726**	497
Settlement balances	**15 354**	9 949
	42 093	34 291

Creditors and settlement balances have been restated. Please refer to material accounting policy 1.21.

17. 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	3 229	1 313	1 318	5 860
Additions	3 762	954	—	4 716
Amounts used	(3 144)	(682)	—	(3 826)
Reversals	(553)	(5)	—	(558)
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (refer to note 49)	—	—	(147)	(147)
Balance at the end of the reporting period	3 294	1 580	1 171	6 045

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

67% of the provisions balance is expected to be recovered or settled within 12 months after the reporting date.

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

The sundry provisions amount has been restated due to the implementation of IFRS 17. Refer to note 1.21

17. Provisions (continued)

17.1 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			
	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	177	173	505	855
Asset moved/allowance transferred to stage 1	2	(2)	—	—
Current period provision	(57)	10	170	123
Foreign exchange and hyperinflation movements	(8)	(5)	(191)	(204)
Balance at the end of the reporting period	114	176	484	774

	Group			
	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	122	90	388	600
Asset moved/allowance transferred to stage 1	(22)	(1)	23	—
Current period provision	88	88	35	211
Foreign exchange and hyperinflation movements	(11)	(4)	59	44
Balance at the end of the reporting period	177	173	505	855

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).

18. Deposits

	Group	
	2023 Rm	2022 Rm
Customers		
Call deposits	131 769	121 433
Cheque account deposits	287 075	313 984
Credit card deposits	1 930	2 142
Fixed deposits	307 123	262 844
Foreign currency deposits	83 418	64 408
Notice deposits	86 341	67 562
Other deposits	2 272	1 752
Repurchase agreements	26 342	19 071
Savings and transmission deposits	289 061	260 086
Total deposits due to customers	1 215 331	1 113 282
Banks		
Call deposits	8 022	2 662
Fixed deposits	24 211	28 913
Foreign currency deposits	27 980	18 770
Other deposits	7 869	8 634
Repurchase agreements	55 619	69 154
Savings and transmission deposits	504	503
Total deposits due to banks	124 205	128 636
Total deposits	1 339 536	1 241 918

'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.

19. Debt securities in issue

	Group 2023 Rm	2022 Rm
Commercial paper	2 744	4 802
Credit linked notes	24 848	19 734
Floating rate notes	43 799	51 722
Negotiable certificates of deposit	89 858	88 429
Other	1 384	2 121
Promissory notes	1 581	2
Senior notes	46 912	38 608
Structured notes and bonds	2	101
	211 128	205 519

20. Liabilities under investment contracts

	Group 2023 Rm	2022 Rm
Net balance at the beginning of the reporting period	19 999	21 126
Change in investment contracts	1 443	(1 186)
Cash inflows on investment contracts	2 391	2 205
Policyholder benefits paid on investment contracts	(2 597)	(2 204)
Other	11	58
Net balance at the end of the reporting period	21 247	19 999

20.1 Assets and liabilities backing the investment contracts

	Group 2023 Net assets/ (liabilities) attributable to external policyholders Rm	Net assets/ (liabilities) attributable to external policyholders Rm
Current tax liabilities	(19)	(11)
Money market assets (refer to note 2)	235	742
Investments linked to investment contracts (refer to note 9)	21 045	19 288
Other assets	9	9
Other liabilities	(23)	(29)
	21 247	19 999

The liabilities under investment contracts and total assets/(liabilities) backing the investment contracts have been restated due to the implementation of IFRS 17. Refer to note 1.21.

21. Borrowed funds

			Group 2023 Rm	Group 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 by Absa Group Limited				
Three-month JIBAR + 2.13%	17 May 2030	ii.	2 676	2 676
Three-month JIBAR + 2.40%	11 April 2029	iii.	1 580	1 580
Three-month JIBAR + 2.45%	29 November 2028	iv.	—	1 500
Three-month JIBAR + 3.85%	14 August 2029	v.	390	390
Three-month JIBAR + 3.45%	29 September 2029	vi.	1 014	1 014
Three-month JIBAR + 2.10%	16 September 2032	vii.	1 916	1 916
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
Subordinated callable notes issued by other subsidiaries				
Bank of Botswana limit rate + 2.25%	14 November 2028	xi.	136	136
Other				
Accrued interest			137	1 401
Fair value adjustments			(695)	(940)
Foreign exchange movement			2 324	3 429
			18 502	26 420

	Group 2023 Rm	Group 2022 Rm
Reconciliation of borrowed funds		
Opening balance	26 420	26 600
Changes arising from cash movements:	(10 126)	(2 706)
Borrowed fund issuances	2 158	1 916
Borrowed fund redemptions	(7 952)	(2 204)
Impact of hyperinflation	(496)	—
Interest paid	(3 836)	(2 418)
Changes arising from non-cash movements:	2 208	2 526
Interest accrued	2 572	2 623
Fair value adjustments	245	(1 000)
Foreign exchange and hyperinflation movements	(609)	903
Closing balance	18 502	26 420

21. Borrowed funds (continued)

The repayment of borrowed funds of R11 317m 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 and hyperinflation movement of R609m.

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

ii. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Group Limited on 17 May 2025. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Group 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 Group Limited not exercise the redemption option.

iii. The three-month JIBAR plus 2.40% floating rate notes may be redeemed in full at the option of Absa Group Limited on 11 April 2024. Interest is paid quarterly in arrears on 11 January, 11 April, 11 July and 11 October. Absa Group 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 Group Limited not exercise the redemption option.

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

v. The three-month JIBAR plus 3.85% floating rate notes may be redeemed in full at the option of Absa Group Limited on 14 August 2024. Interest is paid quarterly in arrears on 14 February, 14 May, 14 August and 14 November. Absa Group 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 Group Limited not exercise the redemption option.

vi. The three-month JIBAR plus 3.45% floating rate notes may be redeemed in full at the option of Absa Group Limited on 29 September 2024. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December. Absa Group 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 Group Limited not exercise the redemption option.

vii. The three-month JIBAR plus 2.10% floating rate with a nominal amount of ZAR 1.9bn may be redeemed in full at the option of Absa Group 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 Group 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 2028. 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 USD 400m were redeemed in full on 25 April 2023.

x. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Group. The Group 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).

xi. The Botswana Bank repo rate plus 2.25% floating rate notes issued by Absa Bank of Botswana Limited, with a nominal amount of BWP 103m, may be redeemed in full on 14 November 2023. The interest is paid quarterly in arrears on 14 February, 14 May, 14 August and 14 November. Absa Bank of Botswana Limited has the option to exercise the redemption on any interest payment date after 14 November 2023. No step-up will apply on the coupon rate, should Absa Bank of Botswana not exercise the redemption option.

Notes i to viii are listed on the Johannesburg Stock Exchange Debt Market.

Note ix and x are listed on the London Stock Exchange.

Note xi is listed on the Botswana Stock Exchange.

In accordance with the memorandums of incorporation, the borrowing powers of Absa Group Limited and Absa Bank Limited are unlimited.

22. Share capital, premium and other equity

22.1 Ordinary share capital

	Group 2023 Rm	Group 2022 Rm
Authorised		
950 000 000 (31 December 2022: 891 774 054) ordinary shares of R2.00 each	**1 900**	1 784
Issued		
894 376 907 (31 December 2022: 847 750 679) ordinary shares of R2.00 each	**1 789**	1 696
65 322 253 (31 December 2022: 20 324 498) treasury shares held by Group entities	**(132)**	(42)
	1 657	1 654
Total issued capital		
Share capital	**1 657**	1 654
Share premium	**10 464**	10 191
	12 121	11 845

Authorised shares
During the current reporting period, the authorised share capital was increased to 950 000 000 ordinary shares. The par value of the shares remained unchanged at R2 each.

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 issued
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
46 626 228 additional shares were issued for a value of R7 802 909 331 during the current reporting period. All shares issued by the Group were considered to be fully paid up for Companies Act purposes, even though certain shares are treated as treasury shares. Refer to note 22.2 below.

22.2 Treasury shares

The Absa Group Limited Share Incentive Trust holds treasury shares which are utilised by the Group as a vehicle from which share incentive awards are granted. Absa Life Limited and Absa Capital Securities Proprietary Limited holds treasury shares, which are utilised by the Group in the normal course of business and held in the entities' share portfolios of **2 715 870** (2022: 4 344 343).

Newshelf 1405 (RF) Proprietary Limited (which is currently consolidated into the Group) holds 7% (**62 606 383**) Absa Group Limited shares (2022: 15 980 155) as part of the Group's B-BBEE transaction. 3% is designated for the SA Staff Trust, in which employees will become shareholders after five years (from 1 September 2023). 4% is designated for a perpetual Corporate Social Investment (CSI) Trust For further details regarding this transaction, refer to note 46.2 (Related Parties).

The afore-mentioned entities are consolidated by the Group (refer to note 46.3) and the shares held by these entities are therefore accounted for as treasury shares and eliminated against the Group's share capital and share premium.

22. Share capital, premium and other equity (continued)

22.3 Directors' interests in the Group's ordinary shares

	Direct number of shares		Indirect number of shares		Total direct and indirect number of shares	
		Beneficial		Beneficial		Beneficial
	2023	2022	2023	2022	2023	2022
Present directors						
P Mageza	20 565	—	—	—	20 565	—
A Rautenbach	268 339	218 412	—	—	268 339	218 412
CFJ Snyman	18 498	—	—	—	18 498	—
Prescribed officers			—	—		
C Fox	51 442	27 205	—	—	51 442	27 205
GS Lee	25 508	3 434	—	—	25 508	3 434
FS Mkhize	34 954	13 658	—	—	34 954	13 658
CJ Russon	140 373	150 669	—	—	140 373	150 669
Past directors						
JP Quinn (resigned 22 November 2023)	152 666	99 814	—	—	152 666	99 814
	712 345	513 192	—	—	712 345	513 192

There was no movement in shareholding between the reporting date and the date of approval of the financial statements. No directors hold any non-beneficial interests in the Group's ordinary shares.

23. Other reserves

23.1 General credit risk reserve

The general credit risk reserve consists of the following:

For some African subsidiaries, the IFRS 9 expected credit losses allowance is less than the regulatory provision, which results in a shortfall. An additional general credit risk reserve has been created and maintained through a transfer of distributable reserves, which eliminates the shortfall.

23.2 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.

23.3 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.

23.4 Foreign currency translation reserve

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

23.5 Foreign insurance subsidiary regulatory reserve

The foreign insurance subsidiary regulatory reserve is calculated on the basis of the following minimum percentages of profits recorded in each reporting period for that subsidiary:

- 20% until the value of the reserves represents half of the minimum capital required under the foreign insurance subsidiary's legislation.
- 10% from the point at which the amount specified in the preceding paragraph has been attained.

23.6 Share-based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income. Refer to Note 50 for further information on Share-based payment.

23.7 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.

23.8 Retained earnings

The 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;
- direct shareholder contributions; and
- impact of the application of accounting for hyperinflation in subsidiaries who are considered to be operating in hyperinflationary economies.

23.9 Insurance finance reserve

The insurance finance reserve comprises the net insurance finance income and expenses recognised in OCI for life risk insurance and reinsurance contracts measured using the general measurement model.

24. Non-controlling interest and other equity

24.1 Preference shares

	Group 2023 Rm	Group 2022 Rm
Authorised		
30 000 000 (2022: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	1	1
Issued		
4 944 839 (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 only subsidiary that gives rise to a significant non-controlling interest is Absa Bank Limited. Whilst Absa Group Limited holds 100% of the voting rights in Absa Bank Limited, Absa Bank Limited has preference shares in issue that are disclosed as non-controlling interests.

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of the preference shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or if a resolution is proposed by Absa Bank Limited which directly affects the rights attached to the preference shares or the interest of the shareholders. Payment of dividends and principal is at the discretion of the Group. 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.

As at the reporting date, there were no preference dividends that have been declared but remain unpaid. Refer to the consolidated financial statements of Absa Bank Limited for detailed information regarding the financial position and financial performance of Absa Bank Limited.

24.2 Other equity: Additional Tier 1 capital

		Group 2023 Rm	Group 2022 Rm
Subordinated callable notes issued by Absa Group 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.

25. Interest and similar income

	Group 2023 Rm	Group 2022 Rm
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	17	22
Interest on hedging instruments	(1 239)	1 297
Investment securities	16 448	15 561
Loans and advances	139 236	95 352
Loans and advances to customers	134 123	91 598
Corporate overdrafts and specialised finance loans	1 880	1 542
Credit cards	10 213	7 254
Foreign currency loans	4 562	1 766
Instalment credit agreements and finance lease receivables	15 970	11 313
Loans to associates and joint ventures	2 431	1 720
Microloans	746	668
Mortgages	43 208	27 838
Other advances	1 270	1 186
Overdrafts	6 611	5 175
Overnight finance	1 860	1 372
Personal and term loans	29 760	21 030
Preference shares	2 771	2 073
Reverse repurchase agreements	27	13
Wholesale overdrafts	12 814	8 648
Loans and advances to banks	5 113	3 754
	154 462	112 232
Classification of interest and similar income		
Interest on hedging instruments	(1 239)	1 297
Cash flow hedges (refer to note 54.7)	(1 491)	2 486
Fair value hedging instruments	252	(1 189)
Interest on financial assets held at amortised cost	143 446	100 588
Interest on financial assets measured at FVOCI	9 486	8 431
Interest on financial assets measured at fair value through profit or loss	2 769	1 916
Cash, cash balances and balances with central banks	—	1
Investment securities	186	116
Loans and advances	2 583	1 799
	154 462	112 232

Interest income on 'other advances' includes items such as interest on factored debtors' books.

26. Interest expense and similar charges

	Group 2023 Rm	Group 2022 Rm
Interest expense and similar charges are paid on:		
Borrowed funds	2 572	2 623
Debt securities in issue	12 567	8 582
Deposits	69 963	40 677
Deposits due to customers	67 163	38 897
Call deposits	15 459	8 566
Cheque account deposits	8 917	5 404
Credit card deposits	6	4
Fixed deposits	16 042	8 097
Foreign currency deposits	255	136
Notice deposits	6 748	4 870
Other deposits due to customers	1 070	1 194
Savings and transmission deposits	18 666	10 626
Deposits from banks	2 800	1 780
Call deposits	466	419
Fixed deposits	1 742	1 034
Foreign currency deposits	382	168
Other	210	159
Interest on hedging instruments	960	(615)
Interest incurred on lease liabilities (refer to note 40)	264	394
Other	81	73
	86 407	51 734
Classification of interest expense and similar charges		
Interest on hedging instruments	960	(615)
Cash flow hedges (refer to note 54.7)	38	(150)
Fair value hedging instruments	922	(465)
Interest on financial liabilities measured at amortised cost	85 447	52 349
	86 407	51 734

27. Net fee and commission income

	Group 2023 Rm	Group 2022 Rm
Consulting and administration fees	516	479
Insurance commission received	1 382	951
Investment, markets execution and investment banking fees	453	412
Merchant income	2 794	2 671
Other fee and commission income	435	699
Transactional fees and commissions	21 912	21 121
Cheque accounts	5 093	4 834
Credit cards	3 159	2 896
Electronic banking	6 905	6 595
Service charges	4 470	4 382
Other (includes exchange commissions and guarantees)	1 187	1 018
Savings accounts	1 098	1 396
Trust and other fiduciary services	722	1 213
Portfolio and other management fees	371	875
Trust and estate income	351	338
Fee and commission income	28 214	27 546
Fee and commission expense	(3 243)	(3 042)
Brokerage fees	(98)	(103)
Cheque processing fees	(4)	(6)
Clearing and settlement charges	(1 617)	(1 252)
Notification fees	(246)	(251)
Other	(1 183)	(1 325)
Valuation fees	(95)	(105)
	24 971	24 504
Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	5 093	4 834
Credit cards	3 159	2 896
Electronic banking	6 905	6 595
Service charges	4 470	4 382
Other	1 187	1 018
Savings accounts	1 098	1 396
Fee and commission income	21 912	21 121
Fee and commission expense	(3 157)	(2 771)
	18 755	18 350

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

Insurance commission received, insurance commission paid and other fee and commission expense have been restated due to the implementation of IFRS 17. Refer to note 1.21.

Other transactional fees and commission have been disaggregated due to the extraction of the service charges (2022: R4 382m) which form a significant portion of the balance. As a result, total other transactional fees and commission for 2022 reduced from R5 400m to R1 018m.

Credit cards include card issuing and acquiring fees.

Other transactional fees and commissions income include exchange commission **R823m** (2022: R795m) and guarantees **R364m** (2022: R222m).

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

28. Insurance revenue

	Group 2023 Life Rm	Group 2023 Non-life Rm	Group 2023 Total Rm
Contracts not measured under the PAA	5 081	—	5 081
Amounts relating to changes in liabilities for remaining coverage			
CSM recognised for services provided	1 011	—	1 011
Change in risk adjustment for non-financial risk for risk expired	249	—	249
Expected incurred claims and other insurance service expenses	3 484	—	3 484
Other, including experience adjustments	26	—	26
Recovery of insurance acquisition cash flows	311	—	311
Contracts measured under the PAA	1 038	5 466	6 504
Total insurance revenue	6 119	5 466	11 585

	Group 2022 Life Rm	Group 2022 Non-life Rm	Group 2022 Total Rm
Contracts not measured under the PAA	4 823	—	4 823
Amounts relating to changes in liabilities for remaining coverage			
CSM recognised for services provided	997	—	997
Change in risk adjustment for non-financial risk for risk expired	33	—	33
Expected incurred claims and other insurance service expenses	3 611	—	3 611
Other, including experience adjustments	(79)	—	(79)
Recovery of insurance acquisition cash flows	261	—	261
Contracts measured under the PAA	680	4 633	5 313
Total insurance revenue	5 503	4 633	10 136

Insurance revenue has been restated due to the implementation of IFRS 17. Refer to note 1.21.

29. Insurance finance income and expenses

	Group 2023 Life Rm	2023 Non-life Rm	2023 Total Rm	Restated 2022 Life Rm	Restated 2022 Non-life Rm	Restated 2022 Total Rm
Net finance income/(expenses) from insurance contracts	225	(14)	211	(1 016)	(13)	(1 029)
Interest accreted	(14)	(14)	(28)	(91)	(13)	(104)
Effect of changes in interest and other financial assumptions	239	—	239	(925)	—	(925)
Represented by:						
Amounts recognised in profit or loss	(136)	(14)	(150)	(48)	(13)	(61)
Amounts recognised in OCI	361	—	361	(968)	—	(968)
Total	225	(14)	211	(1 016)	(13)	(1 029)
Net finance income/(expenses) from reinsurance contracts	(25)	—	(25)	102	—	102
Interest accreted	(17)	—	(17)	(4)	—	(4)
Effect of changes in interest rates and other financial assumptions	(14)	—	(14)	203	—	203
Effect of changes in non-performance risk of reinsurers	6	—	6	(97)	—	(97)
Represented by:						
Amounts recognised in profit or loss	(4)	—	(4)	(8)	—	(8)
Amounts recognised in OCI	(21)	—	(21)	110	—	110
Total	(25)	—	(25)	102	—	102

Insurance finance income and expenses has been restated due to the implementation of IFRS 17. Refer to note 1.21.

Net finance income/(expenses) from insurance contracts should be read in conjunction with 'Net (losses)/gains on investment activities: Insurance contracts' reported in 'Gains and losses from investment activities' in note 31.

30. Gains and losses from banking and trading activities

	Group 2023 Rm	2022 Rm
Net gains on investments	683	272
Debt instruments designated at fair value through profit or loss	262	185
Equity instruments at fair value through profit or loss	355	80
Unwind from reserves for debt instruments at fair value through other comprehensive income	66	7
Net trading result	7 310	7 481
Net trading income excluding the impact of hedge accounting	7 260	7 674
Ineffective portion of hedges	50	(193)
Cash flow hedges	46	(208)
Fair value hedges	4	15
Other gains/(losses)	88	(25)
	8 081	7 728
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	7 260	7 674
Losses on financial instruments designated at FVTPL	(6 852)	(1 084)
Gains on financial instruments mandatorily measured at FVTPL	14 112	8 758
Other losses	88	(25)
Gains/(losses) on financial instruments designated at FVTPL	104	(563)
(Losses)/gains on financial instruments mandatorily measured at FVTPL	(16)	538

In the prior year R1 441 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.

31. Gains and losses from investment activities

	Group 2023 Rm	2022 Rm
Net gains/(losses) on investment activities	2 554	(574)
Insurance contracts	556	276
Investment contracts	1 512	(1 159)
Shareholder funds	486	309
Other gains	88	42
	2 642	(532)
Classification of gains/(losses) from investment activities		
Gains/(losses) on financial instruments designated at fair value through profit and loss	2 554	(574)
	2 554	(574)

The insurance contracts amount includes gains and losses on the underlying assets that relate to Life: **R381m** (2022: R170m) and Non-life: **R175m** (2022: R106m) insurance contracts issued and should be read in conjunction with 'net finance income/(expenses) from insurance contracts' reported in note 29: 'insurance finance income and expenses'.

32. Other operating income

	Group 2023 Rm	Group 2022 Rm
Foreign exchange differences, including amounts recycled from other comprehensive income	(10)	(136)
Income from investment properties	2	(19)
Change in fair value (refer to note 11)	—	(21)
Rentals	2	2
Revenue arising from contracts with customers	6	11
Profit/(loss) on disposal of developed properties	8	11
Gross sales	17	34
Cost of sales	(9)	(23)
Loss on sale of repossessed properties	(2)	—
Gross sales	—	8
Cost of sales	(2)	(8)
Insurance proceeds received related to property and equipment	—	126
Loss on disposal of intangible assets	(2)	(1)
Profit on sale of property and equipment	28	10
Rental income	32	27
Sundry income	436	1 501
	492	1 519

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

Sundry income has been restated due to implementation of IFRS 17. Refer to material accounting policy 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.

33. Credit impairment charges

	Group 2023 Rm	Group 2022 Rm
Impairment losses raised during the reporting period	15 519	14 173
Stage 1 expected losses	(1 433)	(1 194)
Stage 2 expected losses	1 658	2 589
Stage 3 expected losses	15 294	12 778
Losses on modifications	950	540
Recoveries of loans and advances previously written off	(934)	(1 010)
	15 535	13 703
Charge to the statement of comprehensive income by market segment		
Comprising:		
Credit impairment charges raised	15 519	14 173
Loans and advances to customers and undrawn facilities	15 470	11 778
Loans and advances to banks	13	(7)
Other financial instruments subject to credit impairment	159	2 190
Guarantees and letters of credit	(123)	212
Recoveries of financial instruments subject to credit impairment previously written off	(934)	(1 010)
Modifications	950	540
Total charge to the statement of comprehensive income	15 535	13 703

34. Operating expenses

	Group 2023 Rm	Restated 2022 Rm
Administration fees	320	433
Amortisation of intangible assets (refer to note 13)	2 796	2 578
Auditors' remuneration	565	493
Audit fees – current reporting period	495	433
Audit fees – underprovision	24	6
Audit-related fees	46	44
Other services	—	10
Cash transportation	1 159	1 123
Depreciation (refer to note 12)	3 136	3 268
Equipment costs	581	441
Maintenance	424	299
Rentals	157	142
Information technology	6 028	5 543
Marketing costs	2 032	1 720
Other operating costs	1 055	569
Printing and stationery	372	319
Professional fees	2 809	2 914
Property costs	1 910	1 862
Staff costs	31 515	27 823
Bonuses	3 556	3 256
Deferred cash and share-based payments (refer to note 50)	1 108	773
Other staff costs	1 162	895
Salaries and current service costs on post-retirement benefit funds	25 056	22 309
Training costs	633	590
Straight-line lease expenses on short-term leases and low value assets	220	221
Telephone and postage	1 206	1 167
	55 704	50 474

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 R256m and R235m respectively, Audit-related fees paid amount to R20m and R25m 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 **R100m** (2022: R167m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

Administration fees, other operating costs and salaries and current service costs on post-retirement benefit funds included as part of staff costs have been restated due to implementation of IFRS 17, Refer to 1.21.

Staff costs increased to **R31 515m** (2022: R27 823m):

- Salaries and Other staff costs of **R26 218m** (December 2022: R23 204m) increased and reflect salary increases and higher headcount mainly in frontline business areas.
- The 2023 incentive pool decreased by **3%**, 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 **R1 108m** (December 2022: R773m) increased based on vesting expectations on in-flight awards.

35. Other impairments

	Group 2023 Rm	2022 Rm
Intangible assets (refer to note 13)	245	237
Property and equipment (refer to note 12)	214	354
	459	591

The Group has impaired certain software assets totalling **R245m** (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.

36. Indirect taxation

	Group 2023 Rm	2022 Rm
Training levy	242	232
Value-added tax net of input credits	2 102	1 618
	2 344	1 849

Value-added tax net of input credits has been restated due to the implementation of IFRS 17. Refer to note 1.21.

37. Taxation expense

	Group 2023 Rm	2022 Rm
Current		
Foreign and other taxation	771	452
Current tax	7 542	8 668
Current tax – previous reporting period	(89)	(268)
	8 224	8 852
Deferred		
Deferred tax (refer to note 14)	(537)	(900)
Capital allowances	355	69
Impairment losses	(669)	(1 312)
Movements in prepayments, accruals and other provisions	(333)	(140)
Fair value and similar adjustments through profit and loss	—	269
Fair value and similar adjustments in relation to prior year	33	191
Share-based payments	77	(64)
Retirement benefit liability	—	87
	7 687	7 952
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	30 250	30 356
Share of post-tax results of associates and joint ventures (refer to note 10)	(200)	(137)
	30 050	30 219
Tax calculated at a tax rate of 27% (2022: 28%)	8 114	8 461
Effect of different tax rates in other countries	789	392
Expenses not deductible for tax purposes	740	374
Assessed losses	50	126
Dividend Income	(1 240)	(952)
Non-taxable interest	(657)	(502)
Deductible expenditure not recognised in profit and loss	(243)	(170)
Other income not subject to tax	(22)	(35)
Other	264	206
Effect of tax rate changes	—	129
Items of capital in nature	(108)	(77)
	7 687	7 952

37. Taxation expense (continued)

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

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

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

Non-taxable interest amounting to R900m. This is made up of AT Tier 1 capital interest of R243m and non-taxable interest/deductible interest of R657m. In the current year the two amounts have been split to reflect them on separate lines.

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 31 December 2022 and has therefore been reflected in the measurement of the Group's deferred tax balances at 31 December 2022.

The Group is within the scope of OCED Pillar Two Model Rules. The United Kingdom and the Czech Republic have enacted new legislation to implement the Income Inclusion Rule (IIR) for financial years beginning on or after 31 December 2023 and Domestic Top Up Tax (QDMTT) for financial years beginning on or after 31 December 2023 and 31 December 2024 respectively. There is therefore no current income tax impact for the year ended 31 December 2023.

The Group has applied the temporary mandatory relief from deferred tax accounting for the impact of top-up tax and will account for it as a current tax when it is incurred.

Given the size of the Group's operations in both the United Kingdom and the Czech Republic, if the top-up tax had applied in 2023, the effect of applying the legislation and calculating the Global Anti-Base Erosion ("GloBE") income would not be material.

Taxation expense has been restated due to the implementation of IFRS 17 (Refer to note 1.21).

38. Earnings per share

38.1 Basic earnings per share

	Group 2023 Rm	Group 2022 Rm
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.		
Basic earnings attributable to ordinary equity holders	**19 891**	20 265
Weighted average number of ordinary shares in issue (million)	**828.7**	829.4
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8
Shares issued during the reporting period (million)	**15.5**	—
Treasury shares held by Group entities (million)	**(34.6)**	(18.4)
Basic earnings per share (cents)	**2 400.3**	2 443.3

38.2 Diluted earnings per share

	Group 2023 Rm	Group 2022 Rm
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.		
Diluted earnings attributable to ordinary equity holders	**19 891**	20 265
Diluted weighted average number of ordinary shares in issue (million)	**831.2**	833.9
Weighted average number of ordinary shares in issue (million)	**828.7**	829.4
Adjustments for share options issued at no value (million)	**2.5**	4.5
Diluted earnings per share (cents)	**2 393.0**	2 430.1

38. Earnings per share (continued)

Basic and diluted earnings have been restated due to IFRS 17. Please refer to note 1.21.

The dilution represents the effective discount between the average option price and the average market price at which option holders can convert the options into ordinary shares. This includes options issued in respect of Absa Group Limited's Share Incentive Scheme as well as the eKhaya colleague share scheme.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The Group has one category of potential dilutive ordinary shares, namely share options. The number of shares that could have been acquired at fair value (determined as the average annual quoted market share price of the Company's shares) for the share options outstanding are calculated based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as per the above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference between the number of shares that could have been acquired at fair value and the number of shares that would have been issued assuming the exercise of the share options, are shares that would be obtained at no value.

Shares that are issued contingent on the happening of an event, are only included as potential dilutive ordinary shares when all of the conditions of the contingent event are deemed to have been met, based on the information available at the reporting date.

In calculating the diluted earnings per share in respect of share options to employees and other share-based payment arrangements, the Group adjusts the exercise price, which impacts the weighted average shares issued at no value, of potential ordinary shares to include the fair value of services that will be recognised as an expense in a future period.

39. 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		19 891		20 265
Total headline earnings adjustment:	—	183		(291)
IFRS 5 – Profit on disposal of non-current assets held for sale (refer to note 6)	(102)	(132)	(778)	(652)
IAS 16 – Profit on disposal of property and equipment (refer to note 32)	(28)	(21)	(10)	(6)
IAS 16 & 36 – Insurance recovery of property and equipment damaged during riots (refer to note 32)	—	—	(126)	(92)
IAS 36 – Impairment of property and equipment (refer to note 35)	213	155	354	254
IAS 36 – Impairment of intangible assets (refer to note 35)	245	179	237	185
IAS 38 – Loss on disposal of intangible assets (refer to note 32)	2	2	1	1
IAS 40 – Change in fair value of investment properties (refer to note 32)	—	—	21	15
Change in tax rate	—	—	—	4
Headline earnings/diluted headline earnings		**20 074**		19 974
Headline earnings per ordinary share (cents)		**2 422.3**		2 408.2
Diluted headline earnings per ordinary share (cents)		**2 415.1**		2 395.3

The net amount is reflected after taxation and non-controlling interest.

Profit attributable to ordinary equity holders has been restated due to the implementation of IFRS 17, refer to material accounting policy 1.21.

40. Leases

	Group 2023 Rm	2022 Rm
The following amounts have been recognised in the statement of comprehensive income in respect of leases for which the Group is the lessee:		
Depreciation charge for right-of-use assets (refer to note 12)	1 135	1 108
Property	1 122	1 094
Computer equipment	—	1
Furniture	3	—
Motor vehicles	10	13
Interest expense on lease liabilities (refer to note 26)	264	394
Expense related to short-term leases	289	286
Expense related to low-value assets	44	27
Variable lease payments	48	44
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 12)	3 092	2 945
Property	3 076	2 930
Computer equipment	—	1
Furniture	12	—
Motor vehicles	4	14
Total additions to right-of-use assets recognised during the year (refer to note 12)	1 513	1 017
Total cash outflow included in the statement of cash flows related to leases	1 519	1 492
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	1 252	1 121
Between one and five years	2 726	2 653
More than five years	380	375
Total undiscounted lease liabilities	4 358	4 149
Lease liabilities included in the statement of financial position (refer to note 16)	3 805	3 577

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. Leases are negotiated for an average term of three to five years, although this differs depending on the jurisdiction and 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 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.

41. Retirement benefit obligations

	Group 2023 Rm	2022 Rm
Surplus disclosed in 'Other assets'		
Absa Pension Fund defined benefit plan (refer to notes 5 and 41.1.1)	466	466
Other defined benefit plans of subsidiaries (refer to notes 5 and 41.2.1)	12	9
	478	475
Obligations disclosed in 'Other liabilities'		
Subsidiaries' post-retirement medical aid plans (refer to notes 16 and 41.3)	423	302
Other defined benefit plans of subsidiaries (refer to notes 16 and 41.2.1)	303	195
	726	497
Statement of comprehensive income charge included in staff costs		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 41.1.6)	(39)	(35)
Other defined benefit plans of subsidiaries in a deficit position (refer to note 41.2.6)	18	29
Other defined benefit plans of subsidiaries in a surplus position (refer to note 41.2.6)	23	8
Subsidiaries' post-retirement medical aid plans	65	60
	67	62
Recognised in other comprehensive income		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 41.1.6)	40	36
Other defined benefit plans of subsidiaries in a deficit position (refer to note 41.2.6)	136	(200)
Other defined benefit plans of subsidiaries in a surplus position (refer to note 41.2.6)	(8)	1
Subsidiaries' post-retirement medical aid plans	75	59
	243	(104)

The Group operates a number of pension fund schemes (defined benefit schemes and defined contribution schemes) and post-retirement medical aid plans. The most significant schemes operated by the Group are the Absa Pension Fund, Absa Bank Kenya Pension Fund and Mauritius Pension Fund. Apart from these, the Group operates a number of smaller pension and post-retirement medical aid plans. The benefits provided under these schemes, the approach to funding, and the legal basis of the plans reflect their local environments.

41.1 The 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 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 have 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 and the employer is not exposed to any longevity or other actuarial risk in respect of these members at this date.

The change in investment strategy implemented in the prior year (refer below) results in the assets of the Fund fully matching the nature, term and cashflows of the pensions in payment. As a result, the Trustees approved a change to the rules of the Fund in September 2022 to again allow all members an option, effective 1 January 2023, to purchase a living annuity from the Fund, regardless of their date of employment. This change to the rules does not have an impact on 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 that have elected to receive a living annuity, amount to **R4 447m** (2022: R4 469m).

41. Retirement benefit obligations (continued)

41.1 Absa Pension Fund (continued)

	Group 2023	Group 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.

41.1.1 Reconciliation of the net defined benefit plan surplus

	Group 2023 Rm	Group 2022 Rm
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

41. Retirement benefit obligations (continued)

41.1 Absa Pension Fund (continued)

	Group 2023 Rm	Group 2022 Rm
41.1.2 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)
41.1.3 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
41.1.4 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)

41. Retirement benefit obligations (continued)

41.1 Absa Pension Fund (continued)

41.1.5 Nature of the pension fund assets

Plan assets relating to the defined benefit plan

	Group 2023 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
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
Investments in listed property entities/funds	—	—	400	400
	17 369	20 558	3 435	41 362

	Group 2022 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
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

41. Retirement benefit obligations (continued)

41.1 Absa Pension Fund (continued)

	Group 2023 Rm	Group 2022 Rm
41.1.6 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 losses/(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
41.1.7 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

	Group 2023	
	Reasonable possible change Rm	Increase/(decrease) on defined benefit obligation Rm
41.1.8 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 2022	
	Reasonable possible change Rm	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

41. Retirement benefit obligations (continued)

41.1 Absa Pension Fund (continued)

41.1.9 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.

41.2 Other subsidiaries' plans

Defined benefit structure

The benefits provided by the defined benefit structures are based on a formula, taking into account years of membership and remuneration levels. For funds where a minimum pension increase of the lower of CPI or a fixed percentage (which varies by fund) is guaranteed, additional discretionary pension increases may be granted at the discretion of the Group. For funds where a minimum increase is not guaranteed, the trustees may decide on increases in pensions subject to affordability.

The majority of the defined benefit liability relates to deferred pensioners and pensioners. There is not a significant number of active members accruing additional defined benefit liabilities.

Liabilities in respect of the defined benefit structures are calculated based on assumptions in respect of expected death, withdrawals, early retirement, family statistics, rate of increase in pensionable remuneration and medical allowances and administration costs based on past experience.

Defined contribution structure

The benefits provided by the defined contribution structures are determined by accumulated retirement funding contributions and the return on investments.

The defined contribution information has not been included in the defined benefit disclosures; this presentation is different to that of the Absa Pension Fund due to the different plan rules of the Absa Pension Fund.

The nature of the plan rules governing the Africa Regional Operations pension funds is such that any optionality is not considered significant and is therefore not included in the valuation or disclosure of the defined benefit obligations.

The funds are governed by legislation applicable in the various countries in which the funds are based. The funds are operated on a pre-funded basis. That is, assets are accumulated on a monthly basis with the aim that sufficient funding exists to meet the benefits payable under all modes of exit. Actuarial funding valuations are performed every three years regardless of whether or not these are required by legislation. The most recent actuarial valuations of the funds were carried out as at 31 March 2021.

Contributions are generally determined by the Employer in consultation with the actuary following the funding valuation to ensure the sustainability and financial soundness of the funds. The staff costs expense for the defined contribution plans is **R250m** (2022: R206m). Surpluses and deficits are dealt with in a manner which is consistent with the funds' rules and applicable legislation. Minimum funding requirements are limited to the deficits of the funds.

The Pension Fund plans across Africa Regional Operations are administered by separate funds that are legally separated from the individual companies. The boards of trustees of the funds are responsible for the overall management of the funds.

Statutory valuations are carried out on the defined benefit funds every three years. Based on the results of the valuation, a contribution rate is recommended by the actuary. The power of deciding what the final applicable contribution rate should be rests with the employer on advice from the actuary, in some cases with the agreement of the Trustees. Where pension increases are granted in excess of that which can be afforded by the Fund, the employer must agree to such an increase and will make an additional contribution to fund this. In addition, should the valuation disclose a deficit and regulations require special additional contributions to be made to the funds, the employer will need to make such contributions in line with a funding plan approved by the relevant country's Regulator.

Within the Africa Regional Operations funds, the asset allocation is determined taking into account legislative constraints, the available opportunity set of securities in the country across the different asset classes, fund manager offerings in the country, diversification across different asset classes and region (where applicable) and the nature and term of the liabilities. The asset investment strategy is set to target a return which is based on the actuarial assumptions used in the Fund valuation, over a 5 – 7 year term.

With effect from 1 January 2022, the Absa Bank Mauritius pension fund trustees decided to effect a shift with regard to the pension fund plans available to current employees, from a Defined Benefit Plan to a Defined Contribution plan. This shift is a prospective change in that employees' pension for service from 1 January 2022 accrues in terms of the Defined Contribution plan. The shift does not alter benefits that had accrued to employees in prior years in terms of the Defined Benefit Plan – however, future service no longer accrues under this plan.

An objective of the shift is to ensure that the employees remain in the same economic position that they would have been at retirement date, if the Defined Benefit plan remained in place. Absa Bank Mauritius will therefore make a capital injection each year, spread over a maximum of five years, into the personal member's account (PMA). The capital injections made to the PMA's for the year ended 31 December 2023 amounted to **R68m** (2022: R26m) The employees' pension at retirement date will comprise of benefits accrued in terms of the Defined Benefit Plan as well as benefits accrued in terms of the Defined Contribution plan.

41. Retirement benefit obligations (continued)

41.2 Other subsidiaries' plans (continued)

The retirement liabilities shown relate to employees and pensioners who are members of various funds, details of which are shown in the following table:

	Group						
	2023						
	Absa Bank of Botswana	Absa Bank of Kenya	Kenya First Assurance	Absa Bank of Zambia	Absa Bank of Seychelles	Absa Bank of Mauritius	Absa Bank of Mozambique
Membership							
Defined benefit active members	—	1	48	—	5	170	623
Defined benefit deferred pensioners	—	770	—	14	8	79	—
Defined benefit pensioners	168	1 392	—	372	2	302	1 077
Defined contribution active members	1 032	1 913	—	649	27	565	1 186
Defined contribution deferred pensioners	823	—	—	—	—	—	—
Duration of the scheme (years)	7	6	—	2	14	16	7
Expected contribution to the plan for the next 12 months (Rm)	5.5	0.1	—	5.3	3.4	34.4	—

	Group						
	2022						
	Absa Bank of Botswana	Absa Bank of Kenya	Kenya First Assurance	Absa Bank of Zambia	Absa Bank of Seychelles	Absa Bank of Mauritius	Absa Bank of Mozambique
Membership							
Defined benefit active members	—	2	54	—	7	170	668
Defined benefit deferred pensioners	—	784	46	14	8	79	—
Defined benefit pensioners	178	1 407	17	373	2	302	1 074
Defined contribution active members	1 032	1 937	—	675	266	565	1 143
Duration of the scheme (years)	8	6	9	3	14	15	8
Expected contributions to the plan for the next 12 months (Rm)	4.0	19.7	—	6.2	3.4	30.6	—

	Group	
	2023 Rm	2022 Rm
41.2.1 Defined benefit plan reconciliations		
Present value of funded defined benefit obligations	(2 648)	(2 495)
Fair value of the defined benefit plan assets	2 486	2 463
Funded defined benefit plan status	(162)	(32)
Irrecoverable surplus (effect of asset ceiling)	(129)	(154)
Net deficit arising from defined benefit obligation	(291)	(186)
41.2.2 Reconciliation of movement in the defined benefit obligation		
Balance at the beginning of the reporting period	(2 495)	(2 640)
Actuarial (losses) gains	(66)	238
Actuarial (losses)/gains – changes in financial assumptions	(96)	252
Actuarial gains – experience adjustments	30	4
Actuarial losses – demographic assumptions	—	(18)
Benefits paid	246	274
Current service costs	(20)	(19)
Interest expense	(283)	(260)
Past service costs including curtailments	(1)	—
Settlement losses	(12)	—
Foreign exchange differences	(17)	(88)
Balance at the end of the reporting period	(2 648)	(2 495)

41. Retirement benefit obligations (continued)

41.2 Other subsidiaries' plans (continued)

	Group 2023 Rm	Group 2022 Rm
41.2.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	2 463	2 485
Benefits paid	(246)	(274)
Employer contributions	63	73
Interest income on the plan assets	298	281
Remeasurement – return on plan assets in excess of interest	(90)	(172)
Foreign exchange differences	(2)	70
Balance at the end of the reporting period	2 486	2 463
41.2.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	(154)	(247)
Interest on irrecoverable surplus	(23)	(36)
Changes in the irrecoverable surplus in excess of interest	33	(133)
Foreign exchange differences	15	262
Balance at the end of the reporting period	(129)	(154)

	Group 2023 Fair value of plan assets			
	Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
41.2.5 Nature of the defined benefit plan assets				
Quoted fair value	194	628	244	1 066
Unquoted fair value	1 032	47	167	1 246
Own transferable financial instruments	—	2	105	107
Investments in listed property entities/funds	—	—	65	65
	1 226	677	581	2 484

	Group 2022 Fair value of plan assets			
	Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Quoted fair value	248	600	338	1 186
Unquoted fair value	937	38	180	1 155
Own transferable financial instruments	—	2	45	47
Investments in listed property entities/funds	—	—	75	75
	1 185	640	638	2 463

41. Retirement benefit fund obligations (continued)

41.2 Other subsidiaries plans (continued)

	Group 2023 Rm	Group 2022 Rm
41.2.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest expense	9	18
Current service cost	19	19
Past service cost including curtailments	1	—
Settlements losses	12	—
	41	37
Recognised in other comprehensive income:		
Actuarial (losses)/gains – changes in financial assumptions	96	(252)
Actuarial gains – experience adjustments	(30)	(4)
Actuarial gains/(losses) – demographic assumptions	—	18
Remeasurement – return on the plan assets in excess of interest	98	172
Changes in the irrecoverable surplus in excess of interest	(36)	(133)
	128	(199)
41.2.7 The actuarial assumptions (weighted averages) include:		
Discount rate (%)	11.3	11.9
Inflation (%)	5.7	6.2
Future pension increases (%)	5.4	5.5
Future salary increases (%)	3.0	3.8
Average life expectancy in years of pensioner retiring at 60 – Male	18.1	18.1
Average life expectancy in years of pensioner retiring at 60 – Female	21.9	21.9

	Group 2023	
	Reasonable possible change Rm	Increase/(decrease) on defined benefit obligation Rm
41.2.8 Sensitivity analysis of significant assumptions (weighted averages)		
Significant actuarial assumption		
Increase in discount rate (%)	0.5	(131)
Increase in inflation (%)	0.5	59
Increase in life expectancy (years)	1	84

	Group 2022	
	Reasonable possible change Rm	Increase/(decrease) on defined benefit obligation Rm
Significant actuarial assumption		
Increase in discount rate (%)	0.5	(103)
Increase in inflation (%)	0.5	55
Increase in life expectancy (years)	1	65

41. Retirement benefit obligations (continued)

41.2 Other subsidiaries' plans (continued)

41.2.9 Sensitivity analysis

The sensitivity analysis presented in this note 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 as some of the assumptions may be correlated. Furthermore, 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, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. 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.

41.3 Post-retirement medical aid plans

Some of the Group's subsidiaries subsidise either medical aid contributions or actual incurred medical costs after retirement. The accrued and future liabilities in respect of these post-retirement medical costs are valued either annually, or every three years, on the reporting date, and projected thereafter. These liabilities were actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions, as well as appropriate medical inflation and discount rates. The present value of the post-retirement medical aid plan liabilities is **R423m** (2022: R302m).

42. Dividends per share

	Group 2023 Rm	Group 2022 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(14 August 2023: 685 Cents per share (cps))** (15 August 2022: 650 cps)	**6 126**	5 510
Final dividend **(11 March 2024: 685cps)** (13 March 2023: 650 cps)	**6 126**	5 510
	12 252	11 020
Dividends declared to ordinary equity holders (net of treasury shares)		
Interim dividend **(14 August 2023: 685 cps)** (15 August 2022: 650 cps)	**5 687**	5 399
Final dividend **(11 March 2024: 685 cps)** (13 March 2023: 650 cps)	**5 679**	5 378
	11 366	10 777
Dividends declared to non-controlling preference equity holders		
Interim dividend **(14 August 2023: 4 035.06848 cps)** (16 August 2022: 2 883.42524 cps)	**199**	143
Final dividend **(11 March 2024: 4 101.23286 cps)** (13 March 2023: 3 509.58904 cps)	**203**	174
	402	317
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2023: 28 250.30 Rands per note (rpn); 10 January 2022: 21 024.73 rpn	**35**	26
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: 31334.79 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; 05 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
05 December 2023: 31 413.80 rpn; 05 December 2022: 24 993.84 rpn	**44**	34
	899	609

42. Dividends per share (continued)

	Group 2023 Rm	2022 Rm
Dividends paid to ordinary equity holders (net of treasury shares)		
Final dividend **(24 April 2023: 650 cps)** (22 April 2022: 475 cps)	5 378	3 944
Interim dividend **(18 September 2023: 685 cps)** (19 September 2022: 650 cps)	5 687	5 399
	11 065	9 343
Dividends paid to non-controlling preference equity holders		
Final dividend **(24 April 2023: 3 509.68904 cps)** (22 April 2022: 2 494.10959 cps)	174	123
Interim dividend **(18 September 2023: 4 035.06848 cps)** (19 September 2022: 2 883.42524 cps)	199	143
	373	266

The Group's authorised and issued share capital increased on 1 September 2023 due to the B-BBEEE transaction. The total Rand value of the interim and final dividend declared to ordinary equity holders disclosed has been affected by this increase in ordinary shares. The dividend per share amount of 685 cps disclosed above will however remain unaffected. Refer to note 46 for further details.

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

43.1 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 917m** (2023: R92 620m) of which **R53 703m** (2023: R62 994m) have been sold or repledged. The Group has an obligation to return the collateral held except in the event of default.

43.2 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	43 393	(42 828)	43 393	(42 828)	565
Equity instruments	5 141	(921)	5 141	(921)	4 220

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	65 026	(63 448)	65 026	(63 448)	1 578
Equity instruments	1 800	(788)	1 800	(788)	1 012

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

44. Transfer of financial assets

44.1 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.

44.2 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

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.

44.3 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 the year-end, the Group has not invested in SEs requiring a transfer of financial assets that result in partial derecognition (2022: None).

44.4 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).

45. 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							
	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 arrange-ments Rm	Total per statement of financial position Rm
Derivative financial assets (note 54.3)	100 721	(45 394)	55 327	(39 342)	(2 544)	13 441	1 564	56 891
Reverse repurchase agreements and other similar secured lending (note 7)	82 034	—	82 034	—	(82 034)	—	—	82 034
Total assets	182 755	(45 394)	137 361	(39 342)	(84 578)	13 441	1 564	138 925
Derivative financial liabilities (note 54.3)	(93 408)	49 169	(44 239)	39 299	—	(4 940)	(4 149)	(48 388)
Reverse repurchase agreements and other similar secured borrowing (note 18)	(81 986)	—	(81 986)	—	81 986	—	—	(81 986)
Total liabilities	(175 394)	49 169	(126 225)	39 299	81 986	(4 940)	(4 149)	(130 374)

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'.

45. Offsetting financial assets and financial liabilities (continued)

	Group 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 arrange-ments Rm	Total per statement of financial position Rm
Derivative financial assets (note 54.3)	97 878	(35 499)	62 379	(48 390)	(1 730)	12 259	1 182	63 561
Reverse repurchase agreements and other similar secured lending (note 7)	93 641	—	93 641	—	(93 641)	—	—	93 641
Total assets	191 519	(35 499)	156 020	(48 390)	(95 371)	12 259	1 182	157 202
Derivative financial liabilities (note 54.3)	(96 615)	40 768	(55 847)	48 390	—	(7 457)	(2 981)	(58 828)
Repurchase agreements and other similar secured borrowings (note 18)	(88 291)	—	(88 291)	—	88 291	—	—	(88 291)
Total liabilities	(184 906)	40 768	(144 138)	48 390	88 291	(7 457)	(2 981)	(147 119)

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 58.

46. Related parties

46.1 Prior period related party events and transactions

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 till 30 June 2022 after which she was appointed as Group Chief Strategy and Sustainability Officer effective 1 July 2022.

46.2 Significant related party transactions

On 1 September 2023, the Group implemented its B-BBEE transaction which provides for 7% of Absa Group Limited's shareholding to be allocated to (i) a perpetual Corporate Social Investment (CSI) Trust (Absa Community Trust) holding a 4% indirect shareholding, and (ii) a Staff Trust (Absa Empowerment Trust) holding a 3% indirect shareholding. The shareholding of both trusts is indirectly held through Newshelf 1405 (RF) Proprietary Limited (NS 1405). NS 1405's increased shareholding in the Group, which arose from this transaction, was in part funded through NS 1405's issue of preference shares to Absa Group Limited, the impact of which is eliminated on consolidation resulting in the group accounting for the related share-based transaction only. SA Staff Scheme participants are awarded units in the Staff Trust corresponding to an allocation of the Absa shares held by NS 1405. In its first year (2023), the Corporate Social Investment Trust received a donation from Absa Bank Limited and thereafter, the CSI Trust will also receive annual dividends equal to 25% of the Absa dividend paid to NS 1405 in respect of the AGL shares the CSI Trust indirectly holds. The donation and dividends will be used to benefit black participants in selected education and youth employability programmes in South Africa. Any dividends transferred to eligible programmes will be recognised as operating expenditure by the Group when transferred.

Refer to notes 23.2, 46.4 and 50 for details regarding the impact of this transaction on share capital, the Group's subsidiaries and consolidated structured entities, and the Group's share-based payment transactions.

46.3 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.

	Group	
	2023 Rm	2022 Rm
Key management personnel compensation		
Directors		
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 R47m was erroneously included in the prior year. The prior year amount has been corrected to R15m.

46. Related parties (continued)

46.3 Transactions with key management personnel (continued)

	Group			
	2023		2022	
	Transactions with key management Rm	Transactions with entities controlled by key management Rm	Transactions with key management Rm	Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	84	7	48	5
(Discontinuance)/inception of related-party relationships	(14)	—	35	—
Loans issued and interest earned	34	—	37	2
Loans repaid	(40)	—	(36)	—
Balance at the end of the reporting period	64	7	84	7
Interest income	(9)	—	(14)	(1)
Deposits				
Balance at the beginning of the reporting period	65	2	25	—
(Discontinuance)/inception of related-party relationships	6	—	34	—
Deposits received	224	—	40	23
Deposits repaid and interest paid	(239)	—	(34)	(21)
Balance at the end of the reporting period	56	2	65	2
Interest expense	10	—	8	—
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

Discontinuance/inception of related-party relationships Includes balances relating to key management personnel who were appointed/resigned during the reporting period.

Insurance premiums paid and claims received

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

46. Related parties (continued)

46.4 Subsidiaries and consolidated structured entities

The following information provided is in respect of the Group'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 Group's subsidiaries, on the figures shown in the consolidated financial statements. 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 Group Limited and its subsidiaries				
Absa Capital Securities Proprietary Limited	Stockbrokers.	South Africa	100	100
Absa Development Company Holdings Proprietary Limited	Specialises in township development and sale of residential, commercial and industrial land.	South Africa	100	100
Absa Manx Insurance Company Limited	Captive insurance company for the Group and responsible for investment in insurances markets.	Isle of Man	100	100
Absa Stockbrokers and Portfolio Management Proprietary Limited	Enables customers to trade online or by telephone in shares, warrants and exchange-traded funds.	South Africa	100	100
Absa Securities U.S. Inc.	Broker-dealer trading in debt and equity securities.	United States of America	100	100
Absa Securities United Kingdom Limited	Solicitation, syndication, selling and arranging of equity and debt products.	United Kingdom	100	100
Absa Bank of Ghana Limited	Provides retail and corporate banking.	Ghana	100	100
Absa Bank of Kenya Limited	Provides retail and corporate banking.	Kenya	69	69
Absa Bank Moçambique S.A. (BBM)	Commercial bank that provides retail and limited corporate services from a network of outlets and ATMs.	Mozambique	99	99
Absa Bank of Botswana Limited	Provides retail and corporate banking.	Botswana	68	68
Absa Bank (Mauritius) Limited	Provides retail and corporate banking.	Mauritius	100	100
Absa Bank (Seychelles) Limited	Provides retail and corporate banking.	Seychelles	100	100
Absa Bank Tanzania Limited	Provides retail and corporate banking.	Tanzania	100	100
Absa Bank Uganda Limited	Provides retail and corporate banking.	Uganda	100	100
Absa Bank Zambia PLC	Provides retail and corporate banking.	Zambia	100	100
Absa Capital Markets Nigeria Limited	Issuing house and underwriter.	Nigeria	100	100
Absa Securities Nigeria Limited	License for issuing house and underwriter.	Nigeria	100	100
Absa Stockbrokers Nigeria Limited	Stockbroking, financial consulting, investment advisors and managers.	Nigeria	100	100
National Bank of Commerce Limited (NBC)	Commercial bank that provides retail and limited corporate services from a national network of outlets and ATMs.	Tanzania	55	55
Woolworths Financial Services Proprietary Limited	Provides credit cards, in-store cards and personal loans.	South Africa	50	50

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

46. Related parties (continued)

46.4 Subsidiaries and consolidated structured entities

Name	Nature of business	Country of incorporation	Group 2023 % holding	Group 2022 % holding
Absa Bank Limited and its subsidiaries	Offers a comprehensive range of retail, commercial, corporate and investment banking services to a wide range of customers and clients.	South Africa	100	100
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 to Absa Group.	Czech Republic	100	100
Absa Vehicle Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	100	100
Home Obligor Mortgages Enhanced Securities (RF) 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
Absa Financial Services and its subsidiaries	Holding company of financial service-related entities.	South Africa	100	100
Absa Financial Services Africa Holdings Proprietary Limited	Holding company of African financial service-related entities.	South Africa	100	100
Absa Insurance Company Limited	Short-term insurance provider to house and vehicle owners.	South Africa	100	100
Absa Insurance Risk Management Services Limited	Provides short-term insurance and other related insurance products.	South Africa	100	100
Absa Life Botswana Proprietary Limited	Provides life assurance products focusing on risk and investment products that complement Absa's offerings to various market segments in Botswana.	Botswana	100	100
Absa Life Limited	Provides life assurance products, focusing on risk and investment products, that complement the Group's offerings to various market segments.	South Africa	100	100
Absa Trust Limited	Trust administrative services.	South Africa	100	100
Absa Life Zambia Limited	Provides life assurance products focusing on risk and investment products that complement Absa's offerings to various market segments in Zambia.	Zambia	100	100
Global Alliance Seguros, S.A.	Provides non-life insurance in Mozambique.	Mozambique	100	100
First Assurance Holdings Limited	Provides short-term insurance and other related insurance products.	Kenya	100	100
Instant Life Proprietary Limited	Provides life assurance products through cell arrangements.	South Africa	100	100

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

46. Related parties (continued)

46.4 Subsidiaries and consolidated structured entities (continued)

Name	Nature of business	Country of incorporation	Group 2023 % holding	Group 2022 % holding
Share trusts				
Absa Group Employee Incentive Trust	Share purchase and option scheme available to senior staff.	South Africa	n/a	n/a
Absa Empowerment Trust*	To be used in the furtherance of the Group's objective of establishing a Broad-Based Black Economic Empowerment scheme.	South Africa	n/a	n/a
Newshelf 1405 (RF) Proprietary Limited*	To be used in the furtherance of the Group's objective of establishing a Broad-Based Black Economic Empowerment scheme.	South Africa	n/a	n/a
Absa community trust*	Empower young people with the training and tools that they need for employment and entrepreneurship in the workplace.	South Africa	n/a	n/a
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
Absa CSI trust	eKhaya	South Africa	n/a	—

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

* The Group's Broad-Based Black Economic Empowerment transaction had an impact on these consolidated structured entities. Refer to Note 46.2 for further information.

	Group 2023 Rm	Group 2022 Rm
Subsidiaries' aggregate profits and losses after taxation	35 256	24 512

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

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 **R139bn** (2022: R132bn).

Contractual requirements

Certain of the Group's securitisation and SEs hold assets or interests in assets that are only available to meet the liabilities of those entities and May have issued public debt securities. The 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).

Protective rights of non-controlling interests

Absa Bank Limited has issued equity preference shares which are non-controlling interests of the Group. Under the terms of these instruments, the preference shareholders will not be entitled to vote at any meeting of Absa Bank Limited, unless the preference dividend is declared, but remains in arrear and unpaid after six months from the due date. Alternatively, voting rights will be granted if a resolution of Absa Bank Limited is proposed which directly affects the rights attached to the Absa Bank Limited preferences shares, which shall include any resolutions for the winding up of Absa Bank Limited or for the reduction of its share capital or share premium accounts.

The particulars of these instruments are shown in note 25.

46. Related parties (continued)

46.6 Associates, joint ventures and retirement benefit fund

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	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments managed by the Group	—	816	816
Value of Absa defined contribution pension fund investments managed by the Group	—	—	—
Value of Absa Group Limited shares held by defined benefit pension fund	—	44	44
Value of other Absa Group Limited securities held by defined benefit pension fund	—	851	851
Statement of financial position			
Other assets	23	—	23
Loans and advances (refer to note 7)	28 730	—	28 730
Other liabilities	(15)	—	(15)
Deposits	(87)	—	(87)
Statement of comprehensive income			
Interest income from joint ventures and associates and on pension plan assets	2 431	128	2 559
Interest expense on defined benefit obligation	—	(128)	(128)
Fee and commission income	—	—	—
Fee and commission expense	(4)	—	(4)
Current service costs (refer to note 43)	—	—	—
Operating expenses	(1 277)	—	(1 277)
Operating income	—	—	—

	2022		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments managed by the Group	—	715	715
Value of Absa Group Limited shares held by defined benefit pension fund	—	31	31
Value of other Absa Group Limited securities held by defined benefit pension fund	—	766	766
Statement of financial position			
Other assets	15	—	15
Loans and advances to customers (refer to note 7)	22 224	—	22 224
Other liabilities	(9)	—	(9)
Deposit	(87)	—	(87)
Statement of comprehensive income			
Interest income from joint ventures and associates and on pension plan assets	1 691	121	1 812
Interest expense on defined benefit obligations	(5)	(121)	(126)
Fee and commission expense	(3)	—	(3)
Operating expenses	(1 127)	—	(1 127)

The interest income, interest expense and service costs amounts in relation to the retirement benefit fund, are included as part of the staff expense costs in operating expenses note. These amounts do not have an effect on the net interest income of the Group.

The 'Loans and advances' balance includes balances from joint ventures.

46. Related parties (continued)

46.6 Associates, joint ventures and retirement benefit fund (continued)

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 is assessed half-yearly.

		Group	
		2023 Ownership %	2022 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	25	25
Document Exchange Association	Facilitates the electronic exchange of documents between the banks.	25	25
South African Bankers Services Company Proprietary Limited	Automatic clearing house.	23	23
Sanlam Investment Holdings Proprietary Limited	Operates as an investment holding company. The Company, through its subsidiaries, provides investment management, financial planning, and consulting services.	13	13
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	Engaged in property investment.	55	55
John Deere Financial Proprietary Limited	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 Group.

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

47. 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.

Fund management

The Group manages a number of unit trust funds, ranging from lower risk fixed income funds to higher risk specialist equity funds, which are either managed solely by the Group or form part of the Group's multi-management offering. Unit trusts are regulated by the Financial Sector Conduct Authority and the Collective Investment Schemes Control Act. The Group's interest is generally restricted to fund services and asset management fees, which are based on assets under management. The Group may hold direct interests in a number of the funds; however, the magnitude of such interest varies with sufficient regularity. Whether the Group consolidates any of these funds through its direct interest 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 earns management fee income from its involvement in the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

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.

47.1 Consolidated structured entities

The Group did not incur losses related to the Group's interests in consolidated structured entities in the current financial reporting period (2022: Rnil).

47. Structured entities (continued)

47.2 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 share funding vehicles Rm	Fund management Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange traded funds Rm	Funding vehicles Rm	Total Rm
Assets							
Trading portfolio	—	—	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 share funding vehicles Rm	Fund management Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange traded funds Rm	Funding vehicles Rm	Total Rm
Assets							
Trading portfolio	—	—	346	—	—	—	346
Investment securities	—	0	—	500	3 706	—	4 206
Debt securities	—	0	—	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	0	346	781	3 706	13	34 540
Maximum exposure to loss	29 694	0	346	781	3 706	13	34 540
Total size of entities	122 529	101 861	346	1 447	25 908	13	252 104

In 2022, the Group inadvertently disclosed a securitisation vehicle amounting to R500m as loans and advances to customers and exchange traded funds amounting to R3 706m as debt securities. This has led to a reclassification to debt securities and equity securities respectively.

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.

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.

47.3 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.

48. Assets under management and administration (unaudited)

	Group 2023 Rm	2022 Rm
Alternative asset management and exchange-traded funds	**25 116**	25 908
Deceased estates	**4 640**	5 558
Other assets under administration	**366 397**	380 219
Portfolio management	**5 665**	4 397
Trusts	**8 740**	7 993
Unit trusts	**45 280**	90 343
	455 838	514 418

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

49. Contingencies, commitments and similar items

	Group 2023 Rm	2022 Rm
Guarantees	**52 317**	55 851
Irrevocable debt facilities	**136 887**	120 225
Letters of credit	**22 815**	24 269
Other	**—**	10
	212 019	200 355
Authorised capital expenditure		
Contracted but not provided for	**919**	690

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.

49. Contingencies, commitments and similar items (continued)

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 Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters 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.

50. Deferred cash and share-based payments

	Group 2023 Rm	Group 2022 Rm
Share-based payments expense	1 107	730
Equity-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	426	353
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	47	23
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	263	204
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	154	79
eKhaya colleague share scheme (ECSS)	147	—
Cash-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	15	64
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	1	—
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	21	7
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	7	—
eKhaya colleague share scheme (ECSS)	26	—
Deferred cash expense		
Absa Group Limited Cash Value Plan (CVP)	1	43
Total deferred cash and share-based payments (refer to note 34)	1 108	773
Total carrying amount of liabilities for cash-settled arrangements (refer to note 16)	131	138
Total carrying amount of the equity-settled share-based payment arrangements (refer to the statement of changes in equity)	1 399	1 102

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

Absa Group Limited Share Incentive Plan Performance Award

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Absa Group Limited ordinary shares. The Group 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 Group 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. This 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 award will be issued by Absa Group Limited. 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.

Absa Group Limited Share Incentive Plan Retention Award

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

Additional to the 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 condition 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.

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

eKhaya Colleague Share Scheme

The Absa Group B-BBEE transaction detailed in Note 46.1 resulted in the indirect allocation of 3% of the Group's shareholding to a Staff Trust (the Absa Empowerment Trust). SA Staff Scheme participants are awarded units in the Staff Trust corresponding to an allocation of the Absa shares held by Newshelf 1405 (RF) Proprietary Limited (NS 1405). The SA Staff Scheme participants benefit from an attributable share of annual dividends equal to 25% of the Absa dividend paid to NS 1405 in the preceding 12 months, subject to a minimum loan to value ratio being maintained. The vesting term of the SA Staff Scheme is five years at which time qualifying participants will be direct and beneficial owners of unencumbered Absa shares. Notional units forfeited prior to the vesting date will be retained in the Staff Trust and re-allocated to eligible staff who join the Absa Group in the first 3 years of commencement of the SA Staff Scheme on a first-come-first-served basis. In recognition of the valued role of all staff, Absa Group Companies outside of South Africa participate via phantom cash-settled staff schemes in their respective jurisdictions equivalent in value in aggregate to approximately 1% of Absa Group Limited's shareholding, which will contain terms and provisions notionally equivalent to the terms for the SA Staff Scheme.

Deferred cash

Absa Group Limited Cash Value Plan

The Cash Value Plan (CVP) is a deferred cash-settled payment arrangement. The award will vest in equal tranches over a period of three and five years, subject to the rules which include a 10% service credit for the final anniversary of the CVP award date. The service credit for awards granted in 2023 is **0%** (2022: 0%) of the initial value of the award that vests.

Number of awards '000

	2023					2022				
	Opening balance	Granted	Forfeited	Exercised	Closing balance	Opening balance	Granted	Forfeited	Exercised	Closing balance
Equity-settled:										
SIPP	12 751	4 632	(2 477)	(4 354)	10 552	16 033	2 873	(5 091)	(1 064)	12 751
SIPRB	311	373	(25)	(218)	441	231	211	(16)	(115)	311
SIPD	2 928	1 909	(143)	(1 733)	2 961	3 194	1 519	(105)	(1 680)	2 928
SIPR	1 900	1 599	(188)	(24)	3 287	1 038	929	(67)	—	1 900
RSVP	33	—	—	—	33	52	—	—	(19)	33
ECSS	—	26 724	(350)	(10)	26 364	—	—	—	—	—
Cash-settled:										
SIPP	746	228	(111)	(202)	661	927	201	(320)	(62)	746
SIPRB	8	2	—	(6)	4	19	—	—	(11)	8
SIPD	78	75	—	(38)	115	50	53	(1)	(24)	78
SIPR	118	92	(3)	—	207	64	62	(8)	—	118
ECSS	—	6 680	(91)	(1)	6 588	—	—	—	—	—

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 the exercise date (Rands)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rands)	
	2023	2022	2023	2022	2023	2022
Equity-settled:						
SIPP	75.60	155.26	1.42	1.06	184.60	190.66
SIPRB	153.67	135.95	1.16	1.15	184.26	160.47
SIPD	88.16	102.63	1.03	0.81	184.60	190.96
SIPR	184.91	—	1.57	1.97	184.60	190.66
RSVP	—	153.00	—	—	—	—
ECSS	77.30	—	4.67	—	82.53	—
Cash-settled:						
SIPP	184.60	178.17	1.32	1.17	184.60	191.00
SIPRB	177.70	183.57	0.33	0.80	200.39	—
SIPD	184.60	190.26	1.06	0.98	184.60	191.00
SIPR	—	—	1.54	2.00	184.60	191.00
ECSS	84.07	—	4.67	—	82.53	—

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

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

	Group 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	**477**	**1 408**	**—**	**1 885**

	Group 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	715	715	—	1 430

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.

51. Cash and cash equivalents

	Group 2023 Rm	2022 Rm
Mandatory reserve and other balances with the SARB and other central banks	**46 790**	35 559
Coins and bank notes (refer to note 2)	**13 173**	13 551
Loans and advances to banks	**22 136**	22 320
Money market assets	**2 928**	2 013
Mobile money balances	**3 427**	1 825
	88 454	75 268

'Mandatory reserve and other reserve balances with the SARB and other central banks', 'Coins and bank notes' have been restated. Refer to note 1.21.

52. Acquisitions and disposals of businesses and other similar transactions

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

There were no acquisitions and other similar transactions in the current reporting period.

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

As part of the agreement between Absa Group Limited and Sanlam Investment Holdings (refer to note 52. 4 below), NewFunds (RF) Proprietary Limited resigned as manager of the NewFunds Collective Investment Scheme in Securities (NewFunds CIS). This has resulted in the deconsolidation of NewFunds CIS.

As part of the Group's disposal of the Investment Management business, Head Office, Treasury and other operations have disposed of majority of its market Linked Investment Service Provider (LISP) business, a division of Absa Investment Management Services (Pty) Limited. The total carrying amount for the assets disposed is **R98m** and the total carrying amount for the liabilities disposed is **R26m**. The disposal resulted in a gross loss of **R21m**. The sale was concluded on 1 November 2023.

52.3 Acquisitions of businesses and other similar transactions during the previous reporting period

The Group acquired an equity interest in Sanlam Investment Holdings (Pty) Limited in exchange for its investment management business (refer to note 52.4). This resulted in the recognition of an investment in associate to the value of R679m.

52.4 Disposals of businesses and other similar transactions during the previous reporting period

On 01 December 2022, the Group sold its investment management business, which comprised of Absa Asset Management (Pty) Limited, Absa Alternative Asset Management (Pty) Limited, Absa Fund Managers (Pty) Limited and the multi-manager business, a division of Absa Investment Management Services (Pty) Limited, to Sanlam Investment Holdings (Pty) Limited (refer to note 52.3). The Group received consideration comprising of ordinary shares (R679m, 12.6%), cumulative, convertible, redeemable preference shares (R266m, 4.9%) and a deferred consideration (R143m) to be settled in cash.

53. Segment report

53.1 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.
- **ARO RBB:** offers a comprehensive suite of retail, business banking and insurance products and services for individuals, small to medium enterprises and commercial customers across the region. Various solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. The focus is on delivering a superior customer experience matched closely to the needs and expectations of our customers. This is facilitated through branch, self-service, agency banking and digital channels supported by a relationship-based model with a well-defined coverage structure built on specific customer value propositions.
- **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 Group, the impact of the hyperinflation accounting by the Group, as well as income earned by Absa Manx Holdings and Corporate Real Estate Services.
- **Barclay's separation:** Barclays PLC contributed R12.1 billion to the Bank in June 2017, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. This contribution was invested primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time. The Separation Programme was completed within agreed timelines. The separation process has had a significant impact on the Group's financial results over the past years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the assets as they are brought into use. The 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, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through the branch network, approved dealerships, and preferred suppliers. VAF's joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Insurance SA consists of:**
  - **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and life- wrapped investment products.
  - **Non-Life Insurance** – provides non-life insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions being iDirect and Activate, are also available to the retail market.
  - **Non-Banking Financial Services** - Includes the following:
    - Absa Insurance and Financial Advisors which include face-to-face advisors, a digital advice platform and a direct sales service centre.
    - Stockbroking and Portfolio Management products and services to core-middle-market, retail-affluent, private- banking, wealth, and business clients.
    - Absa Trust facilitates wealth preservation through implementing estate planning solutions, including wills drafting and safe custody of wills, estate administration, trust administration and beneficiary fund administration.
    - The investment in Sanlam Investment Holdings and management of the associated distribution agreement.
    - Insurance Group holding companies, related consolidation entries, allocated shareholder overhead expenses and investments spend.

53. Segment report (continued)

53.1 Summary of segments (continued)

- **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 offerings including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
  - **Personal Loans** – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
  - **Transactional and Deposits** – offers unsecured loans through the Absa Mobile Banking app, internet banking, face-to-face engagements, and the contact centre channels.
- **Relationship Banking** – places primary focus on client segment in drive to put the customer first. Essentially, the business focuses on the following key client segments: Small and Medium Enterprises (SMEs), Commercial Segment and Private Wealth which are serviced by the following key business areas:
  - **Business Banking Services** – which offers banking solutions spanning lending and transactional banking products as well as savings and investment products. The lending products consist of commercial asset finance, commercial property finance, term lending, structured lending as well as overdrafts.
  - **Commercial Payments** – accept electronic payments using various payment methods such as cash, debit, credit and prepaid cards as well as mobile payments. Commercial Payments also provides value added services such as money transfer and 'cash back' at point of sale.
  - **Private Wealth** – which offers a full suite of banking services to customers in the Private and Wealth segment including transactional, lending, savings and investment products as well as other wealth management services.
- **Absa Regional Operations RBB** – offers a range of solution managed through the below key business areas:
  - **Retail Banking:** offers day-to-day banking services to individual customers by providing a comprehensive suite of lending, transactional and deposit, cards and payments products across various segments.
  - **Business Banking:** has been identified as being of particular importance as it contributes significantly to job creation and national economic development in the ARO presence markets. Clients are serviced through a direct coverage and relationship-based model with customised solutions.
  - **Insurance ARO** consists of:
    - **Life Insurance** – The product range covers death, disability and retrenchment, education as well as funeral and life-wrapped investment products; and
    - **Non-Life Insurance** – The product range covers non-life insurance solutions, including motor, medical and workman's compensation, primarily through agents leveraging the banking distribution channels.
- **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 Bank** comprising:
    - **Global Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
    - **Investment Banking Division** – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
    - **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
    - **Private Equity and Infrastructure Investments (PEII)** – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. 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.

53. Segment report (continued)

53.2 Segment report per geographical segment

	Group 2023		
	South Africa and other international operations Rm	Africa Regions Rm	Total Rm
Net interest income – external	46 679	21 376	68 055
Interest and similar income	124 442	30 020	154 462
Interest expense and similar charges	(77 763)	(8 644)	(86 407)
Non-interest income – external	27 247	9 340	36 587
Total assets	1 542 815	332 061	1 874 876

	Group 2022		
	South Africa and other international operations Rm	Africa Regions Rm	Total Rm
Net interest income – external	44 103	16 395	60 498
Interest and similar income	90 319	21 913	112 232
Interest expense and similar charges	(46 216)	(5 518)	(51 734)
Non-interest income – external	28 285	8 053	36 338
Total assets	1 483 103	308 998	1 792 101

‘Other International operations’ include United Kingdom and United States. The 2022 numbers have been restated, refer to note 1.21.

53. Segment report (continued)

53.2 Segment report per geographical segment (continued)

	Product Solutions Cluster		Everyday Banking		Relationship Banking	
	2023	2022	2023	2022	2023	2022
Statement of comprehensive income (Rm)						
Net interest income	9 016	8 912	15 947	14 373	10 081	9 336
Interest and similar income	46 773	34 127	17 569	13 486	18 002	13 043
Interest expense and similar charges	(37 757)	(25 215)	(1 622)	887	(7 921)	(3 707)
Non-interest income	4 636	4 041	12 102	12 053	5 131	5 105
Total income	13 652	12 953	28 049	26 426	15 212	14 441
Credit impairment charges	(4 231)	(2 586)	(7 851)	(5 775)	(822)	(618)
Operating expenses	(5 798)	(5 732)	(14 753)	(14 007)	(8 455)	(7 761)
Depreciation and amortisation	(218)	(173)	(1 517)	(1 486)	(187)	(258)
Information technology costs	(286)	(185)	(766)	(649)	(265)	(210)
Staff costs	(3 067)	(2 839)	(6 113)	(5 699)	(3 408)	(2 847)
Other operating expenses	(2 227)	(2 535)	(6 357)	(6 173)	(4 595)	(4 446)
Other expenses	(188)	(198)	(481)	(535)	(172)	(91)
Other impairments	(31)	(36)	(54)	(171)	(36)	—
Indirect taxation	(157)	(162)	(427)	(364)	(136)	(91)
Loss on net monetary position	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	118	65	—	—	45	40
Operating profit before income tax	3 553	4 502	4 964	6 109	5 808	6 011
Tax expenses	(918)	(1 218)	(1 262)	(1 817)	(1 498)	(1 703)
Profit for the reporting period	2 635	3 284	3 702	4 292	4 310	4 308
Profit attributable to:						
Ordinary equity holders	2 345	3 069	3 324	4 017	4 054	4 126
Non-controlling interest – ordinary shares	—	—	160	138	—	—
Non-controlling interest – preference shares	85	65	65	42	74	56
Other equity: Additional Tier 1 capital	205	150	153	95	182	126
	2 635	3 284	3 702	4 292	4 310	4 308
Headline earnings	2 368	3 096	3 354	4 047	4 077	4 132
Statement of financial position (Rm)						
Loans and advances	417 375	402 351	78 288	76 523	146 767	136 091
Loans and advances to customers	415 391	400 354	72 380	67 483	146 071	134 778
Loans and advances to banks	1 984	1 997	5 908	9 040	696	1 313
Investment securities	27 578	26 718	4 042	3 901	6 845	6 590
Other assets	61 213	59 758	334 040	309 805	146 949	127 093
Total assets	506 166	488 827	416 370	390 229	300 561	269 774
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	495 119	477 547	102 080	94 936	64 796	63 949
Total liabilities	496 729	479 410	411 016	384 542	295 516	265 140

The 2022 balances have been restated, refer to note 1.21.

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

ARO RBB		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	2023	2022
11 760	9 697	19 546	16 441	1 577	1 681	67 927	60 440	128	58	68 055	60 498
11 764	9 402	44 001	30 999	16 353	11 175	154 462	112 232	—	—	154 462	112 232
(4)	295	(24 455)	(14 558)	(14 776)	(9 494)	(86 535)	(51 792)	128	58	(86 407)	(51 734)
4 522	4 048	10 318	10 305	(106)	800	36 603	36 352	(16)	(14)	36 587	36 338
16 282	13 745	29 864	26 746	1 471	2 481	104 530	96 792	112	44	104 642	96 836
(1 540)	(1 182)	(764)	(1 378)	(327)	(2 164)	(15 535)	(13 703)	—	—	(15 535)	(13 703)
(10 867)	(9 489)	(13 678)	(12 438)	(916)	55	(54 467)	(49 372)	(1 237)	(1 102)	(55 704)	(50 474)
(820)	(760)	(485)	(447)	(1 498)	(1 677)	(4 725)	(4 801)	(1 207)	(1 045)	(5 932)	(5 846)
(1 204)	(1 110)	(563)	(520)	(2 944)	(2 867)	(6 028)	(5 541)	—	(2)	(6 028)	(5 543)
(6 490)	(5 510)	(6 279)	(5 812)	(6 158)	(5 116)	(31 515)	(27 823)	—	—	(31 515)	(27 823)
(2 353)	(2 109)	(6 351)	(5 659)	9 684	9 715	(12 199)	(11 207)	(30)	(55)	(12 229)	(11 262)
(597)	(435)	(380)	(292)	(1 405)	(889)	(3 222)	(2 440)	(131)	—	(3 353)	(2 440)
(6)	(36)	(2)	(16)	(221)	(332)	(350)	(591)	(109)	—	(459)	(591)
(591)	(399)	(378)	(276)	(634)	(557)	(2 322)	(1 849)	(22)	—	(2 344)	(1 849)
—		—	—	(550)	—	(550)	—	—	—	(550)	—
—	—	11	15	27	17	200	137	—	—	200	137
3 278	2 639	15 053	12 653	(1 150)	(500)	31 506	31 414	(1 256)	(1 058)	30 250	30 356
(1 178)	(856)	(2 925)	(2 823)	(202)	176	(7 983)	(8 241)	296	289	(7 687)	(7 952)
2 100	1 783	12 128	9 830	(1 352)	(324)	23 523	23 173	(960)	(769)	22 563	22 404
1 508	1 160	11 031	8 994	(1 441)	(350)	20 821	21 016	(930)	(751)	19 891	20 265
591	623	589	495	90	26	1 430	1 282	(30)	(18)	1 400	1 264
—	—	149	103	—	—	373	266	—	—	373	266
1	—	359	238	(1)	—	899	609	—	—	899	609
2 100	1 783	12 128	9 830	(1 352)	(324)	23 523	23 173	(960)	(769)	22 563	22 404
1 510	1 191	11 033	9 006	(1 416)	(747)	20 926	20 725	(852)	(750)	20 074	19 975
79 382	72 476	536 395	513 942	13 150	12 016	1 271 357	1 213 399	—	—	1 271 357	1 213 399
78 515	72 117	484 020	431 614	609	3 483	1 196 986	1 109 829	—	—	1 196 986	1 109 829
867	359	52 375	82 328	12 541	8 533	74 371	103 570	—	—	74 371	103 570
1 621	1 518	50 844	47 252	145 568	129 658	236 498	215 637	—	—	236 498	215 637
62 135	57 810	512 376	511 913	(750 805)	(705 612)	365 908	360 767	1 113	2 298	367 021	363 065
143 138	131 804	1 099 615	1 073 107	(592 087)	(563 938)	1 873 763	1 789 803	1 113	2 298	1 874 876	1 792 101
121 002	110 714	512 059	499 609	165 209	138 935	1 339 536	1 241 918	—	—	1 339 536	1 241 918
120 987	110 439	434 598	407 397	118 485	102 791	1 215 331	1 113 281	—	—	1 215 331	1 113 281
15	275	77 461	92 212	46 724	36 144	124 205	128 637	—	—	124 205	128 637
89	88	28 888	26 669	182 151	178 762	211 128	205 519	—	—	211 128	205 519
18 539	20 322	545 823	538 705	(1 065 562)	(1 003 192)	160 795	192 267	(980)	(739)	159 815	191 528
139 630	131 124	1 086 770	1 064 983	(718 202)	(685 495)	1 711 459	1 639 704	(980)	(739)	1 710 479	1 638 965

53. Segment report (continued)

53.3 Total internal income by segment

	2023 Rm	2022 Rm
Product Solutions Cluster	(36 456)	(24 135)
Everyday Banking	20 764	15 532
Relationship Banking	6 611	4 585
ARO RBB	2 810	2 182
CIB	(6 021)	(2 226)
Head Office, Treasury and other operations	12 164	4 004
Barclays PLC separation effects	128	58
	—	—

The 2022 balances have been restated, refer to material accounting policy 1.21

53.4 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:

	Group							
	2023							
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	2 821	12 509	5 733	3 562	4 548	(959)	—	28 214
Consulting and administration fees	218	—	138	26	128	6	—	516
Transactional fees and commissions	819	11 273	3 652	2 671	3 489	7	1	21 912
Cheque accounts	(1)	3 244	1 671	32	147	—	—	5 093
Credit cards	—	2 545	222	380	(8)	19	1	3 159
Electronic banking	—	4 113	1 065	310	1 417	—	—	6 905
Service charges	810	127	491	1 850	1 201	(9)	—	4 470
Other (includes exchange commission and guarantees)	10	254	107	75	744	(3)	—	1 187
Savings accounts	—	990	96	24	(12)	—	—	1 098
Merchant income	—	800	1 720	291	(16)	—	(1)	2 794
Trust and other fiduciary services fees	405	—	78	4	22	213	—	722
Other fees and commissions	151	8	94	160	517	(495)	—	435
Insurance commissions received	1 228	428	5	410	1	(690)	—	1 382
Investment banking fees	—	—	46	—	407	—	—	453
Other non-interest income, net of expenses	1 815	(407)	(602)	960	5 770	853	(16)	8 373
Total non-interest income	4 636	12 102	5 131	4 522	10 318	(106)	(16)	36 587

53. Segment report (continued)

53.5 Disaggregation of non-interest income

	Group Restated 2022							
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	2 533	12 422	5 774	2 951	3 919	(53)	1	27 547
Consulting and administration fees	198	—	128	26	116	11	—	479
Transactional fees and commissions	727	11 272	3 744	2 331	2 975	72	—	21 121
Cheque accounts	—	2 921	1 729	26	158	—	—	4 834
Credit cards	—	2 342	194	318	(1)	43	—	2 896
Electronic banking	—	4 045	1 136	221	1 193	—	—	6 595
Service charges	717	506	464	1 672	988	35	—	4 382
Other (includes exchange commission and guarantees)	10	209	97	69	639	(6)	—	1 018
Savings accounts	—	1 249	124	25	(2)	—	—	1 396
Merchant income	—	774	1 717	186	(6)	—	—	2 671
Trust and other fiduciary services fees	258	—	76	4	18	857	—	1 213
Other fees and commissions	162	2	66	104	441	(77)	1	699
Insurance commissions received	1 188	374	4	300	1	(916)	—	951
Investment banking fees	—	—	39	—	374	—	—	413
Other non-interest income, net of expenses	1 508	(369)	(669)	1 097	6 386	839	(1)	8 791
Total non-interest income	4 041	12 053	5 105	4 048	10 305	786	—	36 338

Other transactional fees and commission have been disaggregated due to the extraction of the service charges (2022: R4 382m) which form a significant portion of the balance. As a result, total other transactional fees and commission for 2022 reduced from R5 400m to R1 018m.

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

Other notable non-interest income items include gains from banking and trading activities of **R8.8bn** (2022: R6.5bn) , offset by expenses within CIB. For the Product Solutions Cluster this includes insurance revenue of **R11.6bn** (2022: R10.1bn), partially offset by insurance service expenses of **R8.9bn** (2022: R7.9bn).

December 2022 balances have been restated. Refer to note 1.21.

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

54. Derivatives

54.1 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.

54. Derivatives (continued)

54.1 Derivative financial instruments (continued)

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.

54.2 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.

54.3 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 amount Rm	Assets Rm	Liabilities Rm	Notional contract amount Rm
Derivatives held for trading (refer to note 4 and note 15)	51 450	(46 701)	13 814 870	58 588	(56 591)	10 330 933
Derivatives designated as hedging instruments (refer to note 4 and note 15)	5 441	(1 688)	323 982	4 973	(2 237)	291 801
Total derivatives	**56 891**	**(48 389)**	**14 138 852**	63 561	(58 828)	10 622 734

54. Derivatives (continued)

54.4 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 Group trades in are as follows:

	Group					
	2023			2022		
	Assets Rm	Liabilities Rm	Notional contract amount Rm	Assets Rm	Liabilities Rm	Notional contract amount Rm
Foreign exchange derivatives	15 008	(14 927)	837 631	17 924	(18 310)	906 868
Interest rate derivatives	28 304	(28 362)	12 755 033	31 491	(32 547)	9 156 886
Equity derivatives	7 345	(2 696)	187 678	8 761	(4 679)	248 137
Commodity derivatives	426	(368)	9 001	188	(117)	6 764
Credit derivatives	367	(348)	25 527	224	(938)	12 279
Derivatives held for trading	**51 450**	**(46 701)**	**13 814 870**	58 588	(56 591)	10 330 934

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.

54.5 Derivative held for investment purposes

No derivatives were held for investment purposes for the 2023 or prior period.

54.6 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R55 327m** (2022: R62 379m). Additionally, the Group held **R2 544m** (2022: R1 730m) 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.

54.7 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.

54. Derivatives (continued)

54.7 Hedge accounting (continued)

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 instrument, 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 over-hedged 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.

54.7.1 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.

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.1 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						
	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
Inflation risk – interest rate swaps							
Hedge of investment securities	155	100	—	—	—	529	784

	Group 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	
	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%

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.1 Fair value hedge accounting (continued)

If the risk management objective is no longer met, 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 fair value hedge relationships:

	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 and 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 and 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.

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.1 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 amount 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 amount 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

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.2 Cash flow hedge accounting (continued)

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	2 778	1 098	—	—	—	—	3 876

	Group 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

The average rates or prices set out below relate to the hedging instruments designated in cash flow hedging relationships:

	Group	
	2023 Average price or rate	2022 Average price or rate
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	7%	7%
Foreign currency risk		
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

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.2 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 for calculating hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Total	237 450	698	(612)	2 899	1 384	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	3 876	191	(34)	291	238	1
Collateral held against derivatives	—	—	1 672	—	—	—

	Group 2022					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffectiveness recognised in profit or loss Rm
Total						
Interest rate risk	216 887	474	(963)	(6 402)	(3 438)	228
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.

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.2 Cash flow hedge accounting (continued)

Impact on the income statement and OCI of recycling amounts in respect of cash flow hedges during the period:

	Group					
	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	(291)	55	—	(37)	80	—
Debt securities						
Foreign exchange risk	6	—	—	9	—	—
Borrowed funds						
Foreign exchange risk	15	158	—	(43)	143	—

54. Derivatives (continued)

54.7 Hedge accounting (continued)

54.7.3 Hedges of net investments in foreign operations

Net investment hedges are used by the Group to protect against the potential risk arising from the Group's exposure to foreign currency risk in relation to its investment in foreign operations.

At 31 December 2023 the Group held the following foreign currency forward exchange contracts as hedging instruments in a net investment hedge.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	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 ineffectiveness recognised in profit or loss Rm	Presentation of hedge ineffectiveness in profit or loss Rm
Foreign currency risk							
Forwards	4	4	—	(11)	(11)	—	—

	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 ineffectiveness recognised in profit or loss Rm	Presentation of hedge ineffectiveness in profit or loss Rm
Foreign currency risk							
Forwards	—	—	—	(21)	(21)	—	—

The hedging instruments of the Group are presented within hedging portfolio assets/liabilities, on the statement of financial position.

54.7.4 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			2022		
	Cash flow hedge reserve Rm	Net investment hedge reserve Rm	Foreign currency translation reserve Rm	Cash flow hedge reserve Rm	Net investment hedge reserve Rm	Foreign currency translation reserve Rm
Balance at the beginning of the year	(4 405)	—	33	1 751	—	54
Hedging (losses)/gains for the reporting period	1 384	(11)	—	(3 438)	(21)	
Interest rate risk	1 002	—	—	(3 490)	—	—
Foreign currency risk	382	(11)	—	52	(21)	—
Amounts reclassified to profit or loss:						
In relation to cash flows affecting profit or loss	1 268	—	—	(2 718)	—	—
Amounts transferred within OCI	—	11	(11)	—	21	(21)
Balance at the end of the year	(1 753)	—	22	(4 405)	—	33

54. Derivatives (continued)

54.8 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 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 Group's remaining unreformed IBOR exposure as at 31 December 2023 is indexed to the JIBAR. The SARB announced in 2020 that JIBAR would cease to exist 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 use of ZARONIA as an alternative reference rate for financial contracts to replace JIBAR.

The Group will leverage the experience it gained in the IBOR transition journey to plan for the upcoming JIBAR transition. The Group's JIBAR journey thus far involves daily submission of transaction data to the SARB for the calculation and publication of ZARONIA.

The Group participates in the SARB's MPG which is in the process of preparing for the transition of JIBAR to ZARONIA at an industry level.

Following the conclusion of the ZARONIA observation period on the 3rd of November 2023, the SARB announced that market participants may use ZARONIA as a reference rate in financial contracts going forward. Derivatives referencing ZARONIA have commenced trading with the intention of building liquidity in the derivatives market during 2024. The projected cessation date as well as the manner of transition from JIBAR to ZARONIA have not been announced. The Group monitors the progress of transition to the new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause.

The main risks to which the Group is exposed as a 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. It is expected that additional fallback and protocols be published for the upcoming JIBAR reform.

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.

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 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.

54. Derivatives (continued)

54.8 Interest rate benchmark reform (continued)

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 2023				
	Notional amount				
	ZAR JIBAR Rm	USD LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	226 687	—	226 687	10 763	237 450
Interest rate swaps	226 687	—	226 687	—	226 687
Cross currency swaps	—	—	—	6 887	6 887
Forwards	—	—	—	3 876	3 876
Fair value hedges	75 965	—	75 965	10 566	86 532
Interest rate swaps	75 181	—	75 181	10 566	85 748
Cross currency swaps	—	—	—	—	—
Inflation rate swaps	784	—	784	—	784

	Group 2022				
	Notional amount				
	ZAR JIBAR Rm	USD 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.

Derivative notional balances represent the notional amount of derivative assets and liabilities that could be or are directly impacted by the IBOR reform.

55. 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	4 336	—	—	4 336
Investment securities	9 286	11 595	—	20 881
Trading portfolio assets	190 085	—	—	190 085
Hedging portfolio assets	—	—	5 441	5 441
Other assets	2	—	—	2
Loans and advances	79 933	33 142	—	113 075
Investments linked to investment contracts	21 045	—	—	21 045
Non-current assets held for sale	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	304 687	44 737	5 441	354 865
Liabilities				
Trading portfolio liabilities	62 548	—	—	62 548
Hedging portfolio liabilities	—	—	1 688	1 688
Other liabilities	—	29	—	29
Deposits	—	125 523	—	125 523
Debt securities in issue	—	73 946	—	73 946
Liabilities under investment contracts	—	21 247	—	21 247
Borrowed funds	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	62 548	220 745	1 688	284 981

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 **R612m** (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 **R1 167m** (2022: R1 318m) 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	Outside the scope of IFRS 9 Rm	Total assets and liabilities Rm
—	—	—	—	73 479	—	73 479	—	77 815
132 504	811	33 317	166 632	16 744	32 241	48 985	—	236 498
—	—	—	—	—	—	—	1 012	191 097
—	—	—	—	—	—	—	—	5 441
—	—	—	—	23 641	—	23 641	4 162	27 805
—	—	—	—	1 153 979	4 303	1 158 282	—	1 271 357
—	—	—	—	—	—	—	—	21 045
—	—	—	—	—	—	—	197	197
—	—	—	—	—	—	—	43 621	43 621
132 504	811	33 317	166 632	1 267 843	36 544	1 304 387	48 992	1 874 876
—	—	—	—	—	—	—	—	62 548
—	—	—	—	—	—	—	—	1 688
—	—	—	—	37 369	—	37 369	4 695	42 093
—	—	—	—	1 214 013	—	1 214 013	—	1 339 536
—	—	—	—	130 155	7 027	137 182	—	211 128
—	—	—	—	—	—	—	—	21 247
—	—	—	—	18 502		18 502	—	18 502
—	—	—	—	—	—	—	13 737	13 737
—	—	—	—	1 400 039	7 027	1 407 066	18 432	1 710 479

55. Consolidated statement of financial position summary – IFRS 9 classification (continued)

	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	3 831	—	—	3 831
Investment securities	12 524	9 397	—	21 921
Trading portfolio assets	205 840	—	—	205 840
Hedging portfolio assets	—	—	4 973	4 973
Other assets	2	—	—	2
Loans and advances	83 401	31 675	—	115 076
Investments linked to investment contracts	19 288	—	—	19 288
Non-current assets held for sale	—	—	—	—
Assets outside the scope of IFRS 9	—	—	—	—
	324 868	41 072	4 973	370 913
Liabilities				
Trading portfolio liabilities	94 910	—	—	94 910
Hedging portfolio liabilities	—	—	2 237	2 237
Other liabilities	—	27	—	27
Deposits	—	124 330	—	124 330
Debt securities in issue	—	61 606	—	61 606
Liabilities under investment contracts	—	19 999	—	19 999
Borrowed funds	—	—	—	—
Liabilities outside the scope of IFRS 9	—	—	—	—
	94 910	205 962	2 237	303 109

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.

The amounts relating to cash, cash balances and other assets has been restated. Refer to note 1.21.

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost of **R2 370bn,** refer to reporting changes overview 1.21

Amounts of other assets, other liabilities, trading portfolio assets and trading portfolio liabilities have been restated. Please refer to material accounting policy 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	Outside the scope of IFRS 9 Rm	Total assets and liabilities Rm
9	—	—	9	62 589	—	62 589	—	66 429
118 322	747	29 926	148 995	19 982	24 739	44 721	—	215 637
—	—	—	—	—	—	—	614	206 454
—	—	—	—	—	—	—	—	4 973
—	—	—	—	20 658	—	20 658	3 320	23 980
—	—	—	—	1 098 323	—	1 098 323	—	1 213 399
—	—	—	—	—	—	—	—	19 288
—	—	—	—	86	—	86	126	212
—	—	—	—	—	—	—	41 729	41 729
118 331	747	29 926	149 004	1 201 638	24 739	1 226 377	45 789	1 792 101
—	—	—	—	—	—	—	—	94 910
—	—	—	—	—	—	—	—	2 237
—	—	—	—	29 753	—	29 753	4 511	34 291
—	—	—	—	1 117 589	—	1 117 588	—	1 241 918
—	—	—	—	138 566	5 347	143 913	—	205 519
—	—	—	—	—	—	—	—	19 999
—	—	—	—	11 091	15 329	26 420	—	26 420
—	—	—	—	—	—	—	13 671	13 671
—	—	—	—	1 296 998	20 676	1 317 674	18 182	1 638 965

56. Fair value disclosures

56.1 Assets and liabilities held at fair value

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

	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								
Cash, cash balances and balances with central banks	—	4 336	—	4 336	—	3 840	—	3 840
Investment securities	87 537	87 665	12 311	187 513	78 599	81 212	11 105	170 916
Trading and hedging portfolio assets	106 563	70 735	18 228	195 527	123 306	74 701	12 806	210 813
Debt instruments	66 491	6 398	1 259	74 149	81 118	8 796	1 803	91 717
Derivative assets	—	50 631	6 260	56 891	—	59 191	4 370	63 561
Commodity derivatives	—	400	26	426	—	188	—	188
Credit derivatives	—	—	367	367	—	32	192	224
Equity derivatives	—	5 466	1 879	7 345	—	5 009	3 752	8 761
Foreign exchange derivatives	—	12 409	2 599	15 008	—	17 498	426	17 924
Interest rate derivatives	—	32 356	1 389	33 745	—	36 464	—	36 464
Equity instruments	38 818	37	—	38 855	39 694	—	—	39 694
Money market assets	1 254	13 669	10 709	25 632	2 494	6 714	6 633	15 841
Other assets	—	2	—	2	—	2	—	2
Loans and advances	—	106 303	6 771	113 074	—	104 417	10 659	115 076
Investments linked to investment contracts	18 823	2 222	—	21 045	17 011	2 277	—	19 288
Total financial assets	212 923	271 263	37 310	521 497	218 916	266 449	34 570	519 935
Financial liabilities								
Trading and hedging portfolio liabilities	15 860	44 525	3 851	64 236	38 319	58 300	528	97 147
Derivative liabilities	13	44 525	3 851	48 389	—	58 300	528	58 828
Commodity derivatives	—	342	26	368	—	117	—	117
Credit derivatives	—	—	348	348	—	678	260	938
Equity derivatives	—	2 162	534	2 696	—	4 589	90	4 679
Foreign exchange derivatives	13	12 564	2 350	14 927	—	18 132	178	18 310
Interest rate derivatives	—	29 457	593	30 050	—	34 784	—	34 784
Short positions	15 847	—	—	15 847	38 319	—	—	38 319
Other liabilities	—	29	—	29	—	27	—	27
Deposits	692	122 567	2 264	125 523	1	120 560	3 769	124 330
Debt securities in issue	—	73 873	73	73 946	609	60 997	—	61 606
Liabilities under investment contracts	—	21 247	—	21 247	—	19 999	—	19 999
Total financial liabilities	16 552	262 241	6 188	284 981	38 929	259 883	4 297	303 109
Non-financial assets								
Commodities	1 011	—	—	1 011	614	—	—	614
Investment properties	—	—	378	378	—	—	397	397
Non-recurring fair value measurements								
Non-current assets held for sale	—	—	197	197	—	—	126	126
Non-current liabilities held for sale	—	—	—	—	—	—	26	26

As a result of the uncertainties inherent in measuring the fair value of financial instruments at level 3, its measurement is estimated based on valuation assumptions and inputs derived from market expectations. Estimation involves judgements based on the latest available, reliable information. Resultantly, any changes in key assumptions relating to their valuation is treated as a change in accounting estimate and has been accounted for prospectively in the financial statements.

Non-current assets and liabilities includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective Standard.

Cash, cash balances and balances with central banks have been restated due to a misclassification between fair value through other comprehensive income and amortised cost of **R2 370bn**, refer to reporting changes overview 1.21.

Other liabilities have been restated due to the implementation of IFRS 17, refer to reporting changes overview note 1.21.

Settlement accounts have been adjusted, the methodology used internally in the settlement calculations is more closely aligned with the JSE's Strate system. The adjustment in the calculation of this amount resulted in a re-allocation between Trading portfolio assets **R18m** and Trading portfolio liabilities **R15m** refer to reporting changes overview 1.21.

56. Fair value disclosures (continued)

56.2 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	Investment properties Rm	Total assets Rm
Opening balance at the beginning of the reporting period	12 807	10 659	11 105	397	34 969
Net interest income	—	59	67	—	126
Gains and losses from banking and trading activities	416	(95)	389	—	710
Gains and losses from investment activities	—	—	10	—	10
Purchases	11 865	91	6 600	—	18 556
Sales	(6 066)	(2 143)	(1 732)	(2)	(9 944)
Movement in other comprehensive income	—	14	(92)		(78)
Transfer to Level 3	948	—	2 926	—	3 874
Transfer out of Level 3	(1 682)	(1 779)	(6 861)	—	(10 322)
Foreign currency conversion on assets	(60)	(35)	(101)	(17)	(213)
Closing balance at the end of the reporting period	18 228	6 771	12 311	378	37 688

	Group				
	2022				
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Total assets Rm
Opening balance at the beginning of the reporting period	2 327	16 729	8 561	421	28 038
Net interest income	—	202	144	—	346
Gains and losses from banking and trading activities	(544)	(447)	(114)	(7)	(1 112)
Gains and losses from investment activities	—	—	—	(14)	(14)
Purchases	5 689	839	868	—	7 396
Sales	(304)	(2 464)	(3 751)	(1)	(6 519)
Movement in other comprehensive income	—	—	16	—	16
Transfer to Level 3	6 178	1 110	5 381	—	12 669
Transfer out of Level 3	(539)	(5 310)	—	—	(5 849)
Foreign currency conversion on assets	—	—	—	(2)	(2)
Closing balance at the end of the reporting period	12 807	10 659	11 105	397	34 969

56. Fair value disclosures (continued)

56.2 Reconciliation of Level 3 assets and liabilities (continued)

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 liabilities Rm	Deposits Rm	Debt securities in issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	528	3 769	—	4 297
Gains and losses from banking and trading activities	(16)	194	—	178
Issues	3 496	83	—	3 579
Settlements	(60)	(570)	—	(630)
Transfer to Level 3	68	—	73	141
Transfer out of Level 3	(161)	(1 184)	—	(1 345)
Foreign currency conversion on liabilities	(4)	(28)	—	(32)
Closing balance at the end of the reporting period	3 851	2 264	73	6 188

	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	3 197	—	3 470
Gains and losses from banking and trading activities	(28)	(84)	—	(112)
Purchases	—	—	—	—
Sales	—	—	—	—
Issues	403	7 955	—	8 358
Settlements	(8)	(7 124)	—	(7 132)
Transfer to Level 3	2	—	—	2
Transfer out of Level 3	(114)	(18)	—	(132)
Foreign currency conversion on liabilities	—	(157)	—	(157)
Closing balance at the end of the reporting period	528	3 769	—	4 297

Sales and Purchases were erroneously disclosure as movements in December 2022, amounts are now moved to Issuances.

56.2.1 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.

56. Fair value disclosures (continued)

56.3 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 2023 Trading and hedging portfolio assets Rm	Group 2023 Loans and advances Rm	Group 2023 Investment securities Rm	Group 2023 Total assets at fair value Rm
Gains and (losses) from banking and trading activities	6 075	(42)	224	6 257

	Group 2022 Trading and hedging portfolio assets Rm	Group 2022 Loans and advances Rm	Group 2022 Investment securities Rm	Group 2022 Total assets at fair value Rm
Gains and (losses) from banking and trading activities	2 777	(306)	24	2 495

	Group 2023 Trading and hedging portfolio liabilities Rm	Group 2023 Deposits due to customers Rm	Group 2023 Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(3 850)	173	(3 677

	Group 2022 Trading and hedging portfolio liabilities Rm	Group 2022 Deposits due to customers Rm	Group 2022 Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	(30)	354	324

56. Fair value disclosures (continued)

56.4 Sensitivity analysis of valuations using unobservable inputs

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

The following tables reflect 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	
		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**	**—/—**	**(236)/246**
Loans and advances	**Credit spreads**	**(458)/505**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(903)/1052**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(25)/25**	**—/—**

		Group	
		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	—/—	(103)/106
Loans and advances	Credit spreads	(623)/683	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	216/(210)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(457)/457	—/—

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

56. Fair value disclosures (continued)

56.5 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	
	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)

56.6 Third-party credit enhancements

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

56.7 Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value and for which the fair value is not considered to approximate the carrying amount.

	Group				
	2023				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	48 985	48 953	38 998	623	9 332
Product Solutions Cluster	415 390	396 941	—	—	396 941
Home Loans	302 065	293 450	—	—	293 450
Vehicle and Asset Finance	113 325	103 491	—	—	103 491
Everyday Banking	72 380	70 226	—	—	70 226
Card	47 415	47 416	—	—	47 416
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
ARO RBB	78 516	78 834	—	—	78 834
CIB	390 282	392 455	—	2 016	390 439
CIB South Africa	308 436	312 206	—	2 016	310 190
CIB ARO	81 846	80 249	—	—	80 249
Loans and advances to customers	1 102 639	1 071 785	—	2 016	1 069 769
Loans and advances to banks	55 035	55 450	31 070	24 380	—
Loans and advances	1 157 674	1 127 235	31 070	26 396	1 069 769
Total	1 206 659	1 176 188	70 068	27 019	1 079 101
Financial liabilities					
Fixed deposits	245 745	246 793	—	245 738	1 055
Deposits due to customers	245 745	246 793	—	245 738	1 055
Deposits from banks	87 239	87 837	8 026	79 811	—
Deposits	332 984	334 630	8 026	325 549	1 055
Debt securities in issue	137 182	138 421	—	138 421	—
Borrowed funds	18 502	18 681	—	18 681	—
Total	488 668	491 732	8 026	482 651	1 055

56. Fair value disclosures (continued)

56.7 Assets and liabilities not held at fair value (continued)

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value and for which the fair value is not considered to approximate the carrying amount.

	Group				
	2022				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	44 721	44 295	40 292	1 988	2 015
Other assets	20 658	20 423	7 755	3 080	9 588
Product Solutions Cluster	400 354	384 545	—	—	384 545
Home Loans	293 402	285 089	—	—	285 089
Vehicle and Asset Finance	106 952	99 456	—	—	99 456
Everyday Banking	67 483	65 823	—	—	65 823
Card	43 984	43 984	—	—	43 984
Personal loans	20 382	18 721	—	—	18 721
Transactions and deposits	3 118	3 118	—	—	3 118
Relationship Banking	134 778	133 552	—	—	133 552
ARO RBB	72 117	72 316	—	—	72 316
CIB	357 812	360 840	—	—	360 840
CIB South Africa	289 014	291 937	—	—	291 937
CIB ARO	68 798	68 903	—	—	68 903
Loans and advances to customers	1 032 544	1017 076	—	—	1 017 076
Loans and advances to banks	62 296	62 299	34 581	27 718	—
Loans and advances	1 094 840	1 079 375	34 581	27 718	1 017 076
Total	1 160 219	1 144 093	82 628	32 786	1 028 679
Financial liabilities					
Other liabilities	29 753	29 567	13 406	8 979	7 182
Call deposits	121 433	121 099	119 999	1 100	—
Fixed deposits	211 070	211 082	—	106 919	104 163
Deposits due to customers	332 503	332 181	119 999	108 019	104 163
Deposits from banks	75 761	75 808	2 666	73 131	11
Deposits	408 264	407 989	122 665	181 150	104 174
Debt securities in issue	143 913	143 804	—	143 664	140
Borrowed funds	26 420	26 407	—	26 407	—
Total	578 597	578 200	122 665	351 221	104 314

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, certain deposit 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.

Coins and banks notes included mobile money balances which should be included as part of other assets (**R750m**) refer to reporting changes overview 1.21.

Settlement accounts have been adjusted, the methodology used internally in the settlement calculations is more closely aligned with the JSE's Strate system. The adjustment in the calculation of this amount resulted in a re-allocation between other assets **R1 692bn** and other liabilities **R1 689bn** ref to reporting changes overview 1.21. The relevant fair value levelling adjustments have been appropriately taken into account.

Other Assets and Liabilities have been restated due to the implementation of IFRS 17, refer to reporting changes overview note 1.21.

57. 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	
	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 or 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			
	2023		2022	
	Carrying amount Rm	Contractual obligation Rm	Carrying amount Rm	Contractual obligation Rm
Liabilities				
Deposits	125 523	116 245	124 330	136 536
Deposits from banks	36 967	44 014	52 876	51 968
Deposits due to customers	88 556	72 231	71 454	84 568
Other liabilities	29	29	27	27
Debt securities in issue	73 946	83 978	61 606	71 163
Liabilities under investment contracts	21 247	21 247	19 999	19 999
	220 745	221 499	205 962	227 725

The Other liabilities has been restated due to the implementation of IFRS 17. Refer to note 1.21.1.

	Group	
	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 Group 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.

58. Risk management

58.1 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 defense.

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 Enterprise Risk Management Framework 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.

58. Risk management (continued)

58.1 Effective risk management and control are essential for sustainable and profitable growth (continued)

Credit risk

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

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.

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.

58. Risk management (continued)

58.2 Credit risk

The following table sets out information regarding 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	DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm
Balances with other central banks	24 247	8 673	10 991	—
Balances with the SARB	36 099	32 957	3 142	—
Money market assets	—	—	—	—
Cash, cash balances and balances with central banks	60 346	41 630	14 133	—
Government bonds	156 428	138 495	7 223	—
Other	13 455	9 112	2 148	—
Treasury bills	44 942	35 182	5 719	—
Investment securities	214 825	182 789	15 090	—
Accounts receivable	19 348	6 780	12 480	—
Settlement accounts	4 307	4 304	3	—
Other assets	23 655	11 084	12 483	—
Product Solutions Cluster	431 811	87 972	249 930	18 843
Home Loans	311 324	79 034	171 916	7 385
Vehicle and Asset Finance	120 487	8 938	78 014	11 458
Everyday Banking	88 833	17 185	41 154	4 910
Card	56 509	16 430	24 426	1 742
Personal loans	27 240	349	14 171	2 927
Transactional and deposits	5 032	406	2 557	241
Other	52	—	—	—
Relationship Banking	150 731	10 837	119 436	—
ARO RBB	84 559	7 491	62 480	1 293
CIB	396 467	186 807	171 941	531
CIB SA	311 943	174 870	113 447	103
CIB ARO	84 524	11 937	58 494	428
Head Office, Treasury and other operations	323	280	40	—
Loans and advances to customers	1 152 724	310 572	644 981	25 577
Loans and advances to banks	55 124	25 017	26 246	195
Loans and advances	1 207 848	335 589	671 227	25 772
Off-statement of financial position exposure				
Guarantees	52 317	22 262	21 813	104
Letters of credit	22 815	2 373	17 826	550
Revocable and irrevocable debt facilities	272 250	77 938	183 970	727
Total off-statement of financial position exposure	347 382	102 573	223 609	1 381

Refer to note 1.2.1 for DG bucket definitions.

The revocable and irrevocable debt facilities include the risk that certain revocable debt facilities may be drawn down, without further intervention from the Group.

Group				
2023				
Stage 2			Stage 3	Purchased or originated credit-impaired
DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm	Default Rm	Default Rm
—	—	4 583	—	—
—	—	—	—	—
—	—	—	—	—
—	—	4 583	—	—
1 703	3 261	—	—	5 746
191	1 479	—	525	—
—	—	4 041	—	—
1 894	4 740	4 041	525	5 746
—	88	—	—	—
—	—	—	—	—
—	88	—	—	—
229	9 258	26 740	38 839	—
223	6 388	17 770	28 608	—
6	2 870	8 970	10 231	—
162	6 491	4 215	14 716	—
20	3 534	1 924	8 433	—
21	2 082	2 147	5 543	—
121	875	144	688	—
—	—	—	52	—
822	11 366	—	8 270	—
2	3 491	3 487	6 315	—
894	21 843	2 638	11 813	—
737	15 183	1 367	6 236	—
157	6 660	1 271	5 577	—
—	3	—	—	—
2 109	52 452	37 080	79 953	—
—	3 600	66	—	—
2 109	56 052	37 146	79 953	—
1	7 023	281	833	—
—	1 440	626	—	—
297	5 672	1 123	2 523	—
298	14 135	2 030	3 356	—

58. Risk management (continued)

58.2 Credit risk (continued)

	Group			
	2022			
		Stage 1		
Maximum exposure to credit risk	Gross maximum exposure Rm	DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm
Balances with other central banks	17 960	9 702	3 231	33
Balances with the SARB	31 103	31 103	—	—
Money market assets	10	10	—	—
Cash, cash balances and balances with central banks	49 073	40 815	3 231	33
Government bonds	150 306	130 625	13 192	—
Other	9 347	3 811	2 337	—
Treasury bills	33 518	28 120	3 346	—
Investment securities	193 171	162 556	18 875	—
Accounts receivable	15 256	6 481	8 698	—
Settlement accounts	7 106	3 837	3 269	—
Other assets	22 362	10 318	11 967	—
Product Solutions Cluster	414 412	36 597	295 637	19 283
Home Loans	300 980	31 623	216 777	9 038
Vehicle and Asset Finance	113 432	4 974	78 860	10 245
Everyday Banking	81 632	14 266	39 546	5 477
Card	52 295	13 639	23 696	2 066
Personal loans	25 345	365	13 712	3 202
Transactional and deposits	3 940	262	2 138	209
Other	52	—	—	—
Relationship Banking	139 605	13 026	106 061	—
ARO RBB	77 938	4 584	60 740	469
CIB	364 085	180 487	139 339	632
CIB SA	292 253	173 661	92 878	15
CIB ARO	71 832	6 826	46 461	617
Head Office, Treasury and other operations	3 165	2 300	863	—
Loans and advances to customers	1 080 837	251 260	642 186	25 861
Loans and advances to banks	62 375	40 122	16 709	—
Loans and advances	1 143 212	291 382	658 895	25 861
Off-statement of financial position exposure				
Guarantees	55 851	25 331	23 233	335
Letters of credit	24 269	7 628	13 214	483
Revocable and irrevocable debt facilities	238 892	49 161	179 804	761
Total off-statement of financial position exposure	319 012	82 120	216 251	1 579

The balances with other central banks and money market assets have been restated. Refer to note 1.21.

Accounts receivables have been restated due to the implementation of IFRS 17. Refer to note 1.21.

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.

Group 2022				
Stage 2			Stage 3	Purchased or originated credit-impaired
DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm	Default Rm	Default Rm
—	19	4 975	—	—
—	—	—	—	—
—	—	—	—	—
—	19	4 975	—	—
—	408	—	6 081	—
—	1 697	—	1 502	—
—	341	1 711	—	—
—	2 446	1 711	7 583	—
—	77	—	—	—
—	—	—	—	—
—	77	—	—	—
497	13 322	19 489	29 587	—
496	9 774	12 094	21 178	—
1	3 548	7 395	8 409	—
101	6 571	4 016	11 655	—
11	3 750	1 931	7 202	—
16	2 154	1 977	3 919	—
74	667	108	482	—
—	—	—	52	—
741	12 103	—	7 674	—
—	2 673	3 418	6 054	—
13 327	15 469	3 209	11 622	—
13 327	6 374	122	5 876	—
—	9 095	3 087	5 746	—
—	2	—	—	—
14 666	50 140	30 132	66 592	—
—	5 248	296	—	—
14 666	55 388	30 428	66 592	—
14	5 830	298	810	—
—	1 716	1 121	107	—
502	5 191	1 078	2 395	—
516	12 737	2 497	3 312	—

58. Risk management (continued)

58.2 Credit risk (continued)

The following table sets out information regarding the credit quality of financial instruments which are classified at fair value through profit or loss and reinsurance contract assets.

	Group			
	2023			
Maximum exposure to credit risk	Gross carrying amount Rm	DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm
Financial instruments				
Cash, cash balances and balances with central banks	4 336	4 336	—	—
Money market assets	4 336	4 336	—	—
Investment securities	15 833	15 281	552	—
Other	4 238	3 686	552	—
Treasury bills	11 595	11 595	—	—
Trading and hedging portfolio assets	156 671	119 779	36 803	89
Debt instruments	74 148	57 534	16 563	51
Derivative assets	56 891	42 100	14 753	38
Money market assets	25 632	20 145	5 487	—
Other assets	2	2	—	—
Accounts receivable	2	2	—	—
Loans and advances	113 075	57 114	55 961	—
Loans and advances to customers	93 739	53 284	40 455	—
Loans and advances to banks	19 336	3 830	15 506	—
Investments linked to investment contracts	2 223	2 223	—	—
Debt instruments	2 216	2 216	—	—
Money market assets	7	7	—	—
Total financial instruments	292 140	198 735	93 316	89
Reinsurance contract assets				
Reinsurance contract assets	972	972	—	—
Total reinsurance contract assets	972	972	—	—

58. Risk management (continued)

58.2 Credit risk (continued)

Maximum exposure to credit risk	Group 2022 Gross carrying amount Rm	DG 1 – 9 Rm	DG 10 – 19 Rm	DG 20 – 21 Rm
Financial instruments				
Cash, cash balances and balances with central banks	3 831	3 831	—	—
Money market assets	3 831	3 831	—	—
Investment securities	15 072	14 665	407	—
Other	3 943	3 536	407	—
Treasury bills	11 129	11 129	—	—
Trading and hedging portfolio assets	171 118	129 423	41 519	176
Debt instruments	91 717	72 754	18 792	171
Derivative assets	63 560	46 390	17 165	5
Money market assets	15 841	10 279	5 562	—
Other assets	2	2	—	—
Accounts receivable	2	2	—	—
Loans and advances	115 076	38 744	76 332	—
Loans and advances to customers	73 802	24 941	48 861	—
Loans and advances to banks	41 274	13 803	27 471	—
Investments linked to investment contracts	1 778	1 778	—	—
Debt instruments	1 767	1 767	—	—
Money market assets	11	11	—	—
Total financial instruments	306 877	188 443	118 258	176
Reinsurance contract assets				
Reinsurance contract assets	1 024	615	409	—
Total reinsurance contract assets	1 024	615	409	—

The reinsurance contract assets have been restated due to the implementation of IFRS 17.

58. Risk management (continued)

58.2 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	—	—	24 768	39 914	64 682
Investment securities	8 461	25 131	54 296	142 770	230 658
Trading portfolio assets	2 638	20 289	11 675	116 628	151 230
Hedging portfolio assets	—	—	—	5 441	5 441
Other assets	14	151	7 244	16 248	23 657
Loans and advances	36 313	40 298	240 808	1 003 504	1 320 923
Reinsurance contract assets	—	—	83	889	972
Investments linked to investment securities	—	—	—	2 223	2 223
Subject to credit risk	47 426	85 869	338 874	1 327 617	1 799 786
Off-statement of financial position exposures					
Guarantees	1 803	2 436	19 111	28 967	52 317
Letters of credit	1 046	1 107	16 315	4 347	22 815
Revocable and irrevocable debt facilities	81	808	30 840	240 521	272 250
Subject to credit risk	2 930	4 351	66 266	273 835	347 382

	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	—	—	18 524	34 379	52 903
Investment securities	11 359	25 296	54 895	116 693	208 243
Trading portfolio assets	5 341	23 687	17 002	120 116	166 146
Hedging portfolio assets	—	—	—	4 972	4 972
Other assets	63	50	4 686	17 565	22 364
Loans and advances	30 435	40 475	218 569	968 809	1 258 288
Reinsurance contract assets	—	—	500	524	1 024
Investments linked to investment securities	—	—	—	1 778	1 778
Subject to credit risk	47 198	89 508	314 176	1 264 836	1 715 718
Off-statement of financial position exposures					
Guarantees	1 687	3 055	15 629	35 481	55 852
Letters of credit	999	461	15 733	7 076	24 269
Revocable and irrevocable debt facilities	364	50	24 557	213 922	238 893
Subject to credit risk	3 050	3 566	55 919	256 479	319 014

The revocable and irrevocable debt facilities includes the risk that certain revocable debt facilities may be drawn down, without further intervention from the Group.

The other assets and reinsurance contract assets have been restated due to the implementation of IFRS 17. Refer to note 1.21.

58. Risk management (continued)

58.2 Credit risk (continued)

IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for financial instruments that are credit impaired at the reporting date are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset and off-statement of financial position exposure as described in note 1.2.1.

The 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 **3.8%** (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 repurchase agreement.

58. Risk management (continued)

58.2 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	74 149	—	—	—	—
Derivative assets	56 891	—	—	—	—
Money market assets	25 632	—	—	—	—
Trading portfolio assets	156 672	—	—	—	—
Product Solutions Cluster	490 690	—	34 081	—	—
Home Loans	367 491	—	25 898	—	—
Vehicle and Asset Finance	123 199	—	8 183	—	—
Everyday Banking	127 366	—	—	—	—
Card	90 090	—	—	—	—
Personal loans	27 722	—	—	—	—
Transactional and deposits	9 502	—	—	—	—
Other	52	—	—	—	—
Relationship Banking	172 926	76	5 176	—	—
ARO RBB	91 203	314	2 478	38	150
CIB	635 214	49	917	—	800
CIB SA	526 276	—	352	—	—
CIB ARO	108 938	49	565	—	800
Head Office, Treasury and other operations	594	—	—	—	—
Loans and advances to customers	1 517 993	439	42 652	38	950
Loans and advances to banks	75 182	—	—	—	—
Loans and advances	1 593 175	439	42 652	38	950
Off statement of financial position exposure					
Guarantees	52 317	—	5	—	—
Letters of credit	22 815	—	—	—	—
Total off-statement of financial position exposure	75 132	—	5	—	—

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
—	—	—	—	—	—	74 149	74 149
—	—	7 342	1 013	2 544	39 342	6 650	56 891
—	—	—	—	—	—	25 632	25 632
—	—	7 342	1 013	2 544	39 342	106 431	156 672
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
16 172	16 172	—	—	—	—	111 194	111 194
9 873	9 873	—	—	—	—	80 217	80 217
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
3 545	6 525	2 886	23 341	659	973	56 819	84 678
10 775	12 541	4 560	85 713	277	65 091	467 032	622 673
5 884	6 236	—	74 094	—	60 547	385 399	520 040
4 891	6 305	4 560	11 619	277	4 544	81 633	102 633
—	—	—	—	—	—	594	594
38 396	82 475	8 341	650 983	1 057	66 070	709 067	1 435 518
—	—	—	—	—	16 091	59 091	75 182
38 396	82 475	8 341	650 983	1 057	82 161	768 158	1 510 700
828	833	162	2 909	733	10	47 670	51 484
—	—	54	24	90	14	22 633	22 815
828	833	216	2 933	823	24	70 303	74 299

58. Risk management (continued)

58.2 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	91 718	—	—	—	—
Derivative assets	63 561	—	—	—	—
Money market assets	15 841	—	—	—	—
Trading portfolio assets	171 120	—	—	—	—
Product Solutions Cluster	470 749	—	25 601	—	—
Home Loans	355 768	—	18 965	—	—
Vehicle and Asset Finance	114 981	—	6 636	—	—
Everyday Banking	119 761	—	—	—	—
Card	85 424	—	—	—	—
Personal loans	25 853	—	—	—	—
Transactional and deposits	8 432	—	—	—	—
Other	52	—	—	—	—
Relationship Banking	163 173	87	4 383	2	2
ARO RBB	84 104	227	2 275	48	168
CIB	554 623	35	1 429	—	932
CIB SA	464 042	—	515	—	—
CIB ARO	90 581	35	914	—	932
Head Office, Treasury and other operations	1 122	—	—	—	—
Loans and advances to customers	1 393 532	349	33 688	50	1 102
Loans and advances to banks	103 649	—	—	—	—
Loans and advances	1 497 181	349	33 688	50	1 102
Off statement of financial position exposure					
Guarantees	55 849	2	14	—	—
Letters of credit	24 269	—	—	—	—
Total off-statement of financial position exposure	80 118	2	14	—	—

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					
		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
—	—	—	—	—	—	91 718	91 718
—	—	6 550	—	1 727	48 390	6 894	63 561
—	—	—	—	—	—	15 841	15 841
—	—	6 550	—	1 727	48 390	114 453	171 120
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
13 163	13 163	—	—	—	—	106 598	106 598
8 690	8 690	—	—	—	—	76 734	76 734
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	10 852	155 406
3 480	6 198	3 467	20 713	621	1 292	51 813	77 906
9 834	12 230	5 705	70 409	311	107 957	358 011	542 393
5 361	5 876	—	56 248	—	103 496	298 422	458 166
4 473	6 354	5 705	14 161	311	4 461	59 589	84 227
—	—	—	—	—	778	344	1 122
33 798	68 987	10 614	608 731	1 054	110 033	594 113	1 324 545
—	—	—	—	—	47 552	56 097	103 649
33 798	68 987	10 614	608 731	1 054	157 585	650 210	1 428 194
793	809	450	2 444	755	81	51 310	55 040
107	107	70	48	90	14	23 940	24 162
900	916	520	2 492	845	95	75 250	79 202

58. Risk management (continued)

58.2 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	14 580	11 150

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	6 294	3 960
New modification loss	(1 731)	(891)

There were no financial assets modified during the year for which loss allowance has changed to 12-month measurement.

58. Risk management (continued)

58.3 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 to modelled forecast parameters across the ARO portfolio and adjustments for vulnerable sectors in CIB.

Coverage levels have remained fairly stable despite the reduction in the macro-overlays.

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.

	2023		2022	
	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	13 612	—	14 170	—
Baseline	13 356	(2)	13 841	(2)
Upside	12 458	(8)	12 256	(14)
Downside	15 127	11	16 549	17

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:

	2023 Stage 2		2022 Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 837	879	17 576	1 088
Everyday Banking	3 184	659	2 964	679
Relationship Banking	6 514	386	5 954	319
ARO RBB	3 563	411	3 290	428
CIB SA	14 421	330	13 328	166
CIB ARO	3 543	47	2 695	78

Comparatives for CIB SA have been restated due to data refinements and process enhancements. These adjustments led to the reallocation of exposures between stage 1 and stage 2. Please refer to 58.2 Credit risk for further information.

58. Risk management (continued)

58.4 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 Group (such as investments in subsidiaries), investments for public interest or in utilities. Within each equity portfolio, the Group 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 – Business Banking. Equity and other investments held by insurance entities are addressed in the insurance risk management section of this report.

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 Banks 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.

58. Risk management (continued)

58.4 Equity investment risk (continued)

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									
	2023					2022				
	Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% increase in fair value		Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% increase in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Insurance activities' listed and unlisted equity investments	(151)	—	2 729	151	—	(85)	(98)	3 379	85	98
Listed equity investments	(122)	—	2 434	122	—	(58)	(98)	3 113	58	98
Unlisted equity investments	(29)	—	295	29	—	(27)	—	266	27	—
Group listed and unlisted equity investments, excluding insurance activities' investments	(228)	(77)	3 122	228	77	(225)	(126)	4 217	225	126
Listed equity investments	(4)	(4)	156	4	4	(19)	(51)	1 415	19	51
Unlisted equity investments	(224)	(73)	2 966	224	73	(206)	(75)	2 802	206	75
Total on Group equity investments	(379)	(77)	5 851	379	77	(310)	(224)	7 596	310	224

The sensitivity impact analysis on listed investments is based on 5% whereas unlisted investments is based on 10%.

The above sensitivities were only calculated on shareholder and non-linked policyholder assets (for unit linked policyholder liabilities there is no impact on the sensitivity analysis due to the fact that the asset and liability is 100% matched) and exclude all assets linked to investment and unit linked contracts due to the fact that the asset and liability is 100% matched.

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.

58.5 Market risk

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

58.5.1 Traded book risk

Traded market risk

Traded Market risk is the market risk resulting from trading activities booked in trading books across the Group 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.

58. Risk management (continued)

58.5 Market risk (continued)

58.5.1 Traded book risk (continued)

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 capitalized under the standardized 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 Group.

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.

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 **R72.97m** (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
Expected shortfall	**—**	**—**	**—**	**—**	91.99	309.36	59.77	110.55
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.

58. Risk management (continued)

58.5 Market risk (continued)

58.5.2 Banking book risk

Approach

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

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

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

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 Group'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 Group'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 Group's equity, and is managed by Group Treasury. Interest rate risk also arises in each of the Absa Regional Operations treasuries in the normal course of managing the balance sheet and facilitating customer activity. The risk is managed by the local treasury functions, subject to risk limits and other controls.

Key assumptions

Embedded optionality risk may also give rise to 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 Group 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 Group 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.

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

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 of structural product balances.

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

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.

58. Risk management (continued)

58.5 Market risk (continued)

58.5.2 Banking book risk (continued)

Risk reporting

DVaR and supporting metrics are reported daily for Group 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 Group Treasury.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Group'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 Group'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 re-pricing 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
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	10 122	1 756	2 238	(629)
Net interest rate sensitivity gap	10 122	1 756	2 238	(629)
Cumulative interest rate gap	10 122	11 878	14 116	13 487
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	3.17	3.72	4.42	4.23
Total				
Cumulative interest rate gap	(13 988)	(2 541)	5 349	54 412
Cumulative gap as a percentage of the Group's total assets (%)	(0.7)	(0.1)	0.3	2.9

	Group			
	2022			
Expected re-pricing 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	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	—	(0.5)	2.5
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	2 741	(3 493)	(3 969)	14 462
Net interest rate sensitivity gap	2 741	(3 493)	(3 969)	14 462
Cumulative interest rate gap	2 741	(752)	(4 721)	9 741
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	0.96		(1.65)	3.41
Total				
Cumulative interest rate gap	22 583	(4 011)	(12 554)	47 033
Cumulative gap as a percentage of the Group's total assets (%)	1.3	(0.2)	(0.7)	2.6

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).

58. Risk management (continued)

58.5 Market risk (continued)

58.5.2 Banking book risk (continued)

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 Group's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of **R1.885bn** (2022: R1.527bn). A similar increase would result in an increase in projected 12-month net interest income of **R1.200bn** (2022: R1.098bn). AEaR increased to **2.8%** (2022: 2.5%) of the Group'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
Foreign subsidiaries' bank books (Rm)	(1 425)	(978)	455	910
Total (Rm)	(1 885)	(1 162)	604	1 200
Percentage of the Group's net interest income (%)	(2.8)	(1.7)	0.9	1.8
Percentage of the Group's equity (%)	(1.1)	(0.7)	0.4	0.7

	Group 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
Foreign subsidiaries' bank books (Rm)	(913)	(506)	235	470
Total (Rm)	(1 527)	(802)	553	1 098
Percentage of the Group's net interest income (%)	(2.5)	(1.3)	0.9	1.8
Percentage of the Group's equity (%)	(1.0)	(0.5)	0.4	0.7

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.

58. Risk management (continued)

58.5 Market risk (continued)

58.5.2 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.

58.6 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.

58.6.1 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 banks expected to be implemented in 2025; the Resolution Framework in 2024; the capital standard under the Financial Conglomerate Supervisory Framework in South Africa; and the proposed implementation of the positive cycle-neutral counter cyclical buffer expected to be phased in from 2025.
- Prioritise the issuance of first loss after capital instruments following the promulgation of the Financial Sector Laws Amendment Bill and imminent finalisation of the first loss after capital (Flac) standard.
- Appropriately deploy 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.

58. Risk management (continued)

58.6 Capital and liquidity risk (continued)

58.6.1 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	**12.5**	12.8	**11 – 12.5**	**8.5**	11 – 12.5	8.5
Tier 1	**14.2**	14.4	**>12.0**	**10.3**	>12.0	10.3
Total	**15.8**	16.6	**>14.5**	**12.5**	>14.5	12.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	**166 812**	166 905				
Total RWA	**1 058 640**	1 007 993				

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 Group 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.

58.6.2 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 bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements.
- Continue to lengthen and diversify the funding base while optimising funding costs, to support asset growth, other strategic initiatives and maintain the strong NSFR over the 5-year phase out of the national discretion.
- Collaborate with the regulatory authorities and other stakeholders on 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.

58. Risk management (continued)

58.6 Capital and liquidity risk (continued)

58.6.2 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 banks 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.

58. Risk management (continued)

58.6 Capital and liquidity risk (continued)

58.6.2 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	74 034	3 614	156	51	(40)	77 815
Investment securities	1 512	76 520	93 929	64 556	(19)	236 498
Trading and hedging portfolio assets	190 141	164	700	4 521	—	195 526
Derivative assets	51 506	164	700	4 521	—	56 891
Non-derivative assets	138 635	—	—	—	—	138 635
Other financial assets	9 414	13 666	59	518	(13)	23 644
Loans and advances	193 785	353 343	452 427	321 369	(49 566)	1 271 358
Non-current assets held for sale	—	197	—	—	—	197
Investments linked to investment contracts	—	1	1 139	19 905	—	21 045
Financial assets	468 886	447 505	548 410	410 920	(49 638)	1 826 083
Non-financial assets	—	—	—	—	—	47 128
Insurance related assets (refer to note 58.7)		—				1 665
Total assets						1 874 876
Liabilities						
Trading and hedging portfolio liabilities	62 548	219	893	576	—	64 236
Derivative liabilities	46 701	219	893	576	—	48 389
Non-derivative liabilities	15 847	—	—	—	—	15 847
Other financial liabilities	18 419	13 115	58	2 157	—	33 749
Deposits	763 637	451 104	114 482	10 313	—	1 339 536
Debt securities in issue	468	91 667	105 475	13 518	—	211 128
Liabilities under investment contracts	645	1	1 206	19 395	—	21 247
Borrowed funds	861	6 973	10 264	404	—	18 502
Financial liabilities	846 578	563 079	232 378	46 363	—	1 688 398
Non-financial liabilities						15 403
Insurance related liabilities (refer to 58.7)						6 678
Total liabilities						1 710 479
Equity						164 397
Total equity and liabilities						1 874 876
Net liquidity position of financial instruments	(377 692)	(115 574)	316 032	364 557	(49 638)	137 685

Liabilities do not include the maturity analysis of finance lease payables, which is detailed in note 40.

Insurance related assets and liabilities are not included in the above the maturity analysis. This is detailed in note 58.7. Liabilities for remaining coverage measured under the PAA have been excluded from the analysis.

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 17).

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 17), investment property, property and equipment and deferred tax.

58. Risk management (continued)

58.6 Capital and liquidity risk (continued)

58.6.2 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities (continued)

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
	Group 2022					
Assets						
Cash, cash balances and balances with central banks	64 147	1 683	625	—	(26)	66 429
Investment securities	21 710	77 094	79 057	37 978	(202)	215 637
Trading and hedging portfolio assets	205 841	193	313	4 467	—	210 814
Derivative assets	58 588	193	313	4 467	—	63 561
Non-derivative assets	147 253	—	—	—	—	147 253
Other financial assets	8 134	12 538	—	1	(13)	20 660
Loans and advances	193 851	326 859	425 904	311 674	(44 889)	1 213 399
Non-current assets held for sale	—	86	—	—	—	86
Investments linked to investment contracts	4	5	758	18 521	—	19 288
Financial assets	493 687	418 458	506 657	372 641	(45 130)	1 746 313
Non-financial assets	—		—	—	—	44 150
Insurance related assets (refer to note 58.7)						1 638
Total assets						1 792 101
Liabilities						
Trading and hedging portfolio liabilities	94 913	599	1 364	271	—	97 147
Derivative liabilities	56 594	599	1 364	271	—	58 828
Non-derivative liabilities	38 319	—	—	—	—	38 319
Other financial liabilities	16 707	9 197	300	—	—	26 204
Deposits	708 244	454 818	69 315	9 541	—	1 241 918
Debt securities in issue	2 074	117 783	74 054	11 608	—	205 519
Liabilities under investment contracts	558	5	784	18 652	—	19 999
Borrowed funds	253	17 738	8 172	257	—	26 420
Financial liabilities	822 749	600 140	153 989	40 329	—	1 617 207
Non-financial liabilities						15 112
Insurance related liabilities (Refer to 58.7)						6 646
Total liabilities						1 638 965
Equity						153 136
Total equity and liabilities						1 792 101
Net liquidity position of financial instruments	(329 062)	(181 682)	352 668	332 312	(45 130)	129 106

Liabilities do not include the maturity analysis of finance lease payables, which is detailed in note 40.

Insurance related assets and liabilities are not included in the above the maturity analysis. This is detailed in note 58.7. Liabilities for remaining coverage measured under the PAA have been excluded from the analysis.

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 17).

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 17), investment property, property and equipment and deferred tax.

Other financial assets and other financial liabilities have been restated due to the implementation of IFRS 17 and due to the methodology used internally in the settlement calculations to align with the JSE's Strate system. Refer to material accounting policy 1.21.

Non-derivative assets and liabilities have been restated due to due to the methodology used internally in the settlement calculations to align with the JSE's Strate system. Refer to material accounting policy 1.21.

Cash, cash balances and balances with central banks have been restated due to Mobile Money. Refer to note 1.21.1 Correction of prior period errors.

58. Risk management (continued)

58.6 Capital and liquidity risk (continued)

58.6.2 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities (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	62 548	230	1 078	1 320	(940)	64 236
Derivative liabilities	46 701	230	1 078	1 320	(940)	48 389
Non-derivative liabilities	15 847	—	—	—	—	15 847
Other financial liabilities	18 478	13 139	67	3 322	(1 257)	33 749
Deposits	765 935	459 531	135 173	23 814	(44 917)	1 339 536
Debt securities in issue	468	94 791	131 377	24 480	(39 988)	211 128
Liabilities under investment contracts	645	1	1 568	47 822	(28 789)	21 247
Borrowed funds	861	7 316	15 804	1 002	(6 481)	18 502
Financial liabilities	848 935	575 008	285 067	101 760	(122 372)	1 688 398
Non-financial liabilities						15 403
Insurance related liabilities (Refer to 58.7)						6 678
Total liabilities						1 710 479
Off-statement of financial position						
Financial guarantee contracts	52 317	—	—	—	—	52 317
Loan commitments	112 310	24 577	—	—	—	136 887
Letters of credit	22 815	—	—	—	—	22 815

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	94 914	622	1 723	572	(684)	97 147
Derivative liabilities	56 595	622	1 723	572	(684)	58 828
Non-derivative liabilities	38 319	—	—	—	—	38 319
Other financial liabilities	16 702	11 820	353	—	(2 671)	26 204
Deposits	708 263	461 186	87 763	21 634	(36 928)	1 241 918
Debt securities in issue	2 074	121 523	92 127	22 039	(32 244)	205 519
Liabilities under investment contracts	558	6	1 105	45 098	(26 768)	19 999
Borrowed funds	253	19 142	6 966	613	(554)	26 420
Financial liabilities	822 764	614 299	190 037	89 956	(99 849)	1 617 207
Non-financial liabilities						15 112
Insurance related liabilities (Refer to 58.7)						6 646
Total liabilities						1 638 965
Off-statement of financial position						
Financial guarantee contracts	55 851	—	—	—	—	55 851
Loan commitments	98 627	21 598	—	—	—	120 225
Letters of credit	24 269	—	—	—	—	24 269

Other financial assets and other financial liabilities have been restated due to the implementation of IFRS 17. Refer to material accounting policy 1.21.

In 2022, the Group inadvertently disclosed the incorrect Non-derivative liabilities amount. This has led to a restatement from RR38 304m to R38 319m for Non-derivative liabilities.

58. Risk management (continued)

58.7 Insurance risk management

Definition

In the context of the Group's insurance risk management, insurance risk is the risk that future claims, expenses, policyholder behaviour and investment returns will be adversely different from allowances made in measuring policyholder liabilities (both insurance contracts and investment contracts) and in product pricing. Insurance risk arises due to:

- Adverse policyholder demographic experience or management expense deviations allocated to policyholders resulting in financial losses;
- The exposure to movements in the value of an investment portfolio (including concentration and investment-related credit risks) and the risk that the assets and liabilities are mismatched; or
- Insufficient or inappropriate financial resources, which may impact the ability to effectively conduct business activities in normal and stressed operating conditions.

Objectives

The Group's insurance risk management objectives are to:

- Pursue profitable growth opportunities within the financial volatility and solvency risk appetite approved by the Board;
- Balance exposure between, and within, life and non-life insurance to allow for better diversification; and optimal risk-adjusted returns; and
- Leverage off the Absa presence and infrastructure across Africa.

Governance

Insurance entities are standalone legal entities within the Absa Group, and each has its own board. All Absa insurance legal entities fall within Absa Financial Services Ltd (AFS), which is a regulated insurance group. As such, AFS has its own board, committee structures, and governance requirements. The regulated insurance group AFS and insurance entities form part of the Product Solutions Cluster (PSC) and have representation in PSC committees. These entities are subject to the requirements of the Insurance Principal Risk Management Framework (IPRMF).

The following AFS committees oversee all elements of the IPRMF as well as all other risks within insurance entities:

	Committee	Main objectives
Board committees	AFS and entity boards	Set the standard for risk culture within AFS. Approve risk appetite, dividends and strategy. Responsible to ensure that the AFS Group and legal entities have in place effective systems for risk management and monitoring of risk strategy delivery and business performance. Further, the boards are responsible for ensuring that the entities comply with all applicable regulatory requirements.
	AFS Audit, Risk and Compliance Committee (ARCC)	Committee of the AFS Board. Oversight on behalf of the AFS and entity boards. Oversees internal controls, risk, compliance, internal and external audit matters as well as capital and liquidity management. Recommends dividends to the boards, having regard to the impact on capital adequacy after allowing for stresses and the impact of the actual dividend being declared. May refer duties, or seek input from the GAC, where applicable.
	AFS Group Actuarial Committee (GAC)	Committee of the AFS Board. Provides support and assists the ARCC, AFS and entity boards with actuarial and related financial risk matters, capital and liquidity management, without detracting from, or assuming the responsibilities of the ARCC. Also enables the Head of Actuarial Function and Statutory Actuaries to fulfil their professional and statutory duties.
	AFS Sustainability, Social and Ethics Committee (SSEC)	The purpose of the Committee is to specifically monitor the Insurance Group's activities, having regard to any relevant legislation, or prevailing codes of best practice on matters relating to social and economic development; good and responsible corporate citizenship; the environment; health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation. Monitor implementation of policies that protect the interests of policyholders and other stakeholders.
Management committees	AFS Insurance Risk Committee (IRC)	A management committee that is responsible for insurance risk oversight and monitoring across the Absa Group, with a particular emphasis on AFS, the regulated insurance group, and associated licensed insurance entities. Agree risk appetite limits for insurance risk and insurance model risk, and monitor adherence thereto. Oversee the relevant Own Risk and Solvency Assessment processes, and capital management. Refresh of relevant Insurance Principal Risk Management Frameworks, and supporting policies.
	Executive Risk Committee (ERC)	Responsible for the oversight of all risks applicable to the business unit. Reviews and monitors the control environment as well as the risk culture of the business unit, monitors the risk profile against the approved appetite, as well as assurance activities.
	Life Insurance Financial and Actuarial Management Committee/Non-Life Financial Risk Committee	These Committees support the management of the relevant business units and Boards of Directors in discharging their responsibility regarding the governing of financial risk, and advise on the management and oversight of financial risk and capital management as a function of the ERC.
	Insurance Governance Control Forum (IGCF)	The role of the IGCF is to provide independent oversight and challenge of the insurance risk control environment of all the insurance business units within AFS.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Governance (continued)

The AFS Board, AFS ARCC and Solo entity Boards are responsible for the review and approval of the IPRMF.

In addition, Insurance Risk is overseen by the Absa Group committee structures and governance. The following Absa Group Board committees oversee all or some elements of the risk within insurance entities and the IPRMF:

- RemCo (Board) and Remuneration Review Panel (Executive Management) – oversight of certain people related risks.
- Information Technology Committee (Board) – oversight over technology risk, including security related risks.

IPRMF and supporting policies

The IPRMF sets out the approach for managing financial risks within the Group's insurance legal entities. The Framework is in support of the AFS Enterprise Risk Management Framework (ERMF) and is supported by policies and standards which provide more detail on what is required from business areas and employees in order to effectively manage insurance risk. AFS's insurance entities are required to comply with the IPRMF and the eight supporting insurance risk policies:

- Insurance Asset Liability Management Policy;
- Insurance Capital and Liquidity Risk Policy;
- Insurance Credit and Concentration Risk Policy;
- Insurance Investment Management Policy;
- Reinsurance and Risk Transfer Policy;
- Insurance Reserving Policy;
- Insurance Own Risk and Solvency Assessment (ORSA) Policy; and
- Insurance Underwriting Policy.

Other policies required by the Governance and Operational Standard for Insurers (GOI) 3 are in place, as well as any other applicable policies.

Insurance risk subtypes

The types of insurance risk that can occur are broad and varied. As defined in the AFS ERMF, insurance risk can be broken down into three primary risk groupings. These are then further segmented into insurance risk types, which are aligned with the insurance Prudential Standard requirements. The risk primary groupings and sub-types below reflect this broad spectrum of financial risk types inherent to insurance entities. These are reviewed at least annually.

Primary Risk Grouping	Insurance Sub-Risks
Insurance exposure	Adverse policyholder demographic experience or management expense deviations allocated to policyholders result in financial losses, which can occur as follows: Underwriting risk: Aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio. Reserving risk: Current reserves are insufficient to cover current and future claims and the expenses associated with the management of the portfolio. Reinsurance risk: The inability to obtain and contractually agree reinsurance arrangements that provide suitable cover. Arrangements are considered suitable where they ensure that an insurance entity's risk profile remains within appetite, whilst providing a desired risk adjusted return on capital and not resulting in undue secondary risks.
Investment portfolio	The exposure to movements in the value of an investment portfolio (including concentration and investment related credit risks) and the risk that assets and liabilities are mismatched: Asset-liability mismatch risk: An asset-liability mismatch arises when the assets backing insurance products do not grow as expected, or their proceeds do not materialise timeously to match expected insurance policy outflows during and at the end of the policy term. Investment management risk: The risk of adverse investment experience impacting the ability of the entity to provide for policy obligations and capital adequacy requirements, as well as the ability to provide shareholders with an acceptable return on assets retained in the business.
Financial Soundness	Insufficient or inappropriate financial resources, which may impact the ability to effectively conduct business activities in normal and stressed operating conditions. This is considered in terms of: Capital risk: An insurance entity has an insufficient level, or inadequate composition, of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments and stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). Liquidity risk: An insurance entity, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost. Concentration risk: Insufficient diversification of counterparties, i.e., due to concentrations in asset classes, sectors, geographies, counterparties and maturities. Primarily driven by counterparty exposure on reinsurance contracts and investments, but can also arise due to on- and off-balance sheet counterparties (including policyholders with significant exposure and geographically concentrated exposures). Counterparty default risk: A counterparty to an agreement will be unable or unwilling to fulfil its obligations. Primarily driven by counterparty exposure on reinsurance contracts and investments, but can also arise due to on- and off-balance sheet counterparties.

Non-financial risks that regulated insurance entities are exposed to are covered by associated principal risk frameworks, as defined in the AFS ERMF.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Insurance risk management methodology

The IPRMF applies the three-step process evaluate-respond-monitor to insurance risk, comprising of the following elements:

Risk management step	Element	Description and purpose of element
Evaluate	Risk identification	An insurance entity must identify all insurance risks to which its operations are exposed utilizing a robust risk identification process that uses a combination of internal and external data sources.
	Risk measurement	An insurance entity must quantify all insurance liabilities and assets as required for local regulatory and financial reporting purposes. An insurance entity must quantify the capital adequacy requirements defined for local regulatory, insurance group regulatory (as required) and internal solvency purposes.
	Critical process assessment	Critical Process Assessment (CPA) is an integrated process-based risk and control self-assessment tool adopted by the Group. This integrated assessment covers processes end-to-end and specific process enablers such as systems, human resources and external dependencies are also included. Critical processes that underpin insurance risk have been identified and are subjected to the CPA process at least annually.
	Stress and scenario testing	Stress and scenario testing is used to assess plausible risks on a mild, adverse and extreme or stressed bases, to understand the potential impacts on the business, its performance and capital cover results, and the suitability of mitigating actions. This method is also used as part of the capital and liquidity assessment and risk appetite setting process.
	Emerging risk assessment	This is part of the Evaluate stage and is covered by the Operational and Resilience Risk Management Framework for all risks within the AFS ERMF.
	ORSA	Where required by local regulation, the insurance risk management process supports the ORSA – the internal process undertaken by an insurance entity to assess the adequacy of its risk management and its current and prospective solvency positions.
	Assurance	Assurance is performed for all material risks and key controls; it is performed across the three lines of defence and includes control testing and conformance review. It is designed to provide comfort that material risks and key controls are being effectively managed. Assurance requirements for insurance risk operate consistently with other risks in the AFS ERMF.
Respond	Insurance risk appetite	Risk limits and tolerance thresholds are set for insurance risk so that Absa's insurance entities take risk decisions which are within Board-approved risk appetite (as expressed in quantitative and qualitative terms). Each business area also operates within defined insurance risk limits, with an understanding of the risks it will take and the risks it will avoid. Insurance risk appetite is considered from three perspectives: • **Economic capital coverage:** Defined as the degree of capital headroom required in excess of regulatory minimum requirements in order to satisfy financial solvency expectations of stakeholders (policyholders, regulators, shareholders, management). • **Financial volatility**: The level of potential deviation from expected performance that the Group is prepared to sustain at an appropriate near-term return period. • **Mandates, limits and preferences:** A risk management approach that seeks to formally review and control business activities to ensure that they are within Absa's mandate, manage concentration risk in the business and are of an appropriate scale and mix to achieve a targeted risk-adjusted return. Further entity specific key metrics and influencers of risk, with associated limits, should be contained in each entity's risk appetite statements.
	Authorisation/ delegation of insurance risk activity	Insurance entities which are permitted to conduct insurance business have to meet all the regulatory and Group requirements in order to maintain this permission. This includes a clear set of criteria for the identification of insurance lines of business and product types which each insurance entity is permitted to write.
	Policies for managing insurance risk	Insurance risk policies describe key components of the insurance risk life cycle and define clear control principles and requirements which can then be expanded on in the form of standards (as required) to articulate the specific controls required by local practice, regulation or business.
Monitor	Metrics monitoring	Key Performance Indicators (KPI) and Key Risk Indicators (KRI) are established during the annual Medium Term Plan (MTP) and risk appetite setting process. The levels of these metrics are monitored on at least a quarterly basis to compare the actual risk and performance profiles against their associated planned thresholds and limits.
	Report	The Insurance Risk Profile, together with supporting rationale and responses, are reported to the various committees.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Life insurance risks

Life insurance underwriting activities are undertaken by Absa Life Limited, Absa Life Botswana Limited (ALB), Absa Life Zambia Limited (ALZ), Absa Life Assurance Kenya Limited (ALAK), and Global Alliance Seguros Mozambique (GAM).

The table that follows summarises the main risk exposures per life insurance product line.

Product line	Description of product	Absa Life	ALB	ALZ	ALAK	GAM (Life)	Main risk exposures
Underwritten life	Provides cover for some or all of death, disability and critical illness. Cover and associated premiums are based on an assessment of each customer's risk profile.	✓	✓	×	×	×	Mortality, morbidity, lapse
Limited underwritten life	Provides cover for some or all of death, disability and critical illness. Underwriting can be a limited number of questions, the application of waiting periods, pre-existing condition exclusions, the phasing in of sums insured, or some combination thereof.	✓	✓	✓	✓	✓	Mortality, morbidity, lapse
Funeral	Provides cover for death and the costs associated with having a funeral. Underwriting is limited to the application of waiting periods which are governed by regulation in some markets.	✓	✓	✓	✓	✓	Mortality, lapse
Credit life	Provides for the payment of the obligations due under a credit agreement due to some or all of death, disability, critical illness and loss of income of the borrower. Demographic shifts might introduce additional insurance risk as premiums generally do not differ by gender, age or smoker status	✓	✓	✓	✓	✓	Mortality, morbidity retrenchment, lapse
Embedded	Provides cover to Bank/partner customers for some or all of death, disability and retrenchment. Typically, the policyholder and premium payer is the Bank/partner and the ultimate beneficiary is the customer. Demographic shifts might introduce additional insurance risk as premiums generally do not differ by gender, age or smoker status	✓	✓	✓	✓	✓	Mortality, morbidity retrenchment, lapse
Group life	Provides cover for the employees or members of a group under a single insurance contract where the policyholder is typically an employer or an entity such as a labour organisation.	✓	✓	✓	✓	✓	Mortality, morbidity, longevity, concentration
Investments	Endowment and/or living annuity products where benefits are linked to investment returns.	✓	✓	×	✓	×	Lapse, other financial risks taken by the policyholder include investment, longevity and tax
Morbidity only	Provides cover for critical illness and defined benefits upon admission to a hospital	✓	×	✓	✓	✓	Morbidity, lapse

Underwriting risk

The underwriting process involves underwriting risks on an individual basis in order to apply terms commensurate with the risk. The process is automated for lower risk cases, but experienced underwriters manually assess cases that present increased risk whilst following established underwriting guidelines. The outcome of the underwriting process can be to accept cases at standard terms, accept with increased premiums, accept with specific conditions or events excluded, to decline or to defer the application.

The product development process is managed under the Market Conduct Risk Policy and Product Risk Standard. The design of new or amendments to existing products are informed through various types of research, including customer, competitor and market research, with further engagement and collaboration with functional and risk subject matter experts. Prototypes are developed in some instances to test the usability of the solution with customers and to inform further design changes. The proposed design is then presented as new, major or minor amendments at the Product Risk Committee, for approval in principle. A subsequent risk assessment process is followed whereby the relevant risk and functional areas review the product proposal and provide their approval and/or in some instances raise pre- or post-launch conditions. All new products and product amendments will be presented at the Product Risk Committee for final sanction (new products and major amendments) or noting (minor amendments). The ongoing relevance and appropriateness of the products are formally considered at least every one to three years (depending on the risk rating of the product) whilst various forums and committees manage the products and product performance on a regular basis.

Pricing (including re-pricing) is conducted under the requirements of the Insurance Underwriting Policy and Insurance Model Risk Standard. Various reviews and approvals are required before implementing and operationalising new premiums, including independent review by the Head of the Actuarial Function. Reviews are conducted to ensure the premiums remain appropriate and result in new business profit margin and claim ratios which are in line with hurdle rates as approved by the Life Insurance Financial and Actuarial Management Committee. The hurdle rates aim to balance the interests of shareholders and policyholders whilst having regard to the risk associated by product line.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Life insurance risks (continued)

Underwriting risk (continued)

The experience related to all risks underwritten are reviewed regularly to determine whether underwriting guidelines and rules need to be adjusted and/or risk parameters extended. The business relies on annual experience investigations, ongoing studies and analysis of surplus investigations to set pricing and valuation parameters. The non-economic pricing and reserving assumptions (e.g. mortality, morbidity, persistency and expense assumptions) are reviewed to determine changes in trends that are likely to continue in the future.

Effective claims management processes ensure that all valid claims are honoured in line with policy documentation and appropriate allowances made in setting premiums or valuing liabilities. Proactive fraud detection capabilities continue to be developed and improved to minimise fraudulent claim pay-outs.

Reinsurance and reinsurer credit risk

Reinsurance is used in respect of large individual risks and in respect of risks where the life insurance entity needs to build knowledge and experience as well as obtain technical assistance from the reinsurers. Catastrophe reinsurance is used as a protection against a large number of simultaneous losses.

Reinsurer credit risk is managed by transacting solely within mandated levels as defined in the counterparty credit risk mandates. Mandates prescribe the maximum exposure to the relevant credit rating buckets per entity, give consideration to country-specific mandatory cession requirements, and are governed and approved by the Insurance Risk Committee. The counterparty exposure is monitored against these mandates to take corrective actions should the creditworthiness of a counterparty deteriorate or if the relative nature of the exposure changes materially.

Standard and Poor's rating[1]	Description	2023 Number of reinsurers	2023 Total premiums ceded Rm	2022 Number of reinsurers	2022 Total premiums ceded Rm
AA- and above	Very strong	6	469	7	426
A-	Strong	1	122	1	113
BBB+	Good	6	60	5	66
Unrated	N/A	2	66	3	60
Total		**15**	**717**	16	665

[1] Long Term Financial Strength International Scale Local Currency Ratings.

The individual ratings of the various reinsurers, knowledge of disputes and collection experience are used to determine the non-performance risk associated with the recognised reinsurance assets. For more detail on non-performance risk, refer to note 1.21.

Reserving risk

Reserving risk arises from weaknesses in the actuarial processes of quantifying reserves, for example inappropriate assumptions, methodology, data, or approximations.

Assumption risk

Assumption risk is the risk that the assumptions used in the most recent valuation are not appropriate. Best estimate assumptions are derived from annual investigations into the demographic experience of the business and economic assumptions are based on observable, actual, consistent economic indicators. Judgement is applied by the first line actuarial team in instances where it is deemed that past experience may not be a fair reflection of future experience. The Head of the Actuarial Function will assess the reasonability of such judgement.

Sensitivity analysis of mortality, morbidity, lapse, and expense assumptions are included in the Sensitivity analysis on assumptions section in note 58.7: 'Insurance risk management'.

Mortality risk

The life business is exposed to mortality risk if an inappropriate allowance has been made for mortality in the pricing and valuation bases. The premiums may then be insufficient to meet claims as they fall due.

Pandemic risk

The life insurance business is exposed to Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) risk if an insufficient allowance has been made in the pricing and valuation bases. To manage risk for the business that is medically underwritten, HIV tests are performed as part of the normal underwriting process.

A mortality uncertainty loading was included in the long-term mortality assumptions for Absa Life, ALB, ALZ, ALAK and GAM (Life) to allow for higher rates of future mortality due to direct and indirect impacts of COVID-19, as well as to include an allowance for future pandemics. This loading is still in place as at 31 December 2023.

Lapse risk

Lapse risk is the risk of not recouping expenses such as commission and/or underwriting costs generally incurred at the inception of the policy or not generating the anticipated profit margins, because of adverse lapse experience. In such instances, a loss is incurred if the policy lapses before the costs have been recouped. This risk is managed by entering clawback arrangements with financial advisers, whereby at least a portion of the commission is recouped. Annual investigations of lapse experience are performed to ensure pricing and valuation assumptions are appropriate, relevant and in line with experience. Further allowance is made for adverse deterioration through a judgemental loading in challenging economic environments.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Life insurance risks (continued)

Expense risk

Expense risk refers to the risk of variations in the expenses incurred relative to those allowed for in pricing and reserving bases in servicing insurance obligations, including the risk from the growth in expenses over and above that of inflation. An allowance for future maintenance expenses, inflated at the assumed expense inflation rate, is included in liability calculations based on the current level of maintenance expenses per policy. The risk of understating and pricing insufficiently for this risk is managed by:

- Conducting annual expense investigations based on the most recent operating expenditure incurred;
- Monitoring costs monthly to ensure they remain within anticipated levels and identifying trends at an early stage; and
- Basing the assumed future inflation rate on observable economic indicators and experience.

Where actual business volumes are lower than those that inform expenses assumptions in pricing and reserving exercises, further expense risk may be introduced.

Retrenchment risk

The life business is exposed to retrenchment risk if an inappropriate allowance has been made for retrenchment inception rates in the pricing and valuation bases.

Concentration risk

The risk of several claims arising simultaneously ('concentration risk') on individual lives is small, while the retained exposure per life is relatively low. The table below shows the value of benefits insured by benefit band before and after reinsurance for individual insurance business.

	2023					2022				
		Total benefits assured					Total benefits assured			
Benefit band per life assured (000)	**Number of policies**	**Gross of reinsurance Rm**	**%**	**Net of reinsurance Rm**	**%**	Number of policies	Gross of reinsurance Rm	%	Net of reinsurance Rm	%
0 – 250[2]	4 809 885	136 371	37	124 739	54	5 336 172	160 153	43	148 518	60
250 – 500	112 411	37 105	10	30 178	13	84 388	28 527	8	23 809	10
500+	186 131	196 349	53	74 241	33	179 288	184 262	49	74 179	31
	5 108 427	369 825	100	229 158	100	5 599 848	372 942	100	246 506	100

[2] Active book volumes reduced by 526,287 (9%) policies YoY, driven mainly by the cancellation of all Absa Life Expense Protector policies in 2023.

In the case of the Group Life business, geographic concentration of risk exists. The largest concentration risk is in Johannesburg introduced by the Absa Life Staff Group Life Scheme. In addition to comprehensive quota share reinsurance, the Company has catastrophe reinsurance in place across its Group Life portfolio to provide protection against an accumulation of losses in respect of risk retained.

Asset-liability mismatch risk

Mismatch risk refers to cashflow matching as well as assets backing liabilities in the balance sheet moving differently from each other.

Mismatch risk is managed through setting asset allocations which appropriately match assets to underlying liabilities.

Using asset-liability modelling, appropriate investment strategies for the assets backing policyholder liabilities are determined to mitigate mismatch risk as far as possible. These investment strategies are reviewed annually, and the asset manager mandates amended accordingly. Quarterly meetings are held with asset managers to monitor adherence to the mandated asset durations and targeted levels.

Longevity risk

Longevity risk arises from claims on Group Life products such as pensions and disability income benefit where there is a guarantee to make payments in the event of the survival and/or continued disability, sickness, or injury of the policyholder. It is the risk of loss or adverse change in the value of insurance obligations resulting from a decrease in mortality rates. The management of longevity risk includes the monitoring of experience and annual experience investigations; pricing philosophy; and reinsurance. The risk management process is similar to the process covered under underwriting risk.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Non-life insurance risks

Non-life insurance underwriting activities are undertaken by Absa Insurance Company Limited (AIC), Absa Insurance Risk Management Services Limited (AIRMS), Global Alliance Seguros (Mozambique) (GAM) and First Assurance Kenya (FAK).

The table that follows summarises the main risk exposures per non-life insurance product line and entity.

Product line	Description of product	AIC	AIRMS	GAM (Non-life))	FAK	Main risk exposures
Personal lines	Protects families or individuals against financial losses. This includes motor and home cover as well as personal liability cover.	✓	×	✓	✓	Underwriting[3]; Concentration; Reinsurer default[3]
Commercial lines	A subset of property and liability type insurance that covers businesses, rather than property belonging to an individual.	✓	✓	✓	✓	Underwriting[3]; Concentration; Reinsurer default[3]
Specialist lines	Two types of products: unusual or non-traditional insurance and higher risk accounts.	×	✓	✓	✓	Underwriting; Investment; Reinsurer default

[3] The anticipated impact of climate change and extreme weather events is broad and influences various risks in the insurance risk taxonomy, including those listed as main risk exposures.

Underwriting risk

Management monitors loss ratios on a regular basis and identifies areas of the business where claims experience is not in line with expectations; where this is found corrective action is taken. The non-life business adopts an agile pricing methodology, enabling quick pricing and product changes to occur as and when the need arises. In addition, reviews of policy conditions are carried out, when necessary, to determine if any changes are needed. Volumes of business and strike rates are monitored for increases in volumes out of line with expectations, this occurs across the portfolio as well as for any specific initiatives. Actions are then derived from this monitoring. There are extensive measures in place to control claims, which include assessing claims, checking total potential claims against the sum insured and procurement management on service providers required for repair of damaged insured items. Artificial intelligence aids the business in improving processes (improving cost to serve and reduced turnaround times) and minimising fraudulent behaviour.

Non-life insurance underwriting risk is managed in line with the Insurance Underwriting policy by means of underwriting authority mandates and with oversight by an Underwriting Review Forum, as and when required. A subset of the Underwriting Review Forum is the Pricing Forum, which has representation from Risk, Business, Analytics and Actuarial. This forum ensures that all pricing model monitoring occurs timeously and rigorously, and the actions that follow are commensurate with the risk. This forum monitors lapses, cancellations, new business rates, strike rates, renewal rates, marketing spend on sales initiatives, fraud prevention, lead generation and quality as well as the risk profile of the business (as measured by expected claim frequency and expected claim severity).

Reinsurance and reinsurance credit risk

The impact of large individual non-life insurance claims is limited through the purchase of reinsurance that reduces the exposure to large claims. The South African entities have a comprehensive reinsurance programme in place, which includes the following key elements:

- Automatic surplus reinsurance cover which provides protection against significant property related claims. By covering against excessive losses, surplus treaty reinsurance provides security to the company's equity and solvency coverage when unusual or major events occur.
- Further large loss cover is purchased in the form of risk excess-of-loss cover to protect our net retention.
- Facultative reinsurance cover is bought when a risk exceeds the set underwriting limits.
- Catastrophe Cover is bought to protect the net retention (after surplus reinsurance) following a catastrophe event. The treaty covers various perils (including Hail and Earthquake), protection is bought in line with the output from catastrophe models that analyse risks at a location level. The Catastrophe Cover purchased covers losses of up to **R4.1bn** (2022: R3.7bn); the cover has been increased year-on- year to reflect business growth and manage the solvency position of the company.

The ARO entities also have comprehensive reinsurance programmes in place. The programmes consist of proportional and non- proportional covers to protect against income statement volatility as well as balance sheet protection.

Reinsurance risk is managed through oversight from the Reinsurance Forum which includes representation from business and relevant subject matter experts. All structural changes to the reinsurance programme (e.g. change in treaty type, attachment points or cover limits) are formally approved by the Reinsurance Forum, Executive Committee as well as the Non-Life Financial Risk Committee.

The credit risk in respect of reinsurance partners is managed by ensuring the entities only transact with reinsurers with good credit ratings and within limits that are approved on an annual basis. The creditworthiness of reinsurers is regularly monitored. To qualify as a reinsurance partner, reinsurers must be assigned a minimum 'A-' rating (international scale, long-term) by the Standard & Poor's (or equivalent) rating agency. An agreement with a reinsurer with a lower credit rating can qualify provided sufficient reasoning and approval has been obtained from the Insurance Risk Committee. Consideration is also given to approved versus non-approved regulatory status of reinsurers in relevant territories.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Non-life insurance risks (continued)

Reinsurance and reinsurance credit risk (continued)

Standard & Poor's rating[4]	Description	2023 Number of reinsurers	2023 Total premiums ceded Rm	2022 Number of reinsurers	2022 Total premiums ceded Rm
AA- and above	Very strong	10	103	6	77
A-	Strong	16	74	20	99
BBB+	Good	2	16	2	14
Unrated	N/A	—	—	—	—
Total		28	193	28	190

[4] Long Term Financial Strength International Scale Local Currency Ratings.

Reserving risk

Reserving risk refers to the risk of fluctuations in the timing and amount of claim settlements which may result in the estimates of insurance contract liabilities being insufficient.

The liability for incurred claims (LIC) includes outstanding claims reserves (OCR), held for claims which have been notified but which have not been fully settled and Incurred But Not Reported (IBNR) claim provision. The best estimate cash flows of the future claim payments, salvages and recoveries receivable and claims handling expenses are projected. Historical claims triangulation, using well-known reserving techniques such as basic chain ladder and the Bornhuetter-Ferguson Method, is applied to calculate the expected claims liabilities.

The best estimate liabilities are then discounted back to the reporting date to reflect the time value of money. A risk adjustment for non-financial risk is added to reflect the compensation required for bearing the uncertainty about the amount and timing of the claim's liability cash flows. The risk adjustment for non-life insurance entities is calculated using the confidence interval approach, targeting the 75th percentile. Refer to note 20: Insurance and reinsurance contracts.

The impact of climate change and the associated increase in extreme weather events results in greater uncertainty in the estimation of insurance contract liabilities. The most material impact of weather-related claims throughout the year was observed for AIC, amounting to claims of R279m paid in 2023.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Non-life insurance risks (continued)

Non-Life claims development

The table below illustrates how estimates of cumulative claims for non-life entities have developed over time on a gross and net of reinsurance basis.

Each table shows how the estimates of total claims for each event year have developed over time and reconciles the cumulative claims to the amount included in the Non-life PAA reconciliations, in note 20: 'insurance and reinsurance contracts'.

	2018 Rm	2019 Rm	2020 Rm	2021 Rm	2022 Rm	2023 Rm	Total Rm
Gross of reinsurance							
Estimates of undiscounted gross cumulative claims							
At end of accident year	2 500	2 919	2 652	2 802	3 313	**3 487**	
One year later	2 009	2 117	2 081	2 185	2 669	**—**	
Two years later	1 985	2 113	2 077	2 218	—	**—**	
Three years later	1 998	2 125	2 087	—	—	**—**	
Four years later	1 995	2 122	—	—	—	**—**	
Five years later	1 995	—	—	—	—	**—**	
Cumulative gross claims paid	(1 989)	(2 111)	(2 066)	(2 182)	(2 581)	**(2 643)**	
Gross liabilities – accident years from 2018 to 2023	6	11	21	35	88	**844**	**1 005**
Gross liabilities – accident years before 2018							**44**
Effect of discounting							**(75)**
Effect of risk adjustment for non-financial risk							**47**
Gross liabilities for incurred claims included in the statement of financial position							**1 021**
Net of reinsurance							
Estimates of undiscounted net cumulative claims							
At end of accident year	2 044	2 243	2 133	2 359	2 696	**3 042**	
One year later	1 652	1 832	1 723	1 905	2 157	**—**	
Two years later	1 650	1 837	1 730	1 913	—	**—**	
Three years later	1 662	1 852	1 745	—	—	**—**	
Four years later	1 661	1 851	—	—	—	**—**	
Five years later	1 663	—	—	—	—	**—**	
Cumulative net claims paid	(1 660)	(1 845)	(1 733)	(1 890)	(2 103)	**(2 335)**	
Net liabilities - accident years from 2018 to 2023	3	6	13	23	55	**707**	**807**
Net liabilities – accident years before 2018							**15**
Effect of discounting							**(46)**
Effect of risk adjustment for non-financial risk							**47**
Net liabilities for incurred claims included in the statement of financial position							**824**

58. Risk management (continued)

58.7 Insurance risk management (continued)

Non-life insurance risks (continued)

Assumption risk

Assumptions are required in order to set premium rates and to assess the eventual cost of liabilities. The Group continually monitors its experience relative to that assumed when setting premiums or valuing liabilities to reduce potential losses because of assumption risk.

Concentration risk (unaudited)

The main source of concentration risk is exposure to personal property, personal lines and commercial insurance business. The table below shows the geographical exposure based on the sum assured in each region (Non-Life only).

	2023		2022	
	Rm	%	Rm	%
South Africa[5]				
Johannesburg	227 874	28	245 053	32
Cape Town	123 343	15	115 914	15
Pretoria	121 356	15	112 602	15
KwaZulu-Natal	83 088	10	77 298	10
Others	256 479	32	211 899	28
Total South Africa	812 140	100	762 766	100
ARO				
Mozambique	46 664	51	46 510	55
Kenya	45 583	49	38 621	45
Total ARO	92 247	100	85 131	100
TOTAL	904 387		847 897	

[5] Exposures are categorised based on affected geographical areas, considering regions that typically experience similar risks. Geographical areas with non-concentrated risks, defined as areas with exposures comprising less than 10% of total exposure, are consolidated and grouped under the 'Other' category.

The maximum expected loss for a one in 250-year event is a loss of **R2.7bn** (2022: R2.5bn). Catastrophe cover is purchased to cover losses up to **R4.1bn** (2022: R3.7bn).

Insurance risks applicable to both life and non-life insurance

Sensitivity analyses on assumptions

The results of sensitivity analysis indicate that assumptions regarding future mortality and morbidity experience have a significant impact on the quantum of the actuarial liability. Future developments in mortality and morbidity experience, whether positive or negative, will impact profits in future years. The business is also sensitive to expense assumptions, which incorporates the impact of the inflation assumptions.

Underwriting risk

The table below analyses how the profit, equity and the CSM would have increased (decreased) if changes in underwriting risk exposures that were reasonably possible at the reporting date had occurred. The analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

Non-life entities' contracts are measured using the Premium Allocation Approach (PAA), resulting in no impact on CSM.

	Group					
	2023					
	CSM		Profit or loss		Equity	
	Gross Rm	Net Rm	Gross Rm	Net Rm	Gross Rm	Net Rm
Life risk						
Mortality rates (1% increase)	(102)	(71)	(19)	(19)	(19)	(19)
Mortality rates (1% decrease)	103	72	18	18	18	18
Morbidity rate (1% increase)	(6)	(5)	(1)	(1)	(1)	(1)
Morbidity rates (1% decrease)	7	5	1	1	1	1
Expenses (5% increase)	(106)	(98)	(32)	(32)	(32)	(32)
Expenses (5% decrease)	109	100	29	29	29	29
Lapse rates (5% increase)	(206)	(148)	17	17	17	17
Lapse rates (5% decrease)	215	155	(22)	(22)	(22)	(22)
Non-life						
Ultimate claims (5% increase)	N/A	N/A	(43)	(38)	(43)	(38)
Ultimate claims (5% decrease)	N/A	N/A	43	38	43	38

58. Risk management (continued)

58.7 Insurance risk management (continued)

Insurance risks applicable to both life and non-life insurance (continued)

Underwriting risk (continued)

	Group 2022					
	CSM		Profit or loss		Equity	
	Gross Rm	Net Rm	Gross Rm	Net Rm	Gross Rm	Net Rm
Life risk						
Mortality rates (1% increase)	(92)	(67)	(19)	(19)	(19)	(19)
Mortality rates (1% decrease)	94	68	17	17	17	17
Morbidity rate (1% increase)	(7)	(6)	(1)	(1)	(1)	(1)
Morbidity rates (1% decrease)	7	4	1	1	1	1
Expenses (5% increase)	(98)	(91)	(26)	(26)	(26)	(26)
Expenses (5% decrease)	114	105	21	21	21	21
Lapse rates (5% increase)	(219)	(149)	17	17	17	17
Lapse rates (5% decrease)	212	141	(25)	(25)	(25)	(25)
Non-life						
Ultimate claims (5% increase)	N/A	N/A	(59)	(46)	(59)	(46)
Ultimate claims (5% decrease)	N/A	N/A	59	46	59	46

Interest rate risk

Sensitivity analysis

The Group applies the bottom-up approach in determining the discount rate for both life and non-life insurance contracts. This approach involves an entity determining the discount rates by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underpin the rates observed in the market and the liquidity characteristics of the insurance contracts.

The South African entities apply a discount rate that is derived from an internally calculated swap curves whilst the Group's African regional operations apply a yield curve derived from bond yields of different durations.

Refer to the Group accounting policies, note 1.2.9: 'Insurance and reinsurance contracts', for more detail regarding the derivation of the interest rate assumptions.

An analysis of the Group's sensitivity to a 0.5% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below. The table below includes both insurance and reinsurance, Life and Non-Life contracts.

	2023					
	CSM		Profit or loss		Equity	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Interest rates (0.5% parallel shift)	(60)	60	(4)	4	234	(227)

	2022					
	CSM		Profit or loss		Equity	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Interest rates (0.5% parallel shift)	(45)	49	(4)	5	175	(173)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The life insurance businesses are less exposed to liquidity risks due to the low risk of large cumulative claims. Liquidity risk is managed through close management of potential cash outflow in discussion with asset managers, as well as the use of a liquidity fund consisting of cash and money market investments – set aside to meet large outflows. Excess liquid assets are tracked for all insurance entities, against appetite set based on normal and stressed conditions.

Liquidity risk is managed in the non-life insurance businesses by investing in short-dated interest-earning assets, with limits on investments in less liquid assets such as preference shares, corporate bonds and equities.

58. Risk management (continued)

58.7 Insurance risk management (continued)

Insurance risks applicable to both life and non-life insurance (continued)

Maturity analyses

The following table provides a maturity analysis of the group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Refer to the 'Non-Life claims development' table in note 58.7: 'Insurance risk management' for more information on the typical settlement pattern of non-life claims settled more than 12 months of being incurred.

Liabilities for remaining coverage measured under the PAA have been excluded from the analysis.

	Group						
	2023 Estimates of present value of future cash flows						
	1 year or less Rm	1-2 years Rm	2-3 years Rm	3-4 years Rm	4-5 years Rm	More than 5 years Rm	Total Rm
Insurance contracts							
Assets	1 040	774	614	505	423	2 617	5 973
Liabilities	(1 679)	568	490	379	70	399	227
	(639)	1 342	1 104	884	493	3 016	6 200
Reinsurance contracts							
Assets	180	(80)	(67)	(60)	(53)	(267)	(347)
Liabilities	(60)	(14)	(8)	(5)	(3)	(6)	(96)
	120	(94)	(75)	(65)	(56)	(273)	(443)

	Group						
	2022 Estimates of present value of future cash flows						
	1 year or less Rm	1-2 years Rm	2-3 years Rm	3-4 years Rm	4-5 years Rm	More than 5 years Rm	Total Rm
Insurance contracts							
Assets	849	581	453	369	297	1 732	4 281
Liabilities	(241)	311	291	255	223	293	1 132
	608	892	744	624	520	2 025	5 413
Reinsurance contracts							
Assets	174	11	5	—	(3)	114	301
Liabilities	(134)	(108)	(89)	(75)	(64)	(480)	(950)
	40	(97)	(84)	(75)	(67)	(366)	(649)

The amounts from insurance contract liabilities that are payable on demand are set out below.

	2023		2022	
	Amounts payable on demand Rm	Carrying amount Rm	Amounts payable on demand Rm	Carrying amount Rm
Life savings contracts	1 853	2 043	1 880	2 142

58. Risk management (continued)

58.7 Insurance risk management (continued)

Insurance risks applicable to both life and non-life insurance (continued)

Insurance-related investment risks

Investment risk relates to the variability in the value of life and non-life shareholder assets and of assets backing policyholder liabilities. Interest rate/equity risk relates to the change in investment value of assets due to a change in market interest rates/equity performance. Foreign exchange risk is the risk that a change in the exchange rate could affect the financial results of the insurance entity. Investment risk is mitigated through diversified asset allocations and investment mandates.

For entities outside of South Africa, the shareholder funds are invested in property, money market type instruments and government bonds.

The Life insurance shareholders' funds in South Africa are invested in domestic cash investments.

Counterparty credit risk in respect of investments is managed by investing with a spread of issuers as required by the IPRMF.

A single investment strategy is maintained for non-life insurance shareholder assets and for assets backing non-life insurance policy holder liabilities. Assets are invested in short-dated interest-earning assets. The duration of interest-earning assets is monitored against a maximum effective duration.

Capital management for insurance entities

Regulatory capital

SAM is a risk-based regulatory regime established for the prudential regulation of South African insurers. The Solvency Capital Requirement (SCR) under SAM is determined using prescribed South African Prudential Standards Financial Soundness Standards for Insurers (FSI) methodology which is calibrated to correspond to the value-at-risk of an insurer's basic own funds at a confidence level of 99.5% over a one-year period (1-in- 200-year event). The in-country solo capital requirements for ARO insurance entities are based on relevant local regulatory requirements.

The AFS insurance group SCR is aggregated using SAM Deduction and Aggregation approach and is based on the Financial Soundness Standards for Insurance Groups (FSG). For aggregation into the insurance group, all solo insurance entities, including ARO insurance entities, must apply the FSI methodology.

Current target capital levels and dividend policies for South African entities are set with reference to the SAM regulatory reporting regime, and for ARO entities with reference to relevant local regulatory requirements.

Solvency position (unaudited)

The table below shows the regulatory capital position for the solo insurance entities as at 31 December 2023. The regulatory capital cover of South African entities takes into account foreseeable dividends.

Entity	Country	Type	Solo in-country regulatory capital cover 31 December 2023	Solo in-country regulatory capital cover 31 December 2022
Absa Life	South Africa	Life insurance	**1.42**	1.42
AIC	South Africa	Non-life insurance	**1.61**	1.44
AIRMS	South Africa	Non-life insurance	**2.84**	3.16
ALB	Botswana	Life insurance	**3.63**	2.96
ALZ	Zambia	Life insurance	**1.84**	1.90
ALAK	Kenya	Life insurance	**2.98**	3.29
FAK	Kenya	Non-life insurance	**1.40**	1.19
GAM	Mozambique	Composite insurance	**4.15**	3.76

The audited SAM solvency position for AFS as an insurance group as at 31 December 2023 will be submitted to the regulator by 30 April 2024. AFS is solvent as at 31 December 2023, with an unaudited capital cover of **1.36** before foreseeable dividends (31 December 2022: 1.27).

58. Risk management (continued)

58.8 Foreign exchange and inflation risk

58.8.1 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Group's policy is for transactional foreign exchange risk to be concentrated and managed within the trading book.

In accordance with the Group's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Foreign currency translation sensitivity analysis

The following table depicts the carrying value of foreign currency net investments and the pre-tax impact on equity of a 5% change in the exchange rate between the ZAR and the relevant functional foreign currencies.

Functional foreign currency

	Group			
	2023		2022	
	Foreign currency net investment Rm	Impact on equity from 5% currency translation shock Rm	Foreign currency net investment Rm	Impact on equity from 5% currency translation shock Rm
Botswana pula	4 215	211	3 845	192
Ghana cedi	4 920	246	3 135	157
Kenya shilling	8 120	406	8 744	437
Mauritian rupee	1 596	80	1 391	70
Mozambican metical	2 972	149	2 393	120
Namibian dollar	3	—	95	5
Nigerian naira	15	1	16	1
Seychelles rupee	1 053	53	781	39
Pound sterling	835	42	693	35
Tanzanian shilling	4 563	228	3 765	188
Uganda shilling	3 892	195	3 155	158
United States dollar	7 069	353	5 110	256
Zambia kwacha	3 041	152	3 134	157
	42 294	2 116	36 257	1 815

The exchange rate used to convert Absa Bank of Ghana balances at year end was **0.65GHS** (2022: 071) as this was determined to be the rate the Group would be able to access on repatriation of funds to South Africa.

58.8.2 Impact of hyperinflation

The Ghanaian economy was assessed to be hyperinflationary for the current reporting period, and hyperinflation accounting was applied for the year ended 31 December 2023. Accordingly, the results, cash flows and financial position of the Group's subsidiary, Absa Bank Ghana have been expressed in terms of the measuring unit current at the reporting date.

The hyperinflation impact reduced the Group's profit after tax by R403 million. The consumer price indices (which represent the general price indices), as published by the Ghana Statistical Services, were used in adjusting the historic cost local currency results and financial positions of the Group's Ghanaian subsidiary. The consumer price index for December 2023 was 200.50. A movement in CPI for the current reporting period of 23.2% was applied to restate the results of Absa Bank Ghana. As at 31 December 2023, the cumulative three-year inflation rate was 114%.

59. 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.

60. Events after the reporting period

The directors are not aware of any other events, (as defined per IAS10 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.

61. 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.

61. Directors' and prescribed officers' remuneration (continued)

Combined tables for 2023 total 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 an 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.

61. Directors' and prescribed officers' remuneration (continued)

Combined tables for 2023 total remuneration

Prescribed officers Awarded remuneration	Charles Russon 2023 R	Charles Russon 2022 R	Punki Modise 2023 R	Punki Modise 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, four new prescribed officers (Faisal Mkhize, Cowyk Fox, Geoffrey Lee, and Saviour Chibiya) 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.

Saviour Chibiya's expatriate benefits have been included under 'Other payments'.

Faisal Mkhize		Cowyk Fox		Geoffrey Lee		Saviour Chibiya		Total	
2023 R	2022 R	**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	**4 067 915**	2 040 976	**25 667 719**	17 103 201
124 676	55 710	**101 840**	104 754	**237 456**	94 266	**101 941**	116 879	**792 185**	689 311
393 982	196 991	**199 537**	99 769	**199 537**	107 639	**383 281**	—	**1 373 932**	733 737
345 933	79 064	**392 859**	293 380	**61 619**	19 664	**681 465**	258 000	**1 553 011**	893 433
6 015 344	2 875 000	**5 749 401**	2 976 559	**5 750 000**	2 874 470	**5 234 602**	2 415 855	**29 386 847**	19 419 682
2 875 000	4 000 000	**2 516 000**	4 000 000	**3 139 250**	4 000 000	**3 250 000**	4 000 000	**18 780 250**	27 000 000
1 875 000	3 000 000	**1 516 000**	3 000 000	**2 139 250**	3 000 000	**2 250 000**	3 000 000	**13 780 250**	21 000 000
4 750 000	7 000 000	**4 032 000**	7 000 000	**5 278 500**	7 000 000	**5 500 000**	7 000 000	**32 560 500**	48 000 000
7 500 000	8 500 000	**4 500 000**	8 500 000	**9 500 000**	8 500 000	**4 500 000**	8 500 000	**38 000 000**	53 000 000
—	—	**—**	—	**—**	—	**773 373**	481 291	**773 373**	481 291
18 265 344	18 375 000	**14 281 401**	18 476 559	**20 528 500**	18 374 470	**16 007 975**	18 397 146	**100 720 720**	120 900 973

61. 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

61. 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
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

61. 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
Prescribed officers (continued)				
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
Saviour Chibiya				
Share incentive plan notional deferral 2020 – 2023	4 163	—	—	4 163
Share incentive plan notional deferral 2021 – 2024	2 877	—	—	1 438
Share incentive plan notional performance 2020	24 175	—	—	16 557
Share incentive plan notional performance 2021	30 602	—	—	
Share incentive plan notional deferral 2022 – 2025	11 120	—	—	3 707
Share incentive plan notional performance 2022	33 362	—	—	—
Share incentive plan notional deferral 2023 – 2026	—	16 551	181.25	—
Share incentive plan notional performance 2023	—	46 896	181.25	—
Absa eKhaya Colleague Share Scheme: Phantom award (Zambia) 2023 – 2028	—	860	79.61	—
Total	106 299	64 307		25 865

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.

Saviour Chibiya's outstanding notional share-based long-term awards include awards received prior to becoming a prescribed officer on 1 July 2022. The 2020 and 2021 Notional Share Incentive Plan Performance awards will vest over a three year period as they were made prior to him becoming a prescribed officer. 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
184.60	768 490	130 143	—	—	2023/04/01	2023/04/01	—
184.60	265 455	23 444	—	1 439	2024/04/01	2024/04/01	235 579
184.60	3 056 422	518 172	7 618	—	2023/04/01	2023/04/01	—
—	—	—		30 602	2024/04/01	2024/04/01	5 009 853
184.60	684 312	44 673	—	7 413	2025/04/01	2025/04/01	1 213 582
—	—	—	—	33 362	2025/04/01	2025/04/01	5 461 693
—	—	—	—	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
	4 774 679	716 432	7 618	137 123			22 363 145

61. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives (continued)

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 – 2021	5 676	—	—	5 676
Share incentive plan deferral 2020 – 2023	41 631	—	—	20 815
Share incentive plan deferral 2021 – 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 2021	78 468	—	—	—
Share incentive plan deferral 2022 – 2025	—	44 483	179.84	—
Share incentive plan performance 2022	—	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 2022	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

61. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives (continued)

	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 2021 – 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 2022 – 2025	—	31 972	179.84	—
Share incentive plan performance 2022	—	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 – 2021	743	—	—	743
Share incentive plan deferral 2020 – 2023	10 860	—	—	5 430
Share incentive plan deferral 2021 – 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 2021	26 679	—	—	—
Share incentive plan deferral 2022 – 2025	—	8 340	179.84	—
Share incentive plan performance 2022	—	22 241	179.84	—
Share incentive plan performance 2022	—	24 536	183.40	—
Total	102 626	55 117		12 587
Cowyk Fox				
Share value plan 2019 – 2021	1 892	—	—	1 892
Share incentive plan deferral 2020 – 2023	12 098	—	—	6 049
Share incentive plan deferral 2021 – 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 2021	29 817	—	—	—
Share incentive plan deferral 2022 – 2025	—	9 035	179.84	—
Share incentive plan performance 2022	—	22 241	179.84	—
Share incentive plan performance 2022	—	24 536	183.40	—
Total	108 083	55 812		13 383

Notes to the consolidated and separate financial statements

for the reporting period ended 31 December

			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	—	2024/09/02	—
—	—	—	—	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	—	2022/09/02	—
—	—	—	—	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

61. Directors' and prescribed officers' remuneration (continued)

Outstanding share-based long-term incentives (continued)

	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 (continued)				
Geoffrey Lee				
Share value plan 2019 – 2021	1 135	—	—	1 135
Share incentive plan deferral 2020 – 2023	11 946	—	—	5 973
Share incentive plan deferral 2021 – 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 2021	26 679	—	—	—
Share incentive plan deferral 2022 – 2025	—	9 730	179.84	—
Share incentive plan performance 2022	—	22 241	179.84	—
Share incentive plan performance 2022	—	24 536	183.40	—
Total	104 889	56 507		13 784
Saviour Chibiya				
Share value plan 2019 – 2021	1 093	—	—	1 093
Share incentive plan deferral 2020 – 2023	8 326	—	—	4 163
Share incentive plan deferral 2021 – 2024	4 315	—	—	1 438
Long-term incentive award 2019	22 387	—	—	4 638
Share incentive plan notional performance 2020	24 175	—	—	—
Share incentive plan notional performance 2021	30 602	—	—	—
Share incentive plan notional deferral 2022 – 2025	—	11 120	179.84	—
Share incentive plan notional performance 2022	—	33 362	179.84	—
Total	90 898	44 482		11 332

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 ceased to be an executive director on 29 March 2022, after which she became a prescribed officer until 30 June 2022. Punki's outstanding share-based long-term awards include awards received prior to becoming an executive director on 23 April 2021. 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 and a prescribed officer. 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.

Saviour Chibiya's outstanding notional share-based long-term awards include awards received prior to becoming a prescribed officer on 1 July 2022. The 2019 Phantom Long Term Incentive award vested based on the measurement of the predetermined performance conditions over a three-year performance period. The 2020 and 2021 Notional Share Plan Incentive Performance awards will vest over a three-year period as they were made prior to him becoming a prescribed officer.

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	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	—	2022/09/02	—
—	—	—	—	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
184.65	201 822	35 268	—	—	2022/03/18	—
191.00	795 133	77 546	—	4 163	2023/04/01	807 206
191.00	274 658	5 921	—	2 877	2024/04/01	557 850
178.10	826 028	134 644	17 749	—	2022/09/02	—
—	—	—	—	24 175	2023/04/01	4 687 533
—	—	—	—	30 602	2024/04/01	5 933 728
—	—	—	—	11 120	2025/04/01	2 156 168
—	—	—	—	33 362	2025/04/01	6 468 892
	2 097 641	253 379	17 749	106 299		20 611 377

61. 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	—
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	—
Saviour Chibiya					
Cash value plan 2019 – 2022	189 419	246 245	—	189 419	—
Cash value plan (MRT) 2022	1 550 000	1 550 000	—	1 550 000	—
Total	1 739 419	1 796 245	—	1 739 419	—

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's and Geoffrey Lee's outstanding cash-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022.

Saviour Chibiya's outstanding cash-based long-term awards include awards received prior to becoming a prescribed officer 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	—			
—	—	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	—			
—	—	56 826	—			2022/03/18
—	—	—	—			2022/04/01
—	—	56 826	—			

61. Directors' and prescribed officers' remuneration (continued)

Group Chairman and non-executive directors' fees

Non-executive directors' fees paid during 2023

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**	2 192 189	2 255 669
Alison Beck	53 460	62 229	—	—	—	**115 689**	—	—
Alpheus Mangale	320 757	322 809	—	—	—	**643 566**	—	—
Daisy Naidoo	644 219	871 764	—	—	—	**1 515 983**	2 883 305	2 549 847
Francis Okomo-Okello	483 840	509 245	79 542	—	156 742	**1 229 369**	1 601 993	1 971 912
Fulvio Tonelli	632 329	966 788	—	—	593 421	**2 192 538**	2 315 064	1 976 831
Ihron Rensburg	644 219	598 445	—	—	115 870	**1 358 534**	1 303 792	1 550 923
John Cummins	632 329	814 119	—	—	—	**1 446 448**	1 378 619	159 671
Luisa Diogo	213 838	240 976	—	—	2 701 036	**3 155 850**	—	—
Nhlanhla Mjoli-Mncube	892 619	738 491	106 917	—	—	**1 738 027**	1 627 935	1 365 207
Peter Mageza	267 298	466 581	—	—	—	**733 879**	—	—
René van Wyk	632 329	1 983 148	106 917	—	—	**2 722 394**	2 727 269	1 816 203
Rose Keanly	626 384	1 242 218	106 917	675 777	—	**2 651 296**	2 737 962	2 362 253
Sello Moloko	6 951 577	—	—	—	—	**6 951 577**	5 610 483	126 974
Swithin Munyantwali	644 219	656 494	—	—	1 320 676	**2 621 389**	1 297 475	1 435 581
Tasneem Abdool-Samad	632 329	1 776 243	106 917	824 874	—	**3 340 363**	3 426 393	3 495 595
Total	14 755 584	12 248 768	586 750	1 500 652	4 887 745	**33 979 499**	29 102 479	21 066 668

The Group Audit and Compliance Committee (GACC), Group Risk and Capital Management Committee (GRCMC), Remuneration Committee (RemCo) and Social, Sustainability and Ethics Committee (SSEC) Chairmen receive fees equal to two and a half times the fee payable to members of these committees. Chairmen of the remaining committees receive fees equal to two times the member fee.

Alex Darko retired from the Absa Group Board and as Chairman of Information Technology Committee (ITC) on 30 September 2023.

Alison Beck joined the Absa Group Board, Group Audit and Compliance Committee (GACC) and the Group Risk and Capital Management Committee (GRCMC) on 1 December 2023.

Alpheus Mangale joined the Absa Group Board, the Group Risk and Capital Management Committee (GRCMC) and the Information Technology Committee (ITC) on 1 July 2023.

Francis Okomo-Okello retired from the Absa Group Board and as Chairman of Social, Sustainability and Ethics Committee (SSEC) on 30 September 2023. He was Chairman of the Absa Africa Foundation Advisory Board (a sub-committee of the SSEC), until 30 September 2023, and remained a member from the same date (reported under Other).

Fulvio Tonelli joined the Group Audit and Compliance Committee (GACC) and resigned from the Information Technology Committee (ITC) on 1 July 2023. He is also a director on Absa Bank Kenya PLC board and member of their Audit and Risk Committee, Credit Committee and Strategy Committee (reported under Other).

Ihron Rensburg became the Chairman of Social, Sustainability and Ethics Committee (SSEC) and joined then Directors' Affairs Committee (DAC) as of 1 October 2023. He became the Chairman of the Absa Africa Foundation Advisory Board (a sub-committee of the SSEC) on 1 October 2023 (reported under Other).

Luisa Diogo joined the Absa Group Board, the Group Risk and Capital Management Committee (GRCMC), the Social, Sustainability and Ethics Committee (SSEC) and the Board Finance Committee (BFC) on 1 September 2023. She is also the Chairman of the Absa Bank Moçambique, SA board and the fee covers chairmanship as well as membership of any board committees. She also serves as Chairman of Global Alliance Seguros, S.A. (both reported under Other).

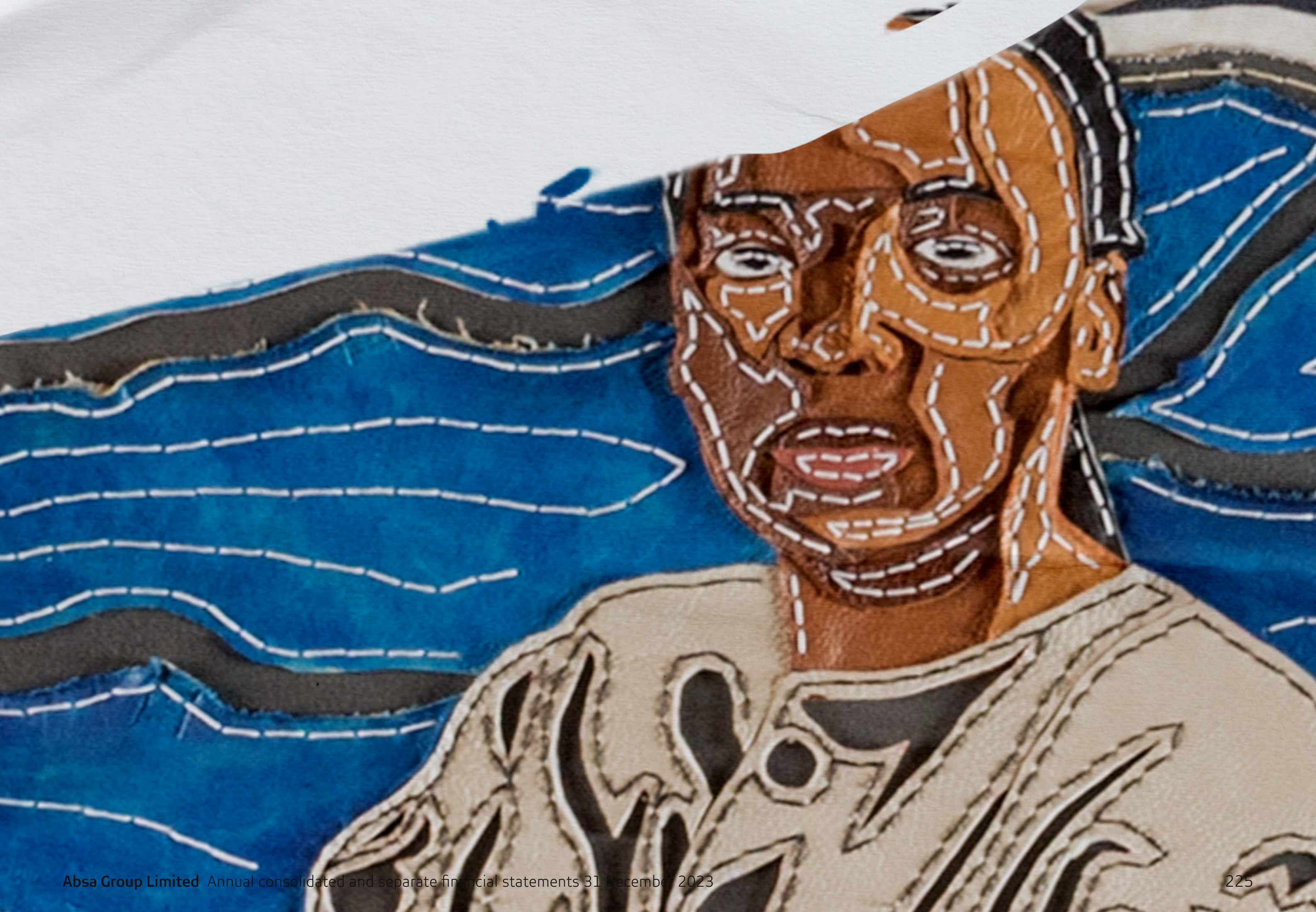
Peter Mageza joined the Absa Group Board, the Group Audit and Compliance Committee (GACC), the Remuneration Committee (RemCo) and Information Technology Committee (ITC) on 1 August 2023; and became Chairman of the ITC and joined the Directors' Affairs Committee (DAC) as of 1 October 2023.

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.

Swithin Munyantwali joined the Group Credit Risk Committee (GCRC) on 1 July 2023. In addition to the director fees received, a fee was paid for consulting work in the US, rendered in September/October 2023 (reported under Other).

The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

Company financial statements



Company statement of financial position

as at 31 December

		Company	
	Note	2023 Rm	2022 Rm
Assets			
Investment securities	2	9 418	15 532
Trading portfolio assets		4	—
Other assets	3	31	28
Current tax assets		—	38
Loans and advances	4	3 378	2 191
Subsidiary shares	5	83 604	75 712
Deferred tax assets	6	9	1
Total assets		96 444	93 502
Liabilities			
Other liabilities	7	310	329
Current tax liabilities		22	—
Loans from Absa Group Companies		47	—
Borrowed funds	8	23 438	28 682
Total liabilities		23 817	29 011
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	9	1 789	1 696
Share premium	9	31 616	23 572
Retained earnings		29 845	30 791
Other reserves		1 115	929
		64 365	56 988
Other equity: Additional Tier 1 capital	10	8 262	7 503
Total equity		72 627	64 491
Total equity and liabilities		96 444	93 502

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2023 Rm	Restated 2022 Rm
Interest and similar income		2 400	1 861
Interest expense and similar charges		(1 999)	(1 777)
Non-interest income		11 580	10 705
Gains and losses from investment activities	11	10 693	10 094
Other operating income	12	887	611
Total income		11 981	10 789
Credit impairment charges		(1)	(30)
Operating income before operating expenditure		11 980	10 759
Operating expenses		11	(26)
Operating expenses	13	(38)	(26)
Other impairments	14	49	—
Operating profit before income tax		11 991	10 733
Taxation expense	15	(401)	(125)
Profit for the reporting period		11 590	10 608
Profit attributable to:			
Ordinary equity holders		10 691	9 999
Other equity: Additional Tier 1 capital		899	609
		11 590	10 608
Profit for the reporting period		11 590	10 608
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		(11)	(21)
Movement in cash flow hedging reserve		(11)	(21)
Fair value movements		(11)	(21)
Total comprehensive income for the reporting period		11 579	10 587
Total comprehensive income attributable to:			
Ordinary equity holders		10 680	9 978
Other equity: Additional Tier 1 capital		899	609
		11 579	10 587

Company 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	Cash flow hedging reserve Rm	Share-based payment reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Other equity: Additional Tier 1 capital Rm	Total equity Rm
Balance at the beginning of the reporting period	847 750	1 696	23 572	30 791	929	23	906	56 988	7 503	64 491
Total comprehensive income	—	—	—	10 691	(11)	(11)	—	10 680	899	11 579
Profit for the period	—	—	—	10 691	—	—	—	10 691	899	11 590
Other comprehensive income	—	—	—	—	(11)	(11)	—	(11)	—	(11)
Shares issued	46 626	93	8 211	—	—	—	—	8 305	—	8 305
Dividends paid during the reporting period	—	—	—	(11 637)	—	—	—	(11 637)	—	(11 637)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	(899)	(899)
Issuance of additional Tier 1 capital		—	—	—	—	—	—	—	2 000	2 000
Redemption of Tier 1 capital	—	—	—	—	—	—	—	—	(1 241)	(1 241)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(167)	—	—	—	—	(167)	—	(167)
Movement in share-based payment reserve	—	—	—	—	197	—	197	197	—	197
Value of employee services	—	—	—	—	197	—	197	197	—	197
Deferred tax	—	—	—	—	—	—	—	—	—	—
Balance at the end of the reporting period	894 376	1 789	31 616	29 845	1 115	12	1 103	64 365	8 262	72 627
Note	9	9	9						10	

Company statement of changes in equity

for the reporting period ended 31 December

Company

2022

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	Cash flow hedging reserve Rm	Share-based payment reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Balance at the end of the previous reporting period	847 750	1 696	23 633	30 329	654	44	610	56 312	7 004	63 316
Total comprehensive income	—	—	—	9 999	(21)	(21)	—	9 978	609	10 587
Profit for the period	—	—	—	9 999	—	—	—	9 999	609	10 608
Other comprehensive income	—	—	—	—	(21)	(21)	—	(21)	—	(21)
Dividends paid during the reporting period	—	—	—	(9 537)	—	—	—	(9 537)	—	(9 537)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	(609)	(609)
Issuance of additional Tier 1 capital	—	—	—	—	—	—	—	—	1 999	1 999
Redemption of Tier 1 capital									(1 500)	(1 500)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(61)	—	—	—	—	(61)	—	(61)
Movement in share-based payment reserve	—	—	—	—	296	—	296	296	—	296
Balance at the end of the reporting period	847 750	1 696	23 572	30 791	929	23	906	56 988	7 503	64 491
Note	9	9	9						10	

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

Company statement of cash flows

for the reporting period ended 31 December

	Company	
	2023 Rm	Restated 2022 Rm
Cash flow from operating activities		
Profit before tax	11 991	10 733
Adjustment of non-cash items		
Accrued interest income and foreign exchange movements	(1 341)	(1 156)
Accrued interest expense and foreign exchange movements	1 165	1 163
Impairment of subsidiary	(126)	—
Reversal of impairment of subsidiary	77	—
Cash flow from operating activities before changes in operating assets and liabilities	11 766	10 740
Net (increase) in other assets	(6)	—
Net increase in other labilities	28	110
Income taxes paid	(349)	(142)
Net cash generated from operating activities	**11 439**	**10 708**
Cash flow from investing activities		
Purchase of equity investments in subsidiaries	—	(77)
Proceeds from the repayment on investment securities issued by subsidiaries	7 482	—
Debt instruments issued by subsidiaries	(8 328)	(3 034)
Proceeds from the repayment of debt instruments issued by subsidiaries	1 738	2 204
Additional Tier 1 Capital issued by subsidiaries	(2 000)	(1 999)
Redemption of additional Tier 1 Capital issued by subsidiaries	1 241	1 499
Net cash received from/(utilised in) investing activities	**133**	**(1 407)**
Cash flow from financing activities		
Dividends paid	(11 637)	(9 537)
Issue of Additional Tier 1 capital	2 000	1 999
Expiry of Additional Tier 1 capital	(1 241)	(1 499)
Proceeds from borrowed funds	2 158	3 034
Repayment of borrowed funds	(9 070)	(2 204)
Issue of ordinary shares	8 305	—
Distribution to Tier 1 capital holders	(899)	(609)
Net cash utilised in financing activities	**(10 384)**	**(8 816)**
Net increase/(decrease) in cash and cash equivalents	1 188	485
Cash and cash equivalents at the beginning of the reporting period	2 195	1 710
Cash and cash equivalents at the end of the reporting period	**3 383**	**2 195**

The prior period amounts have been restated. Please refer to note 1.1 for further details. All dividend income was received in cash during the respective period. Exchange movements have been presented together with the related accrued interest/expense amounts.

Notes to the Company financial statements

for the reporting period ended 31 December

1. Accounting policies

The financial statements of the Company are prepared according to the same accounting principles used in preparing the consolidated financial statements of the Group. For detailed accounting policies, refer to the Group's financial statements.

1.1 Correction of prior period error

Statement of cash flows

Issuances and redemptions of debt securities held in subsidiaries were incorrectly calculated and disclosed on a net basis in the prior period. The Company statement of cash flows has been restated to disaggregate these disclosures and reflect the correct cash flows as required by IAS 7, Statement of cash flows ('IAS 7'). Additionally, the movements in investments securities in the prior year related wholly to accrued interest income and foreign exchange movements. This movement was however incorrectly presented under investing activities instead of operating activities and has therefore been corrected in the current period.

The correction of the above errors have no impact on the statement of financial position, statement of comprehensive income, statement of changes in equity or any notes to the company financial statements. The impact of the error on the Company statement of cash flows is as follows:

	2022			
Statement of cash flows	As previously reported Rm	Prior period errors Rm	Presentation changes Rm	Restated Rm
Cash flow from operating activities				
Accrued interest income and foreign exchange movements	—	(1 156)	—	(1 156)
Accrued interest expense and foreign exchange movements	109	—	1 054	1 163
Foreign exchange movements on borrowed funds	1 054	—	(1 054)	—
Cash flow from operating activities before changes in operating assets and liabilities	11 896	(1 156)	—	10 740
Cash flow from investing activities				
Proceeds from the repayment of debt instruments issued to subsidiaries	111	2 093	—	2 204
Debt instruments issued to subsidiaries	(1 139)	(1 895)	—	(3 034)
Investment securities	(958)	958	—	—
Net cash received from/(utilised in) investing activities	(2 563)	1 156	—	(1 407)

In the current period, exchange movements have been presented together with the related accrued interest/expense amounts. The prior year was adjusted accordingly.

2. Investment securities

	Company	
	2023 Rm	2022 Rm
Debt securities	**9 418**	15 532
	9 418	15 532

Debt securities are measured at amortised cost and the ECL is immaterial.

3. Other assets

	Company	
	2023 Rm	2022 Rm
Accounts receivable	**1**	1
Prepayments	**30**	27
	31	28

4. Loans and advances

	Company 2023 Rm	2022 Rm
Gross loans and advances to banks	3 383	2 195
Expected credit losses	(5)	(4)
	3 378	2 191

The aforementioned loans are at variable rates.

The gross loans and advances balance fully comprise of cash and cash equivalents.

5. Subsidiaries

	Company 2023 Rm	2022 Rm
Equity investments	63 283	62 446
Debt instruments	20 321	13 266
	83 604	75 712

Refer to note 46.4 of the Group's financial statements for a list of significant subsidiaries. The debt instruments comprises of loans to subsidiaries and the preference shares held in Newshelf 1405 (RF) Proprietary Limited, which were acquired as part of the Group's B-BBEE transaction. These instruments are measured at amortised cost and the balance is classified in stage 1 (DG1-9 bucketing) and is unsecured. The ECL allowance held on these balances is **R49m** (2022: R49m).

Equity investments consists of investment in subsidiaries that are measured at cost less impairment.

As a result of the Group's B-BBEE transaction, the Company awarded employees employed in its South African subsidiaries an equity-settled share award, increasing the share-based payment reserve and a corresponding increase in the cost of the investment of the subsidiaries benefiting from the transaction. For further detail on the share award, refer to note 50 of the Group's financial statements.

6. Deferred tax

	Company 2023 Rm	2022 Rm
6.1 Reconciliation of net deferred tax (liability)/asset		
Balance at the beginning of the reporting period	1	1
Charge to profit or loss (refer to note 15)	8	—
Balance at the end of the year	9	1
6.2 Deferred tax (liability)/asset		
Tax effects of temporary differences between tax and book value for:		
Deferred income	9	—
Exchange differences – unrealised	—	1
Net deferred tax (liability)/asset	9	1

7. Other liabilities

	Company 2023 Rm	2022 Rm
Unclaimed dividends	280	289
Deferred income	30	—
Other	—	40
	310	329

8. Borrowed funds

			Company 2023 Rm	Company 2022 Rm
Subordinated callable notes issued by Absa Group Limited				
Interest rate	**Final maturity date**	**Note**		
Three-month JIBAR + 2.13%	17 May 2030	i.	**2 676**	2 676
Three-month JIBAR + 2.40%	11 April 2029	ii.	**1 580**	1 580
Three-month JIBAR + 2.45%	29 November 2028	iii.	**—**	1 500
Three-month JIBAR + 3.85%	14 August 2029	iv.	**390**	390
Three-month JIBAR + 3.45%	29 September 2029	v.	**1 014**	1 014
Three-month JIBAR + 2.10%	16 September 2032	vi.	**1 916**	1 916
Three-month JIBAR + 1.72%	26 August 2033	vii.	**2 158**	—
Foreign currency denominated notes				
USD 6.25%	25 April 2028	viii.	**—**	4 952
USD 6.375%	n/a	ix.	**6 866**	6 866
Other				
Accrued interest			**135**	163
Foreign exchange movements			**2 324**	3 429
			19 059	24 486
Non-subordinated debt extended by Absa Group Limited				
Three-month JIBAR + 1.20%	11 September 2025	x.	**58**	58
Three-month JIBAR + 1.20%	30 January 2025	xi.	**301**	301
Three-month JIBAR + 1.225%	29 January 2024	xii.	**197**	197
Three-month JIBAR + 1.225%	19 July 2023	xiii.	**—**	88
Three-month SOFR + 2.11%	26 March 2025	xiv.	**758**	758
Three-month SOFR + 1.37%	22 November 2026	xv.	**149**	149
Three-month SOFR+1.36%	27 January 2026	xvi.	**456**	456
Three-month SOFR+1.78%	16 October 2024	xvii.	**371**	371
Three-month SOFR + 1.80%	18 March 2025 .	xviii.	**339**	339
Three-month SOFR + 1.46%	25 February 2026	xix.	**74**	74
Three-month SOFR + 1.99%	21 December 2027	xx.	**847**	847
Three-month SOFR + 1.75%	29 December 2025	xxi.	**271**	271
Other				
Accrued interest			**34**	55
Foreign exchange movements			**524**	232
			4 379	4 196
			23 438	28 682

	Company 2023 Rm	Company 2022 Rm
Reconciliation of borrowed funds		
Opening balance	**28 682**	26 757
Changes arising from cash movements:	**(6 429)**	(906)
Borrowed fund issuances	**2 158**	3 034
Borrowed fund redemptions	**(6 540)**	(2 204)
Interest paid	**(2 047)**	(1 736)
Changes arising from non-cash movements:	**1 185**	2 831
Interest accrued	**1 998**	1 777
Foreign exchange movements	**(813)**	1 054
Closing balance	**23 438**	28 682

The repayment of borrowed funds of **R9 070m** in the statement of cash flows includes the redemption amount referred to above of **R6 540m** and realised foreign exchange of **R2 530m**, which is included in the current year foreign exchange movements of **R813m**.

9. Borrowed funds (continued)

i. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Group Limited on 17 May 2025. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Group 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 Group Limited not exercise the redemption option.

ii. The three-month JIBAR plus 2.40% floating rate notes may be redeemed in full at the option of Absa Group Limited on 11 April 2024. Interest is paid quarterly in arrears on 11 January, 11 April, 11 July and 11 October. Absa Group 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 Group Limited not exercise the redemption option.

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

iv. The three-month JIBAR plus 3.85% floating rate notes may be redeemed in full at the option of Absa Group Limited on 14 August 2024. Interest is paid quarterly in arrears on 14 February, 14 May, 14 August and 14 November. Absa Group 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 Group Limited not exercise the redemption option.

v. The three-month JIBAR plus 3.45% floating rate notes may be redeemed in full at the option of Absa Group Limited on 29 September 2024. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December. Absa Group 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 Group Limited not exercise the redemption option.

vi. The three-month JIBAR plus 2.10% floating rate with a nominal amount of ZAR 1.9bn may be redeemed in full at the option of Absa Group 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 Group Limited not exercise the redemption option.

vii. The three months JIBAR plus 1.72% float rate may be redeemed in full at the option of Absa Group Limited on 26 August 2028. 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.

viii. The 6.25% fixed rate reset callable USD notes with a nominal amount of USD 400m were be redeemed in full on 25 April 2023.

ix. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Group. The Group 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).

x. The three-month JIBAR plus 1.20% floating rate notes should be redeemed in full by Absa Group Limited on 11 September 2025. Interest is paid quarterly in arrears on 11 March, 11 June, 11 September, and 11 December. Absa Group Limited may redeem a portion (being a minimum of R7m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice.

xi. The three-month JIBAR plus 1.20% floating rate notes should be redeemed in full by Absa Group Limited on 30 January 2025. Interest is paid semi-annually in arrears on 30 January and 31 July. Absa Group Limited may redeem a portion (being a minimum of R100m) or full amount on any interest payment date, by giving the lender not less than 5 business days prior notice.

xii. The three-month JIBAR plus 1.225% floating rate notes should be redeemed in full by Absa Group Limited on 29 January 2024. Interest is paid semi-annually in arrears on 29 July and 29 January. Absa Group Limited may redeem a portion (being a minimum of R50m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice.

xiii. The three-month JIBAR plus 1.225% floating rate notes have been redeemed in full by Absa Group Limited on 19 July 2023.

9. Borrowed funds (continued)

xiv. The three-month SOFR plus 2.11% floating rate notes should be redeemed in full by Absa Group Limited on 26 March 2025. Interest is paid quarterly in arrears on 26 March, 26 June, 26 September and 26 December. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.85% to SOFR plus 2.11% effective 26 December 2023.

xv. The three-month SOFR plus 1.37% floating rate notes should be redeemed in full by Absa Group Limited on 22 November 2026. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date. In the prior year the maturity date and the interest rate were erroneously disclosed as 30 March 2026 instead of 22 November 2026 and the interest rate as LIBOR plus 0.92% instead of SOFR plus 1.37%. This had no impact in the calculation of the interest as it was solely a disclosure error.

xvi. The three-month SOFR plus 1.36% floating rate notes should be redeemed by Absa Group Limited on 18 November 2024. Interest is paid quarterly in arrears on 18 January, 18 April, 18 July, 18 October. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date. The interest rate was amended from LIBOR plus 1.1% to SOFR plus 1.36% on 27 January 2023.

xvii. The three-month SOFR plus 1.78% floating rate notes should be redeemed by Absa Group Limited on 16 October 2024. Interest is paid quarterly in arrears on 16 January, 16 April, 16 July, 16 October. Absa Group Limited may redeem a portion (being a minimum of R10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.52% to SOFR plus 1.78% on 18 January 2023.

xviii. The three-month SOFR plus 1.80% floating rate notes should be redeemed in full by Absa Group Limited on 18 March 2025. Interest is paid quarterly in arrears on 18 March, 18 June, 18 September and 18 December. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.54% to SOFR plus 1.80% effective 18 December 2022.

xix. The three-month SOFR plus 1.46% floating rate notes should be redeemed by Absa Group Limited on 25 February 2026. Interest is paid quarterly in arrears on 25 February, 25 May, 25 August and 25 November. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.20% to SOFR plus 1.46% effective 25 November 2023.

xx. The three-month SOFR plus 1.99% floating rate notes should be redeemed by Absa Group Limited on 21 December 2027. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

xxi. The three-month SOFR plus 1.75% floating rate notes should be redeemed by Absa Group Limited on 29 December 2025. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

Notes i to vii are listed on the Johannesburg Stock Exchange Debt Market.

Notes viii and ix are listed on the London Stock Exchange.

Notes x to xxi have been issued to Absa Group subsidiaries.

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

9. Share capital and premium

	Company 2023 Rm	Company 2022 Rm
Ordinary share capital		
Authorised		
950 000 000 (2022: 891 774 054) ordinary shares of R2.00 each	**1 900**	1 784
Issued		
894 376 907 (2022: 847 750 679) ordinary shares of R2.00 each	**1 789**	1 696
Total issued capital		
Share capital	**1 789**	1 696
Share premium	**31 616**	23 572
	33 405	25 268

Authorised shares

During the current reporting period, the authorised share capital was increased to 950 000 000 ordinary shares to help facilitate the Group's B- BBEE transaction. The par value of the shares remained unchanged at R2 each.

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 Company.

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 Company.

Shares issued

As part of the Group's B-BBEE transaction, 46 626 228 additional shares were issued to Newshelf 1405 (RF) Proprietary Limited for a value of R8 304 597 469 during the current reporting period. All shares issued by the Group were considered to be fully paid up for Companies Act purposes, and Newshelf 1405 (RF) Proprietary Limited now holds 7% of the shares in Absa Group Limited, leading to an increase in the Company's issued Ordinary share capital. Refer to note 46.2 of the Group's financial statements for further detail surrounding the Group's B-BBEE transaction.

10. Other equity: Additional Tier 1 capital

		Company 2023 Rm	Company 2022 Rm
Subordinated callable notes issued by Absa Group 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.

11. Gains and losses from investment activities

	Company	
	2023 Rm	2022 Rm
Dividends received from subsidiaries	10 693	10 094

12. Other operating income

	Company	
	2023 Rm	2022 Rm
Foreign exchange differences	(13)	2
Dividends received	900	609
	887	611

13. Operating expenses

	Company	
	2023 Rm	2022 Rm
Administration fees	38	26

14. Other impairments

	Company	
	2023 Rm	2022 Rm
Equity investment in subsidiaries	(77)	—
Impairment reversal	126	—
	49	—

Impairment losses and reversals relate to investments in subsidiaries. As Absa Group Limited is an investment holding company, the investment in subsidiaries represent the main cash generating operation of the Company.

An impairment loss of **R77m** was recognised for the year ended 31 December 2023. The impaired entity has ceased trading resulting in a decrease in the expected return from the investment. The value-in-use was determined with reference to expected future cash flows from the investment.

During the current year, there was evidence suggesting a reversal of a previously recognised impairment loss of R126m. The economy in which the entity operates has experienced sustained improvement subsequent to the end of the Covid-19 pandemic, resulting in an increase in the economic benefits expected from the investment. The value-in-use was determined using the discounted cash flow method, applying a growth rate of 6.6% (previous estimate: 7.1%) and a cost of equity of 11.50% (previous estimate: 15.30%).

15. Taxation expense

	Company 2023 Rm	Company 2022 Rm
Current		
Current tax	96	34
Current tax – previous reporting period	(6)	(32)
Foreign tax	319	123
	409	125
Deferred (refer to note 6)	(8)	—
Deferred tax	(8)	—
	401	125
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	11 991	10 733
Tax calculated at a tax rate of 27% (2022: 28%)	3 238	3 006
Expenses not deductible for tax purposes	32	24
Dividend income	(2 921)	(2 827)
Deductible expenditure not recognised in profit and loss	(247)	(174)
Items of a capital nature	(13)	5
South African current taxation prior year	(8)	(32)
Foreign tax	320	123
	401	125

Dividends amounting to **R3 168m**. This is made up of AT Tier 1 capital interest of **R247m** and dividend income of **R2 921m**. In the current year the two amounts have been split to reflect them on separate lines.

16. Dividends per share

	Company 2023 Rm	2022 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(14 August 2023: 685 Cents per share (cps))** (15 August 2022: 650 cps)	6 126	5 510
Final dividend **(11 March 2024: 685 cps)** (13 March 2023: 650 cps)	6 126	5 510
	12 252	11 020
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2023: 28 250.30 Rands per note (rpn); 10 January 2022: 21 024.73 rpn	35	26
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: 31334.79 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; 05 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
05 December 2023: 31 413.80 rpn; 05 December 2022: 24 993.84 rpn	44	34
	899	609
Dividends paid to ordinary equity holders		
Final dividend **(24 April 2023: 650 cps)** (22 April 2022: 475 cps)	5 510	4 027
Interim dividend **(18 September 2023: 685 cps)** (19 September 2022: 650 cps)	6 126	5 510
	11 636	9 537

The Company's authorised and issued share capital increased on 1 September 2023 due to the B-BBEEE transaction. The total Rand value of the interim and final dividend declared to ordinary equity holders disclosed has been affected by this increase in ordinary shares. The dividend per share amount of 685 cps disclosed above will however remain unaffected. Refer to note 46 of the Group's financial statements for further details.

17. Related parties

Refer to note 46 of the Group's financial statements for the full disclosure of related-party transactions. In addition to this disclosure the following related party transactions and balances exist for the Company.

The related party transactions and balances entered into with subsidiaries are in the normal course of business, under terms that are no more favourable than those arranged with external parties to the group.

	Company	
	2023 Rm	2022 Rm
Balances and transactions with subsidiaries		
Debit amounts are shown as positive, credit amounts are shown as negative.		
Balances		
Loans and advances to banks	3 378	2 191
Investment securities	9 418	15 532
Loan to subsidiaries	20 322	13 266
Borrowed funds	(4 379)	(4 196)
Transactions		
Net interest income	(2 114)	(1 836)
Operating income	900	609
Dividends received	(10 693)	(10 094)

18. Risk management

In order to gain an understanding of the risk management framework applied by the Company please refer to note 60 of the Group's financial statements.

	Company	
Credit risk	2023 Gross maximum exposure – Stage 1 Rm	2022 Gross maximum exposure – Stage 1 Rm
Maximum exposure to credit risk		
Loans and advances	3 383	2 195
Investment securities	9 418	15 532
Other assets	31	28
Subsidiaries	20 370	13 315
	33 202	31 070

The gross loans and advances number for prior year was erroneously disclosed as net of ECL of -R4m and has been corrected to align to the gross loans and advances amount of R2 195m (previous disclosure R2 191m).

18. Risk management (continued)

Liquidity risk

Analysis of liquidity risk:

	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						
Investment securities	—	—	9 215	203	—	9 418
Other financial assets	1	—	—	—	—	1
Loans and advances	3 383	—	—	—	(5)	3 378
Trading portfolio assets	4					4
Loans to subsidiaries	237	3 498	16 288	347	(49)	20 321
Financial assets	3 625	3 498	25 503	550	(54)	33 122
Non-financial assets		—	—	—	—	63 322
Total assets						96 444
Liabilities						
Other financial liabilities	279	—	—	—	—	279
Loans from Absa Group Companies	47					47
Borrowed funds	209	3 496	19 427	306	—	23 438
Financial liabilities	535	3 496	19 427	306	—	23 764
Non-financial liabilities						53
Total liabilities						23 817
Equity						72 627
Total equity and liabilities						96 444
Net liquidity position of financial instruments	3 090	2	6 076	244	(54)	9 358

	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						
Investment securities	203	6 858	8 471	—	—	15 532
Other financial assets	2 195	—	—	—	—	2 195
Loans and advances	1	—	—	—	—	1
Loans to subsidiaries	117	1 676	11 190	332	(49)	13 266
Financial assets	2 516	8 534	19 661	332	(49)	30 994
Non-financial assets						62 508
Total assets						93 502
Liabilities						
Other financial liabilities	298	30	—	—	—	328
Borrowed funds	4 190	8 445	16 047	—	—	28 682
Financial liabilities	4 488	8 475	16 047	—	—	29 010
Non-financial liabilities						1
Total liabilities						29 011
Equity						64 491
Total equity and liabilities						93 502
Net liquidity position of financial instruments	(1 972)	59	3 614	332	(49)	1 984

18. Risk management (continued)

Liquidity risk (continued)

Analysis of risk:

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						
Other financial liabilities	279	—	—	—	—	279
Loans from Absa Group Companies	47	—	—	—	—	47
Borrowed funds	209	3 666	23 688	630	(4 755)	23 438
Total liabilities	535	3 666	23 688	630	(4 755)	23 764

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						
Other financial liabilities	298	30	—	—	1	329
Borrowed funds	4 190	8 707	20 337	—	(4 552)	28 682
Total liabilities	4 488	8 737	20 337	—	(4 551)	29 011

In 2022, the Company inadvertently disclosed the incorrect discount effect on borrowed funds. This has led to a restatement from R361 to R4 552.

19. Fair value disclosures

19.1 Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value and for which the fair value is not considered to approximate the carrying amount.

	Company 2023 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	9 418	9 964	—	—	9 964
Financial liabilities					
Borrowed funds	23 438	22 953	—	22 953	—

19. Fair value disclosures (continued)

19.1 Assets and 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	15 532	15 532	—	15 532	—
Financial liabilities					
Borrowed funds	28 682	28 682	—	28 682	—

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.

Loans and advances to banks, subsidiaries, other assets and other liabilities have a carrying amount that approximates the fair value and hence they have not been disclosed in this note however investment securities and borrowed funds have been disclosed for comparative purposes.

19.2 Assets and liabilities held at fair value

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

	Company							
	2023				2022			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Level 4 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Level 4 Rm
Financial assets								
Trading and hedging portfolio assets	—	4	—	4	—	—	—	—
Derivative assets	—	4	—	4	—	—	—	—
Foreign exchange derivatives	—	4	—	4	—	—	—	—
Total financial assets	—	4	—	4	—	—	—	—

20. Derivatives

Hedges of cash flow hedges in foreign operations

Cash flow hedges are used by the Company to protect against the potential risk arising from the Company's exposures to foreign currency risk in relation to its investment in foreign operations.

During the current reporting period, net loss of **R11m** (2022: R21m) have been recognised in other comprehensive income. Refer to note 56.8 of the Group's financial statements for IBOR disclosures in which the Company's borrowings are subject to.

21. 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.

22. Events after the reporting period

The directors are not aware of any events (as defined per IAS10 Events after the Reporting Period) that occurred after the reporting date of 31 December 2023 and the date of authorisation of these annual separate financial statements.

www.absa.africa

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