Absa Group Limited

Financial results for the reporting period ended
31 December 2023

Report overview

This financial results booklet for the reporting period ended 31 December 2023 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 11 March 2024. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the annual financial results presentation. The full set of documents is available on www.absa.africa.

Business portfolio changes

- Following the changes to the reportable segments made in 2022, some income and expense line items have been re-allocated between business units to more accurately represent the performance of those units.
- The reallocations described above resulted in adjustments to the related asset/liability line items. Specifically loans to and from group companies. These balances are included in 'other assets' and 'other liabilities'.
- 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.

Correction of prior period errors

The prior years' statements of financial position and statements of cash flow were adjusted for the following:

- The statements of financial position were adjusted by R750m to correctly account for mobile money wallets as part of 'other assets' rather than 'cash, cash balances and balances with central banks'.
- The statements of financial position were also adjusted by R1.6bn to account for a change in the methodology used to calculate settlement balances to more closely align with the JSE Strate system pertaining to the calculation of settlement balances.
- The statements of cash flow were adjusted to account for mobile money wallets as part of 'cash and cash equivalents'.
- Additionally, the statements of cash flow were adjusted by R3.7bn to include current accounts with other central banks as part of the calculation of 'cash and cash equivalents'.

The above restatements have no impact on the statement of comprehensive income, statement of changes in equity or any performance or prudential ratios. Refer to the reporting changes overview note for more information.

Adoption of new International Financial Reporting Standards (IFRS)

IFRS 17 has been adopted in the current reporting period. Refer to the reporting changes note for further information.

Financial director statement

These financial results for the reporting period ended 31 December 2023 were prepared by Absa Group Financial Control under the direction and supervision of the Interim Group Financial Director, C Snyman. Finance is led by the Interim Group Financial Director who reports directly to the Group Chief Executive, A Rautenbach.

The Interim Group Financial Director has regular unrestricted access to the Board of Directors as well as to the Group Audit and Compliance Committee (GACC). Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks, and establishing policies or processes to manage risk.

Board approval

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

Together with the GACC, the Board has reviewed and approved the financial results announcement released on 11 March 2024.

Absa Group Limited (1986/003934/06)

The term Absa Group or the Group refers to Absa Group Limited and its subsidiaries.

Financial results for the reporting period ended 31 December 2023. Date of publication: 11 March 2024.

These annual financial results were prepared by Absa Group Financial Control under the direction and supervision of the Interim Absa Group Limited Financial Director, C Snyman CA(SA).

Dividend per share
Final: 685 cents

Key dates
Dividend payment: 22 April 2024
Interim financial results announcement: 19 August 2024

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Icons used with this report

Positive Negative Unchanged

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

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The Absa Group today

Our purpose

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

Our story

We are a Pan-African financial services provider, united in a clear purpose. We live our purpose through our global operations and our presence across 16 countries. We believe in Africa's potential and are invested in creating, nurturing and protecting wealth and growth on our continent. We play an integral role in the economic lives of individuals, businesses and nations, while leading the way to a sustainable future.

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

Our market presence

We have a Pan-African footprint with banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, 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.
With a primary listing on the Johannesburg Stock Exchange and a secondary listing on A2X, we have ambition to be the leading Pan-African bank, by being a trusted advisor to our clients as we successfully overcome the complexities of a progressively challenging macroeconomic context.

Our core banking activities, products and services

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

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

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

2 Providing funds for purchases and growth

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

3 Managing business and financial risks

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

4 Providing financial and business support

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

5 Protecting against risks (insurance)

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

Our material scale

R146.4bn Market capitalisation	**>22.2%** Market share of retail assets in South Africa	**R1 340bn** Deposits
R1 321bn Gross loans and advances	**12.2 million** Customers	**1 010** Outlets
37 107 Employees	**3.8 million** Digitally-active customers	**6 410** ATMs

The Absa Group today

Our strategic journey

In recent years we have laid a strong foundation for growth, and will continue building on this, aligned to a consistent strategy. The momentum gained across our business has inspired us to raise our long-term ambition and accelerate our performance through our growth-led strategy.

We acknowledge that we operate in a volatile and uncertain environment, characterised by low economic growth, elevated inflation and interest rates, growing infrastructural challenges and skills shortages, to name a few. We are fully cognisant of these challenges and the increasing financial pressure on our clients, yet our sight remains on a brighter future; one where our bold decisions can make a difference.

Achieving our strategic ambition is a journey and we are set up to effectively navigate ongoing changes in our operating context. We have built the foundations of a clear purpose-led strategy, stable leadership, aligned culture and a well-established operating model off which to achieve our strategy. The positive momentum seen in our growing client base and number of digitally active customers, improved client experience, and the strength of our colleague franchise, serve as leading indicators for sustainable value creation.

Our Purpose is at the core of everything we do

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

To translate our beliefs into action, over the past year we have embedded our purpose of empowering Africa's tomorrow, together... one story at a time, as the cornerstone of our strategy, behaviours, and brand. We have brought our purpose to life through a cultural shift and our Outperformance ambition. Our strategic framework is inextricably linked to, and strongly aligned with, the Group's efforts to achieve this purpose.

Our aspiration is to be a leading Pan-African bank

Our aspiration is grounded in our long-term ambition to drive portfolio diversification, including focusing on segment opportunities, increasing the share of revenue from our ARO markets while still investing and growing our South African franchise. This is supported by our ambition to better serve our clients and drive operational excellence, resulting in a return on equity sustainably above 17%.

We are confident our strategy will enable us to deliver on our ambition, while allowing the flexibility to continuously respond to environmental shifts. We have weighed the uncertain operating environment, have a clear view of potential change scenarios and risks, and remain confident that our strategy is resilient and that we are nimble enough to respond as needed. Most importantly, our Purpose remains our cornerstone, guiding us in navigating the challenging situations that may arise.

We operate with a singular mindset

We understand the interconnectedness of our actions and are addressing all five strategic pillars collaboratively to achieve our purpose. Customer centricity and harmonised customer value management remain at the centre of all strategies.

A diverse franchise with deliberate, market landing growth

The primary partner for clients

As a Pan-African business, we offer our clients a universal banking service wherever they operate, allowing us to service and grow with their financial needs

A digitally powered business

Making banking part of customers' lives through our digital channels. Keeping our clients' money safe by maintaining stable and reliable systems to bank on

We use technology to reach new geographies and grow our diversification of NIR and capital lite revenue

A winning, talented and diverse team

Through technology we enable colleagues to have a digitally enabled way of working, as well as empower them to seamlessly serve our customers

Our colleagues bring empathy and the human touch to our customers to complement our digital offering

Our skills and experience enable us to develop state-of-the-art products and services and to chart new territories

An active force for good in everything we do

Our ethos of skills development and diversity for our colleagues, with a particular focus on women and youth, is mirrored in our selection of community projects

Our digital platforms enable financial inclusion while building digital skills for the future

We partner with our customers on their sustainability journeys so that no one is left behind in the just transition to net zero by 2050

The green economy provides opportunities to pursue growth and meet the evolving needs of clients and communities as we seek new propositions and services relevant to the green economy

The Absa Group today

A diversified franchise with deliberate, market-leading growth

We will tailor our approaches to our clients, grow in attractive segments and launch new products, allocate our capital sustainably and manage risk.

What we have achieved

- **29% ARO Group revenue contribution** (2022: 25%)
- **30% ARO Group earnings contribution** (2022: 13.5%)
- **52.1% Cost-to-income ratio, aligned to our medium term target of low 50's** (2022: 51.0%)
- **Acquisition of HSBC Mauritius' Wealth, Personal Banking and Business Banking businesses**[1]
- **Approval of a wholly foreign-owned enterprise (WFOE) permit** to provide general advisory services to clients based in **China**

Our strategic outlook

Being a truly Pan-African bank is vital to achieving our growth and scale ambitions. We see high-growth markets in Africa as an opportunity to grow boldly. This will reinforce our market-leading growth prospects and diversify revenue streams, while reducing market-specific risk and further improving Group efficiencies. Broadening our geographic franchise also directly aligns with our purpose, by supporting socioeconomic development and climate action in the region.

We are pursuing growth in existing markets by harnessing our brand and partnerships, as well as by close collaboration within our ecosystem. We are also expanding into attractive new markets. Our international corridors will continue to provide a gateway for expansion into Africa. This remains a key competitive advantage for the Group.

South Africa remains a strong platform from which we will achieve geographic diversification. We are committed to excelling in client centricity and will continue to focus on specific segment opportunities. This will include an increased focus on entry-level banking and bancassurance while continuing to leverage our strong position in home loans and vehicle finance.

The primary partner for our clients

We will understand their needs and meet them on every level. We will build a brand of which our people and clients can be proud.

What we have achieved

- **12.2 million customers** (2022: 11.7)
- **96 Customer experience index score** (2022: 81)
- **207% increase in sign-ups for our Rewards Programme**
- **>R1bn benefits** to customers as a result of our consumer pricing transformation
- **41.8% brand consideration** (2022: 38.7%)
- **Repositioned brand Promise – Your Story Matters**

Our strategic outlook

Being the primary banker for our clients and fulfilling their financial needs supports enduring customer loyalty and achieves higher revenue and profit per client segment. To promote primacy, we will continue to build brand affinity with clients and employees. We do this through brand investment, astute positioning and leveraging the power of our purpose and people. Enhancing our customers' experience through a wide range of digital solutions will build on our human-centred nature. Economic conditions are challenging for most customers, in business, as well as retail. Truly understanding our customers' needs allows us to deliver innovative solutions relevant to these challenging conditions aligned to our refreshed brand promise.

In our bid for primacy and building deeper relationships with our clients, we continue to pursue opportunities to build non-interest revenue. We will look to grow our strength in the agricultural sector and focus on alternative growth sectors such as energy and the informal sector, by offering market-leading value propositions. As a universal bank, we look to serve our clients across all segments from entry-level to wealth, small businesses to large corporates, through data-led propositions. This requires the full power of the Group's ecosystem with both a local presence and international representation supporting flows within, into, and out of the continent.

A digitally powered business

We will offer the best digital experience, use data as a strategic asset, and evolve continuously to create an agile organisation.

What we have achieved

- **17% Growth in digitally active clients – Group wide composite measure** (2022: 19%)
- **22% digital sales of overall SA retail sales** (2022: 15%)
- The Global Banking and Finance Review: **Best Digital Bank – South Africa**
- The Digital Banking, Middle East and Africa Retail Banking Innovation Awards: **Best Digital Banking Initiative, Best and Most Innovative Digital Banking and Best Self-Service Banking – Absa Mauritius**
- **Chat Wallet** proposition launched

Our strategic outlook

We aim to enhance agility, cost-competitiveness, customer value propositions and execution speed by becoming a digitally powered business with a complementary physical presence.

Absa continues to pursue opportunities to accelerate our digital transformation, supported by modern, agile technology. We are accelerating our digital adoption and transaction volumes on our digital platforms as we seek to make banking seamless for our clients. Embedding digital-first ways of working and innovating will deliver better client value propositions more rapidly and at lower cost.

We recognise the opportunities digital will unlock to drive efficiency and improved customer experience. In addition, new business models and partnerships with startups and large industry players to better serve our customers and employees may also become possible. We extract value from data using data insights and artificial intelligence (AI) to drive growth, improve efficiencies, deepen client understanding, increase client-centricity and develop relevant client value propositions.

Delivering on this requires the right digital talent, and we are hiring, training, and retaining outstanding talent, building skills for Absa and supporting skills development across the continent.

[1] Subject to regulatory approval and other conditions typical for a transfer of this nature.

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The Absa Group today

A winning, talented and diverse team

We will turn our culture into a competitive advantage, attract Africa's top talent and support and enable our people.

What we have achieved

- **R31.5bn** Economic value to employees (2022: R27.8bn)
- **Employee Net Promoter Score (eNPS) of 36%** (2022: 24%)
- **71.5** employee experience index score (2022: 68)
- **38.9%** women in leadership (2022: 37.9%)
- **95.4%** high-performer retention rate (2022: 94%)
- **Top Employer Africa 2024,** as rated by Forbes (103rd best employer in the world)
- **Launched the eKhaya employee share scheme** empowering **35 000 colleagues** to become shareholders

Our strategic outlook

As a business built on people, we are clear that our ability to outperform depends on building the right culture and organisational health. Our reputation as a great place to work assists Absa in attracting and retaining scarce and critical skills. Being a purpose-led organisation inspires pride in our employees and attracts like-minded prospective talent.

Our purpose is the foundation of our culture and ways of working, and we have made significant progress embedding this within our strategy, brand, values and supporting behaviours. Our culture fosters diversity, equity and inclusion, creating an empathetic and enabling working environment for all. We strive to simplify governance and improve the way we work, by distributing decision-making and fostering collaboration.

We offer a diverse range of benefits, including accelerated opportunities for talent to transfer across our franchise. We strive to be the 'home of Africa's talent', developing, rather than procuring most of our skills.

We set ambitious targets and use practical interventions to support our talent to outperform. We reward performance, and our incentive scorecards are aligned with metrics in the Group balanced scorecard to encourage long-term value creation and sustainability.

An active force for good in everything we do

We will work with our clients and communities in managing an orderly and just transition towards a more sustainable and equitable future. We will manage climate change and biodiversity risks and opportunities, make a difference to the societies in which we operate, ensure the highest standards of governance and ethics, and actively influence public policy and regulation.

What we have achieved

- **R42.6bn** sustainable linked financing (2022: R41.5bn)
- **Empowered over 26 000 youth** through our ready to work programme and provided financial education to **105 000** young people
- S&P Global ESG rating **93rd** percentile (2022: 89th)
- **Best Financial Institution Green Bond in EMEA and Best Green Bond in Africa** (EMEA Finance Achievement Awards 2023)
- **Bonds, Loans and ESG Capital Markets Africa 2024** winner in several categories, including Corporate Debt House of the Year, ESG Loan House of the Year, Bank Treasury and Funding Team of the Year

Our strategic outlook

Our purpose drives our actions, and we have set clear goals for the short, medium and long term to achieve measurable, material change in our communities and the environment.

We have selected three sustainability areas to invest in, believing that these are where we can make the most impact:

- To contribute to Africa's transition in a way that is just and fair for all. We will contribute meaningfully to climate-change mitigation and remain a leading player in sustainable finance transactions. We aim to demonstrate steady progress against an ambitious net-zero carbon target by 2050 set this year. As a Pan-African bank, we recognise the need to consider socioeconomic challenges in parallel with environmental threats within our context.
- We make intergenerational wealth creation accessible for all. We actively foster the financial inclusion of underserved groups, particularly women and youth, as we strive to make intergenerational wealth creation accessible through affordable housing mortgages, entry-level banking propositions, targeted SME programmes, and other initiatives.
- We enable all our people to bring their true selves to work and be a beacon of inclusion externally across the continent. We aim to serve as a model of inclusivity and diversity across the continent. This is targeted both at championing our employees and unlocking opportunities for our suppliers, clients, and communities.

We deliver on our ambitions within the context of the highest governance standards, ethics and accountability, a robust control environment and a vibrant culture that inspires us to do what is right.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended 31 December

Group normalised headline earnings of R20.9bn were largely flat on the prior year (up 1% on 2022: R20.7bn restated for IFRS 17) following an increase in SA consumer-facing impairments and the application of hyperinflation accounting to the results of the Ghana operation. This resulted in an ROE of **15.3%** which remains above cost of equity but reduced from the prior year (2022: 16.4%) as net asset value increased by 8%. Diversification across geography and business lines provided resilience to the Group results as stronger Africa regions results (up 124% to R6.2bn) was offset by lower SA earnings (down 18% to R14.7bn).

NIR of R36.6bn grew marginally (up 1%) following material non-recurring prior year items; underlying NIR increased by 4%. Net fee and commission income was up 2% (up 4% ex base effects of discontinued business), trading income (ex-hedging) reduced by 5% and includes losses incurred following dislocations in the Naira currency market during the fourth quarter, while net insurance revenues increased by 16%.

Pre-provision profits of R50.1bn grew 6% as revenue increased by 8% to R104.5bn and operating expenses increased by 10% to R54.5bn as the Group invested in staff, technology and marketing.

Impairment charges of R15.5bn increased by 13% as the reduction in prior year Ghana sovereign-debt impairments were more than offset by an increase in SA consumer-facing portfolios. This resulted in a credit loss ratio of **118bps** (2022: 96bps) which is above the upper-end of Group's through-the-cycle target range (75 – 100bps).

The normalised cost-to-income ratio increased slightly to **52.1%** (2022: 51.0%) following 2% negative operating JAWS and remains in the low-50's target range.

NII grew by 12% following an increase in net interest margin (2023: 4.66%; 2022: 4.56%) mainly from the ARO markets and robust loan and deposit growth of 8% and 9% respectively.

Group balance sheet remains strong with a CET 1 ratio of **12.5%** (2022: 12.8%) being at the upper end of the Board target range. The Group's liquidity position remains healthy, within risk appetite and above minimum regulatory requirements; namely NSFR of **118.1%** (2022: 113.4%) and LCR of **124.0%** (2022: 124.6%)

Impact of the application of hyperinflation accounting

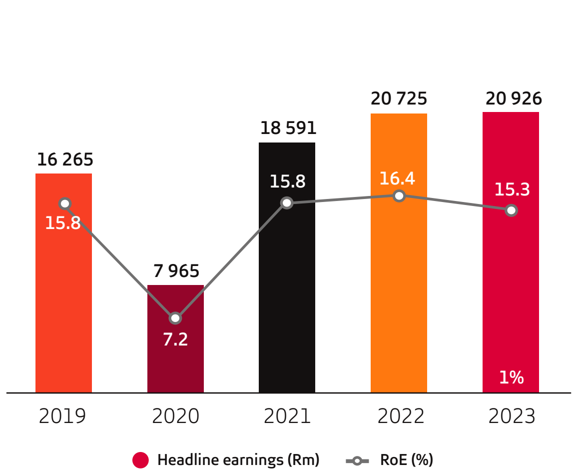
The Ghanaian economy was assessed to be hyperinflationary for the current reporting period, and hyperinflation accounting was applied for the year ended 31 December 2023. Accordingly, the results, cash flows and financial position of the Group's subsidiary, Absa Bank Ghana have been expressed in terms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

The application of hyperinflation accounting resulted in a reduction in the Group's profit after tax of R403 million, most notably as a result of the loss on net monetary position of R550 million. Furthermore, the Group's net asset value, at 31 December 2023 has increased by R412 million, after taking the above adjustments into account, due to the requirement to restate non-monetary assets and liabilities for the impact of inflation.

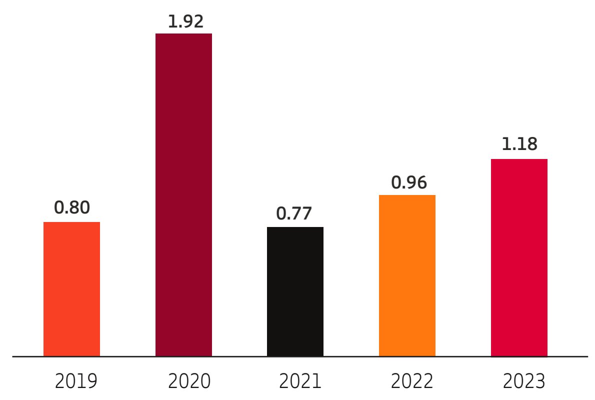
Normalised Group performance overview

for the reporting period ended 31 December

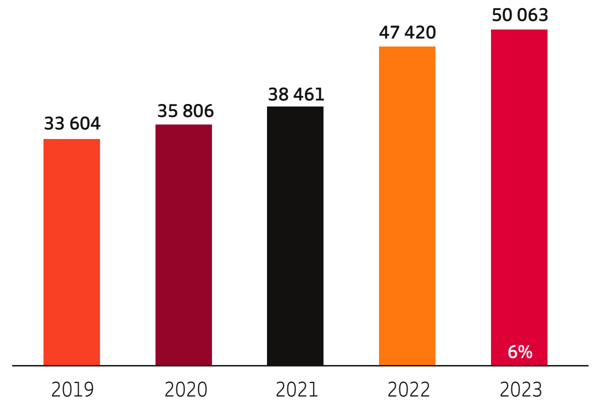
Headline earnings (Rm), RoE (%) and change (%)



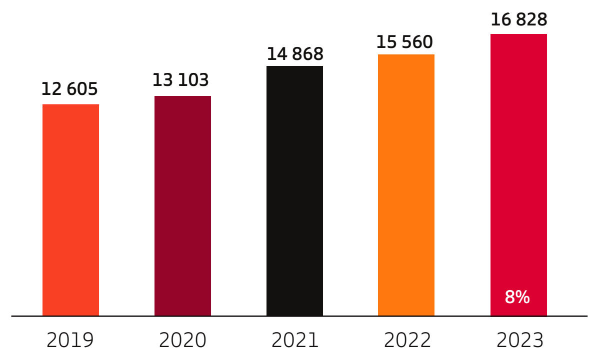
Credit loss ratio (%)



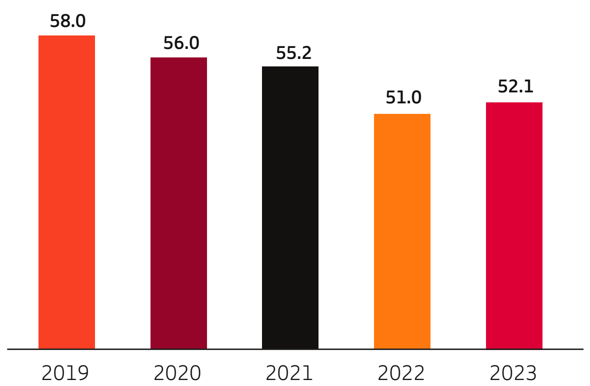
Pre-provision profit (Rm) and change (%)



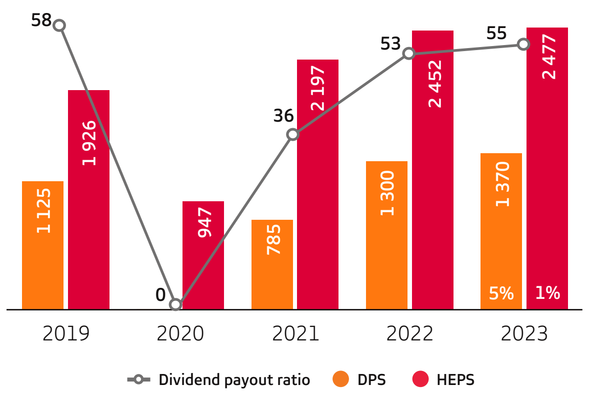
Net asset value (NAV) per ordinary share (cents) and change (%)



Cost-to-income ratio (%)



Headline earnings per share (cents), dividends per share (cents) and dividend payout ratio (%) and change (%)



Normalised Group performance overview

for the reporting period ended 31 December

	2023		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	68 055	(128)	67 927
Non-interest income	36 587	16	36 603
Total income	104 642	(112)	104 530
Credit impairment charges	(15 535)	—	(15 535)
Operating expenses	(55 704)	1 237	(54 467)
Other expenses	(3 353)	131	(3 222)
Share of post-tax results of associates and joint ventures	200	—	200
Operating profit before income tax	30 250	1 256	31 506
Tax expenses	(7 687)	(296)	(7 983)
Profit for the reporting period	22 563	960	23 523
Profit attributable to:			
Ordinary equity holders	19 891	930	20 821
Non-controlling interest – ordinary shares	1 400	30	1 430
Non-controlling interest – preference shares	373	—	373
Other equity – Additional Tier 1 capital	899	—	899
	22 563	960	23 523
Headline earnings	20 074	852	20 926
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.67	n/a	4.66
Credit loss ratio	1.18	n/a	1.18
Non-interest income as % of total income	35.0	n/a	35.0
Income growth	8	n/a	8
Operating expenses growth	10	n/a	10
Cost-to-income ratio	53.2	n/a	52.1
Effective tax rate	25.4	n/a	25.3
Statement of financial position (Rm)			
Loans and advances	1 271 357	—	1 271 357
Loans and advances to customers	1 196 986	—	1 196 986
Loans and advances to banks	74 371	—	74 371
Investment securities	236 498	—	236 498
Other assets	367 021	(1 113)	365 908
Total assets	1 874 876	(1 113)	1 873 763
Deposits	1 339 536	—	1 339 536
Deposits due to customers	1 215 331	—	1 215 331
Deposits due to banks	124 205	—	124 205
Debt securities in issue	211 128	—	211 128
Other liabilities	159 815	980	160 795
Total liabilities	1 710 479	980	1 711 459
Equity	164 397	(2 093)	162 304
Total equity and liabilities	1 874 876	(1 113)	1 873 763
Key performance ratios (%)			
Return on average assets (RoA)	1.07	n/a	1.11
Return on equity (RoE)	14.4	n/a	15.3
Capital adequacy	15.8	n/a	15.8
Common Equity Tier 1	12.5	n/a	12.5
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 415.1	n/a	2 470.0

Normalised Group performance overview

for the reporting period ended 31 December

	IFRS Group performance	2022 Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	60 498	(58)	60 440
Non-interest income	36 338	14	36 352
Total income	96 836	(44)	96 792
Credit impairment charges	(13 703)	—	(13 703)
Operating expenses	(50 474)	1 102	(49 372)
Other expenses	(2 440)	—	(2 440)
Share of post-tax results of associates and joint ventures	137	—	137
Operating profit before income tax	30 356	1 058	31 414
Tax expenses	(7 952)	(289)	(8 241)
Profit for the reporting period	22 404	769	23 173
Profit attributable to:			
Ordinary equity holders	20 265	751	21 016
Non-controlling interest – ordinary shares	1 264	18	1 282
Non-controlling interest – preference shares	266	—	266
Other equity – Additional Tier 1 capital	609	—	609
	22 404	769	23 173
Headline earnings	19 974	751	20 725
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.56	n/a	4.56
Credit loss ratio	0.96	n/a	0.96
Non-interest income as % of total income	37.5	n/a	37.6
Income growth	13	n/a	13
Operating expenses growth	4	n/a	4
Cost-to-income ratio	52.1	n/a	51.0
Effective tax rate	26.2	n/a	26.2
Statement of financial position (Rm)			
Loans and advances	1 213 399	—	1 213 399
Loans and advances to customers	1 109 829	—	1 109 829
Loans and advances to banks	103 570	—	103 570
Investment securities	215 637	—	215 637
Other assets	363 065	(2 298)	360 767
Total assets	1 792 101	(2 298)	1 789 803
Deposits	1 241 918	—	1 241 918
Deposits due to customers	1 113 281	—	1 113 281
Deposits due to banks	128 637	—	128 637
Debt securities in issue	205 519	—	205 519
Other liabilities	191 528	739	192 267
Total liabilities	1 638 965	739	1 639 704
Equity	153 136	(3 037)	150 099
Total equity and liabilities	1 792 101	(2 298)	1 789 803
Key performance ratios (%)			
Return on average assets (RoA)	1.2	n/a	1.2
Return on equity (RoE)	15.3	n/a	16.4
Capital adequacy	16.6	n/a	16.6
Common Equity Tier 1	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 430.1	n/a	2 438.5

Non-interest income, operating expenses, other expenses, tax expenses, other assets, other liabilities and equity have been restated due to the implementation of IFRS 17. Refer to the reporting changes overview note.

Normalised salient features

for the reporting period ended 31 December

	2023	2022	Change %
Statement of comprehensive income (Rm)			
Income	104 530	96 792	8
Operating expenses	(54 467)	(49 372)	10
Pre-provision profit	50 063	47 420	6
Credit impairments	(15 535)	(13 703)	13
Profit attributable to ordinary equity holders	20 821	21 016	(1)
Headline earnings	20 926	20 725	1
Statement of financial position			
Net asset value (NAV) (Rm)	142 210	131 249	8
Gross loans and advances (Rm)	1 320 923	1 258 288	5
Total assets (Rm)	1 873 763	1 789 803	5
Deposits (Rm)	1 339 536	1 241 918	8
Gross loans to deposits and debt securities ratio (%)	85.2	86.9	(2)
Average loans to deposits and debt securities ratio (%)	82.7	84.2	(2)
Financial performance (%)			
Return on equity (RoE)	15.3	16.4	
Return on average assets (RoA)	1.11	1.21	
Return on risk weighted assets (RoRWA)	2.05	2.16	
Stage 3 loans ratio on gross loans and advances	6.05	5.29	
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.66	4.56	
Credit loss ratio on gross loans and advances to customers and banks	1.18	0.96	
Non-interest income as percentage of total income	35.0	37.6	
Cost-to-income ratio	52.1	51.0	
JAWS	(2)	8	
Effective tax rate	25.3	26.2	
Share statistics (million)			
Number of ordinary shares in issue	894.4	847.8	
Number of ordinary shares in issue (excluding treasury shares)	845.1	843.5	
Weighted average number of ordinary shares in issue	844.7	845.4	
Diluted weighted average number of ordinary shares in issue	847.2	849.9	
Share statistics (cents)			
Basic earnings per ordinary share.	2 464.9	2 486.0	(1)
Diluted basic earnings per ordinary share.	2 457.6	2 472.8	(1)
Headline earnings per ordinary share.	2 477.3	2 451.5	1
Diluted headline earnings per ordinary share.	2 470.0	2 438.5	1
Dividend per ordinary share relating to income for the reporting period	1 370	1 300	5
NAV per ordinary share	16 828	15 560	8
Tangible NAV per ordinary share	15 211	14 266	7
Dividend payout ratio (%)	55	53	4
Capital adequacy (%)			
Absa Group Limited	15.8	16.6	
Absa Bank Limited	16.2	17.6	
Common Equity Tier 1 (%)			
Absa Group Limited	12.5	12.8	
Absa Bank Limited	11.9	12.5	

Balances have been restated due to implementation of IFRS 17. Refer to the reporting changes overview note.

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

Normalised salient features by segment

for the reporting period ended 31 December

	2023	2022	Change %
Headline earnings (Rm)			
Product Solutions Cluster	2 368	3 096	(24)
Everyday Banking	3 354	4 047	(17)
Relationship Banking	4 077	4 132	(1)
ARO RBB	1 510	1 191	27
CIB	11 033	9 006	23
Head Office, Treasury and other operations	(1 416)	(747)	90
Return on average RWA (%)			
Product Solutions Cluster	1.52	1.81	
Everyday Banking	3.00	3.76	
Relationship Banking	2.90	3.16	
ARO RBB	1.42	1.28	
CIB	2.83	2.50	
Return on regulatory capital (%)			
Product Solutions Cluster	10.5	14.2	
Everyday Banking	24.4	31.6	
Relationship Banking	25.5	27.9	
ARO RBB	11.2	10.9	
CIB	23.9	21.3	
Credit loss ratio (%)			
Product Solutions Cluster	0.99	0.65	
Everyday Banking	8.35	6.45	
Relationship Banking	0.56	0.45	
ARO RBB	1.84	1.64	
CIB	0.17	0.27	
Gross loans and advances (Rm)			
Product Solutions Cluster	433 796	416 409	4
Everyday Banking	94 740	90 674	4
Relationship Banking	151 426	140 918	7
ARO RBB	85 426	78 297	9
CIB	542 649	520 288	4
Head Office, Treasury and other operations	12 885	11 701	10
Deposits (Rm)			
Product Solutions Cluster	1 610	1 863	(14)
Everyday Banking	308 936	289 606	7
Relationship Banking	230 720	201 191	15
ARO RBB	121 002	110 714	9
CIB	512 059	499 609	2
Head Office, Treasury and other operations	165 209	138 935	19

Prior year 'Gross loans and advances' has been updated to reflect gross loans and advances to banks and customers.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Profit commentary

Absa Group discloses IFRS Accounting Standards (referred to as IFRS throughout this document) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the Group's normalised financial results for the current reporting period ended 31 December 2023 to the prior year ended 31 December 2022.

Salient features

- Diluted headline earnings per share (DHEPS) grew 1% to 2 470.0 cents from 2 438.5 cents.
- Declared an annual ordinary dividend of 1 370 cents per share, up 5% from 1 300 cents.
- Product Solutions Cluster (PSC's) headline earnings decreased 24% to R2 368m, Everyday Banking (EB's) headline earnings decreased 17% to R3 354m, Relationship Banking (RB's) headline earnings decreased 1% to R4 077m, while ARO RBB increased 27% to R1 510m and Corporate and Investment Bank's (CIB's) headline earnings grew 23% to R11 033m.
- Return on equity (RoE) declined to 15.3% from 16.4%.
- Revenue grew 8% to R104.5bn and operating expenses rose 10% to R54.5bn, producing a 52.1% cost-to-income ratio from 51.0%.
- Pre-provision profit grew 6% to R50.1bn from R47.4bn.
- Credit impairment charges rose 13% to R15.5bn, resulting in a 1.18% credit loss ratio from 0.96%.
- Group IFRS common equity tier 1 (CET 1) capital ratio decreased to 12.5% from 12.8%, although it remains well above regulatory requirements and at the top end of the Board's target range of 11.0% to 12.5%.
- Net asset value (NAV) per share grew 8% to 16 828 cents from 15 560 cents.

Normalised reporting

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

The normalised results are considered to be pro forma financial information in terms of the JSE Listings Requirements. The normalised results have been prepared for illustrative purposes only and, because of their nature, may not fairly present Absa Group's financial position and results of operations.

The directors are responsible for the normalised results which have been compiled in accordance with the JSE Listings Requirements.

KPMG's unmodified auditor's report on the normalised results is available on https://www.absa.africa/absaafrica/investor-relations/annual-reports/ and the following JSE cloud link: https://senspdf.jse.co.za/documents/2024/jse/isse/ABGE/FY23Result.pdf

Normalised results were adjusted for the following items: A revenue decrease of R112m (2022: R44m) comprising of a net interest income decrease of R128m (2022: R58m) and a non-interest income increase of R16m (2022: R14m); a reduction in operating expenses of R1 237m (2022: R1 102m) mainly relating to amortisation of R1 095m (2022: R910m) and depreciation of R112m (2022: R136m); and a R296m (2022: R289m) tax impact of the aforementioned items. In total, these adjustments added R852m (2022: R751m) to the Group's normalised headline earnings during the period. Normalisation occurs at a Group level and does not affect divisional disclosures.

The following additional normalised results have been presented:

- Treasury shares used in the calculation for headline earnings per ordinary share, basic earnings per ordinary share, and net asset value per ordinary share, are adjusted for the 15.9m separation Absa Group shares.
- Normalised return on equity, cost-to-income ratio, and net interest margin have been calculated in accordance with the definitions included in the glossary on page 174.

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

Basis of preparation of constant currency financial information

The constant currency (CCY) financial information presented in this section is considered to be pro forma financial information in terms of the JSE Listings Requirements.

Constant currency pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies. The CCY pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the CCY pro forma financial information, amounts denoted in foreign currencies for the current period and prior period have been converted to the presentation currency using the appropriate exchange rates as at 31 December 2022. The CCY pro forma financial information is the responsibility of the directors.

KPMG's unmodified auditor's report on the constant currency financial information is available on https://www.absa.africa/absaafrica/investor-relations/annual-reports/ and the following JSE cloud link: https://senspdf.jse.co.za/documents/2024/jse/isse/ABGE/FY23Result.pdf

Overview of results

The Group's headline earnings increased by 1% to R20 926m from R20 725m and DHEPS grew 1% to 2 470.0 cents from 2 438.5 cents. Dividends per share (DPS) increased 5% to 1 370 cents from 1 300 cents, a payout ratio of 55%. The Group's RoE declined to 15.3% from 16.4% and its return on average assets was 1.11% from 1.21%.

Revenue grew 8% to R104.5bn, with net interest income rising 12% to R67 927m and non-interest income increasing 1% to R36 603m. The Group's net interest margin on average interest-bearing assets improved to 4.66% from 4.56%, reflecting higher policy rates. Gross loans and advances grew 5% to R1 321bn, while deposits rose 8% to R1 340bn. With operating expenses increasing 10% to R54 467m, the cost-to-income ratio increased to 52.1% from 51.0%. Pre-provision profit grew 6% to R50 063m. Credit impairment charges increased 13% to R15 535m, resulting in a 1.18% credit loss ratio from 0.96%.

PSC's headline earnings decreased 24% to R2 368m from R3 096m, EB's headline earnings decreased 17% to R3 354m from R4 047m, and RB's headline earnings decreased 1% to R4 077m from R4 132m. ARO RBB's headline earnings increased 27% to R1 510m from R1 191m and CIB's headline earnings grew 23% to R11 033m from R9 006m. Head Office, Treasury and other operations' loss increased to R1 416m from R747m.

Profit commentary

Overview of results (continued)

On a geographic basis, headline earnings in South Africa (SA) decreased 18% to R14 676m from R17 933m, while Africa regions grew 124% to R6 250m from R2 792m.

The Group's insurance businesses have applied the IFRS 17 Insurance Contracts standard from 1 January 2023. The comparative 2022 financial results were therefore retrospectively restated, resulting in reductions in non-interest income from R38.4bn to R36.4bn and operating expenses from R50.9bn to R49.4bn, with the net impact a 1% decrease in the Group's FY22 normalised headline earnings. The Group's total equity as at 1 January 2022 increased by R1 013m on transition of IFRS 17.

Operating environment

The global, regional, and domestic environments entered 2023 on an uncertain footing. At the outset of the year, very high inflation prompted global central banks to continue increasing policy rates, though fears of a sharp economic slowdown were moderated by continued stronger than expected labour indicators and financial markets. The failure of several regional banks in the US and one very large bank in Europe raised new market concerns over potential financial sector fragility.

During 2023 the South African economy faced this difficult external environment and the debilitating impact of sharply heightened electricity loadshedding and significantly weaker performance in key transport infrastructure.

South Africa is likely to have avoided recession in 2023, albeit with economic growth that averaged 0.6%, well below the 1.9% in 2022. Infrastructure-intensive sectors, like mining and manufacturing, remain under pressure, while a further 125bps in interest rate rises through May further impacted interest-sensitive sectors, particularly consumer-focused businesses. Positively, headline inflation fell from a mid-2022 peak of 7.8% to below 6% by mid-year, and subsequently oscillated in the top-half of the central bank's target band.

Across our ARO presence countries, the tight global financial conditions, still high cost of living, significant fiscal constraints and volatile weather conditions continued to weigh on economic activity. Debt sustainability remained a key focus in some large markets, while foreign currency scarcity was a particular challenge for several countries.

Economic performance varied across the markets, with East African economies generally continuing to fare best. On a GDP-weighted basis we now believe that real GDP in our ARO countries grew 4.3% in 2023, about half a percentage point lower than in 2022, although well above South Africa's low growth.

Group performance

Statement of financial position

Total assets increased 5% to R1 874bn from R1 790bn, driven by 5% growth in net loans and advances to customers and 10% higher investment securities.

Loans and advances

Total net loans and advances grew 5%, or 5% in constant currency (CCY), to R1 271bn, given 8% growth in loans and advances to customers to R1 197bn, while loans and advances to banks fell 28% to R74bn. PSC's net loans and advances to customers rose 4% to R415bn, as Home Loans grew 3% to R302bn and Vehicle and Asset Finance increased 6% to R113bn. EB's net loans and advances to customers grew 7% to R72bn, with Cards up 8% to R47bn and Personal Loans rising 3% to R21bn. RB's net loans and advances to customers grew 8% to R146bn, driven by strong growth in Commercial Asset Finance. ARO RBB's net loans and advances to customers grew 9% to R79bn or 13% in CCY, driven by growth in retail and commercial lending. CIB's net loans and advances to customers increased 12% to R484bn or 13% in CCY. CIB SA's net loans and advances to customers grew 11% to R402bn, with foreign currency loans and commercial property finance both increasing 12%, a 4% rise in term loans and 44% higher reverse repurchase agreements. CIB ARO's net loans and advances to customers grew 19% to R82bn or 21% in CCY.

Funding

Total deposits rose 8% to R1 340bn from R1 242bn, with deposits due to customers up 9%, or 10% in CCY, to R1 215bn. Total deposits due to banks declined 3% to R124bn. Excluding 7% lower reverse repurchase agreements, total deposits increased 9% to R1 258bn. Total deposits constituted 86% of Group funding.

EB's customer deposits grew 7% to R309bn, with fixed deposits up 13% to R85bn and savings and transmission deposits 9% higher to R158bn, while cheque account deposits declined 4% to R35bn. RB's customer deposits rose 15% to R231bn, as savings and transmission deposits grew 15% to R92bn and fixed deposits increased 60% to R40bn to outweigh flat cheque account deposits. ARO RBB's customer deposits grew 10%, or 14% in CCY, to R121bn driven by transactional deposits and investment products. Total CIB's deposits increased 2%, or 3% in CCY, to R512bn, with customer deposits up 7% to R435bn, while bank deposits fell 16%. Average CIB customer deposits were 10% higher. CIB SA's deposits due to customers grew 3% to R327bn, or 6% excluding repurchase agreements. CIB ARO's deposits due to customers rose 21% to R107bn, or 22% in CCY, with growth across all markets.

Net asset value

The Group's NAV increased 8% to R142bn and NAV per share grew 8% to 16 828 cents. During 2023, the Group generated retained earnings of R21bn and paid dividends of R11bn.

Capital to RWAs

Group RWAs grew 5% to R1 058bn due largely to 5% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group CET 1 ratio decreased to 12.5% from 12.8%, although it remains at top end of the Board target range of 11.0% to 12.5%. The Group Tier 1 ratio declined slightly to 14.2%, while the total capital adequacy ratio decreased to 15.8% from 16.6%.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Net interest income

Net interest income increased 12% and 12% in CCY, to R67 927m from R60 440m, while average interest-bearing assets grew 10%. The Group's net interest margin improved to 4.66% from 4.56%, mainly due to higher policy rates. Africa regions' net interest margin increased to 7.55% from 6.70%, while South Africa reduced to 3.94% from 4.05%.

Loan margins improved by 2bps, as the favourable composition impact (largely due to slower Home Loans growth) outweighed lower loan pricing in ARO retail given fixed rate personal loans.

Deposit margins widened by 22bps, largely due to the impact of higher policy rates largely in Africa regions, an SA endowment benefit before hedging which offset faster growth in wholesale funding that was negative for composition. Higher rates and growth in South African equity endowment balances added a further 10bps to the overall margin before hedging. Similarly, Absa regional operations equity endowment also contributed 2bps to the Group margin. The structural hedge released a R1 588m charge to the income statement, 23bps less than the R1 606m benefit in 2022. The after-tax cash flow hedging reserve relating to the programme reflected a debit balance of R1.4bn as at 31 December 2023, from a debit of R3bn at 31 December 2022. The impact of total endowment after hedging in South Africa year-on-year was minus 3bps, as slower growth of endowment balances versus interest-bearing assets (-6bps) offset the higher rate earned on the hedging programme.

Non-interest income

Non-interest income increased 1%, or 0% in CCY, to R36 603m from R36 352m to account for 35% of Group revenue from 37.6%. The previous period included a R759m profit on sale of the investment management business, a non-headline item and a litigation recovery in CIB and an insurance recovery in Everyday Banking.

Net fee and commission income grew 2% to R24 971m, representing 68% of total non-interest income. Within this, transactional fees and commissions increased 4%, with cheque accounts and credit card fees up 5% and 9% respectively, while electronic banking fees increased 5%, partially offset by the investment management business fees in the base. Merchant income rose 5%, reflecting increased volumes. ARO RBB's net fees were up 17% following growth in customer numbers and CIB increased by 16% mainly in Corporate Banking. EB's fee income was flat, reflecting migration to digital channels and price reductions that offset growth in transactional activity and customers and RB's fees reduced by 3% mainly from lower acquiring fees.

Net trading income, excluding the impact of hedge accounting, decreased 5% to R7 260m. Global Markets income declined 3%, down 4% in CCY, to R7 324m, largely due to dislocations in foreign currency markets, particularly the Naira, largely in December. Markets SA decreased 15%, while Markets ARO grew 11%, or 10% in CCY. Total insurance revenue grew 16%, or 14% in CCY, with the largest component SA Insurance up 17% reflecting an increase in Contractual Service Margin and risk adjustment releases. Net life insurance premiums in South Africa grew 10% and short-term insurance premiums grew 8%.

Credit impairment charges

Credit impairment charges grew 13%, or 13% in CCY, to R15 535m from R13 703m, largely due to higher credit charges in the South African retail lending portfolios, given increased interest rates and inflationary pressures. South Africa's prime rate of 11.75% at 31 December 2023 was 125bps higher than at 31 December 2022 and 475bps above the bottom of the rate cycle from mid-2020 to late 2021. The credit loss ratio increased from 96bps to 118bps, exceeding the Group's through-the-cycle target range of 75 to 100bps. The second half credit loss ratio improved to 109bps from 127bps in the first half. Non-performing loans (NPLs) increased to 6.05% of total gross loans and advances from 5.29% (and 5.82% at 30 June 2023), due to elevated inflows into later stage delinquencies in the South African retail portfolios. NPLs grew 20% to R80bn from R67bn as PSC's NPLs increased from R29.6bn to R38.8bn and EB NPLs increased from R11.7bn to R14.7bn. NPL coverage decreased to 45.0% from 46.1%, reflecting a younger mix of stage 3 accounts. Stage 1 coverage reduced to 0.66% from 0.70% due to macroeconomic variable refreshes across the retail portfolio in South Africa, loan growth and higher quality new business origination. Total Group coverage increased to 4.1% from 3.9%, given the higher proportion of NPLs.

PSC's credit impairments grew 64% to R4 231m from R2 586m, increasing its credit loss ratio to 0.99% from 0.65% but down from 1.11% in the first half. Within this, Home Loans rose 160% to R1 789m, resulting in a credit loss ratio of 0.58% from 0.24%. Vehicle and Asset Finance's credit impairments grew 29% to R2 442m, resulting in a 2.08% credit loss ratio from 1.76%. Both reflected increased delinquencies, sustained pressure on the legal book and inflows into debt review, while early arrears stabilised.

EB's credit impairments grew 36% to R7 851m from R5 775m, resulting in a 8.35% credit loss ratio from 6.45% but down from 9.22% in the first half. The increase was due to elevated roll rates into late delinquency cycles, although proactive risk management and collection measures mitigated the downside impact. Card credit impairments rose 49% to R4 316m, resulting in an 7.82% credit loss ratio from 5.75%. Personal Loans credit impairments increased 16% to R2 828m, resulting in an 10.58% credit loss ratio from 10.20%.

RB's credit impairments grew 33% to R822m, increasing its credit loss ratio from 0.45% to 0.56%, which is within its through-the-cycle range. The increase reflects model enhancements in 2022 and higher single name charges in 2023.

ARO RBB's credit impairments increased 30%, or 35% in CCY, to R1 540m, and its credit loss ratio rose from 1.64% to 1.84%, which remains below its through-the-cycle range. Its charge reflects higher retail credit impairments in certain markets and increased single name charges in Business Banking.

CIB's credit impairments fell 45%, or 47% in CCY, to R764m from R1 378m, resulting in a credit loss ratio of 0.17%, below its through-the-cycle range, from 0.27%. The 2022 base included a large credit impairment relating to Ghana. CIB South Africa credit impairments doubled to R846m, resulting in a 0.22% credit loss ratio from 0.12%. The increase was largely due to higher single name provisions and a net release on the performing book in the base. CIB ARO credit impairments reduced from R954m to a reversal of R82m, producing a credit loss ratio of -0.06%, primarily due to reduced performing book charges.

Head Office credit impairments reduced to R327m from R2 164m in 2022, which included a significant Ghana sovereign impairment charge.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Operating expenses

Operating expenses grew 10%, or 10% in CCY, to R54 467m from R49 372m, increasing the Group's cost-to-income ratio to 52.1% from 51.0%. Staff costs rose 13% to R31 515m, accounting for 58% of total operating expenses, reflecting salary increases and people investments. Staff numbers grew 5% to 37 107, predominantly in frontline business areas. Bonuses grew 9% given a slightly lower incentive pool offset by a prior year under-accrual and lower deferrals. The Group's Black Economic Empowerment transaction added R241m to operating costs in the second half.

Non-staff costs grew 7%, or 6% in CCY, to R22 952m. IT costs increased 9% to R6 028m, due to further investment in digital platforms and increased cybersecurity spend. Amortisation of intangible assets rose 2% to R1 701m, given continued investment in digital, automation and data capabilities. Total IT spend, including staff, amortisation, and depreciation, increased 6% to R13 437m, or 25% of Group expenses.

Marketing costs rose 18%, given higher brand campaigns and sponsorship spend. Equipment costs grew 32%, due largely to increased power costs because of loadshedding in South Africa.

Depreciation declined 3%, from reduced utilisation of physical IT infrastructure and further optimisation of the corporate and retail property footprint. Professional fees decreased 3%, due to using external resources less on strategic projects. Cash transportation costs increased 3%, as growth outside South Africa offset reduced merchant cash volumes in South Africa due to the migration to digital banking and increased cash recycling. Other operating costs increased 38% given higher fraud and operational losses, plus increased business travel.

Other expenses

Other expenses increased 32% to R3 222m, largely due to a R550m loss on net monetary position, as the Group applied the IFRS requirements for entities operating in a hyperinflationary economy to the results of Absa Bank Ghana in 2023. The full impact was taken in the second half of 2023, reducing headline earnings by R403m.

Taxation

The Group's taxation expense fell 3%, or 2% in CCY, to R7 983m from R8 241m, given the lower corporate tax rate in South Africa and a higher proportion of exempt income, resulting in an effective tax rate of 25.3% from 26.2%.

Segment performance

Product Solutions Cluster

Headline earnings decreased 24% to R2 368m, as credit impairments increased 64% to R4 231m, resulting in a 0.99% credit loss ratio from 0.65%. Pre-provision profit grew 9% to R7 854m. Revenue rose 5% to R13 652m, driven by 15% higher non-interest income, with Insurance SA up 17%. Net interest income increased 1%, below the 4% growth in customer loans, given competitive pressure on Home Loans new business margins and higher interest in suspense. Operating expenses grew 1% to R5 798m, resulting in a 42.5% cost-to-income ratio from 44.3%. PSC generated a return on regulatory capital (RoRC) of 10.5% from 14.2% and contributed 11% of Group headline earnings excluding Head Office, Treasury and other operations.

Within PSC, Home Loans headline earnings fell 36% to R1 336m, as credit impairments increased 160% to R1 789m. Home Loans pre-provision profits grew 2%, on 1% revenue growth and flat operating expenses. Vehicle and Asset Finance headline earnings decreased 48% to R236m, as 29% higher credit impairments outweighed 12% growth in pre-provision profits. Insurance SA earnings grew 13% to R1 194m, with profit for the period for Life Insurance up 14% to R996m, driven by 22% revenue growth partly offset by higher technology costs and amortisation. Non-Life Insurance profit for the period increased 7% to R192m, as revenue grew 6% to outweigh higher claims.

Everyday Banking

Headline earnings decreased 17% to R3 354m, as higher credit impairments offset 7% growth in pre-provision profit to R13 296m. Revenue increased 6% to R28 049m, driven by 11% net interest income growth due to 7% growth in customer loans and 7% higher customer deposits, plus wider loan margins. Non-interest income was flat, as migration to digital channels and targeted pricing reductions offset growth in customers and transactional activity. Operating expenses grew 5% to R14 753m, resulting in a 52.6% cost-to-income ratio from 53.0%. Credit impairments rose 36% to R7 851m, producing an 8.35% credit loss ratio from 6.45%, reflecting elevated roll rates in late stage delinquencies. EB generated a RoRC of 24.4% from 31.6% and contributed 15% of Group headline earnings excluding Head Office, Treasury and other operations.

Within EB, Transactions and Deposits headline earnings decreased 5% to R3 434m, due to 3% lower pre-provision profit and 61% higher credit impairments. Card headline earnings declined 56% to R369m, as credit impairments rose 49% to outweigh 16% higher pre-provision profit on the back of 12% revenue growth. Despite 14% higher pre-provision profit, Personal Loans' headline earnings loss increased 27% to R98m, due to 16% higher credit impairments.

Profit commentary

Segment performance (continued)

Relationship Banking

Headline earnings declined 1% to R4 077m, as credit impairments grew 33% to R822m, due to higher single name charges. Pre-provision profit grew 1% to R6 757m. Revenue rose 5% to R15 212m, driven by 8% higher net interest income, in line with 8% customer loan growth, while deposits increased 15%. Non-interest income grew 1%, reflecting 4% growth in digital revenue, offset by 7% lower cash volumes and 11% lower acquiring revenue. Operating expenses grew 9% to R8 455m, producing a 55.6% cost-to-income ratio from 53.7%. The cost increase was driven by frontline staff hires in SME and higher investment spend on digital. RB generated a RoRC of 25.5% from 27.9% and contributed 18% of Group headline earnings excluding Head Office, Treasury and other operations.

Absa Regional Operations – Retail and Business Banking

Headline earnings increased 27%, or 31% in CCY, to R1 510m, largely due to 27% higher pre-provision profit of R5 415m. Revenue grew 18%, or 18% in CCY, to R16 282m. Net interest income rose 21%, or 22% in CCY, on 9% customer loan growth and 10% deposit growth, plus wider margins due to higher policy rates in key markets. Non-interest income increased 12%, or 10% in CCY, reflecting 16% growth in active customers and 24% higher foreign currency revenue. Costs grew 15%, or 13% in CCY, to R10 867m, resulting in a cost-to-income ratio of 66.7% from 69.0%. Credit impairments increased 30%, or 35% in CCY, resulting in a 1.84% credit loss ratio from 1.64%. ARO RBB generated a RoRC of 11.2% from 10.9% and contributed 7% of Group headline earnings excluding Head Office, Treasury and other operations.

Corporate and Investment Bank

Headline earnings rose 23%, or 22% in CCY, to R11 033m, driven by 13% higher pre-provision profit to R16 186m. Revenue increased 12%, or 11% in CCY, to R29 864m. Net interest income grew 19%, or 18% in CCY, driven by average customer advances and deposits up 12% and 10% respectively, together with an improved net interest margin mainly in Corporate. Non-interest income was flat, down 1% in CCY, as lower trading revenue in South Africa and the non-recurrence of a litigation recovery in 2022 offset increased volumes in Transactions and Trade Finance, 11% higher ARO Global Markets revenue and positive revaluations in non-core Private Equity and Infrastructure Investments. Operating expenses rose 10%, or 9% in CCY, to R13 678m, resulting in a cost-to-income ratio of 45.8% from 46.5%. The growth reflected increased investment spend and inflationary pressure across key markets. Credit impairments fell 45%, or 47% in CCY, improving the credit loss ratio to 0.17% from 0.27%, as net releases in ARO, particularly in the performing book, outweighed a higher charge in South Africa. CIB contributed 49% of Group headline earnings, excluding Head Office, Treasury and other operations. It produced a 23.9% RoRC from 21.3%.

Within CIB, Corporate Bank headline earnings grew 30% to R4 293m, as revenue-driven pre-provision profit increased by 27% and credit impairments declined 10%. Investment Bank earnings rose 18% to R6 740m, mostly due to 61% lower credit impairments plus 5% higher pre-provision profit.

CIB SA headline earnings grew 3% to R6 304m, driven by 4% pre-provision profit growth and lower taxes, which offset 100% higher credit impairments. CIB ARO headline earnings rose 63%, or 63% in CCY, to R4 729m, reflecting 26% growth in pre-provision profit and a net release in credit impairments.

Head Office, Treasury and other operations

Headline earnings reduced to a loss of R1 416m from a loss of R747m. Impairment charges mainly relating to Ghana sovereign impairments reduced to R327m from R2 164m in 2022. Hyperinflation accounting in Ghana reduced Head Office earnings by R403m, while costs related to the Group's Broad-Based Black Economic Empowerment transaction implemented during 2023 amounted to circa R200m post-tax. Increased cost of funds and a lower reset benefit in Treasury South Africa were also a drag. Head Office also included the investment management business for eleven months of 2022 (a R152m profit).

Geographic split

South Africa

Headline earnings decreased 18% to R14 676m, as credit impairments increased 45% to R13 761m and pre-provision profit decreased 3% to R35 544m. Revenue grew 2% to R73 799m, constituting 71% of Group revenue. Net interest income rose 6%, given 9% growth in interest-bearing assets, partially offset by a decline in net interest margin. Non-interest revenue declined 4% to R27 248m, as lower Markets trading revenue and non-recurring items in 2022 such as the profit on sale of the investment management business and a litigation recovery offset strong SA Insurance growth. Operating expenses rose 8% to R38 255m, resulting in a 51.8% cost-to-income ratio from 49.1%. The credit loss ratio increased to 1.25% from 0.92%, largely due to the impact of higher policy rates and inflationary pressures on retail customers. South Africa contributed 70% of Group earnings and its RoRC reduced to 16.1% from 20.7%.

Africa regions

Headline earnings increased 124% to R6 250m. Pre-provision profit grew 37% to R14 519m, as revenue increased 26%, or 25% in CCY, to R30 731m. Net interest income grew 30%, and 30% in CCY, with 14% customer loan growth and improved margins, given higher policy rates in most countries. Non-interest income rose 16%, or 14% in CCY, with CIB ARO and ARO RBB both increasing 12%, or 10% in CCY. Operating expenses rose 17%, or 15% in CCY, to R16 212m, producing a 52.8% cost-to-income ratio from 56.6%. Credit impairments decreased 58%, or 59% in CCY, to R1 774m, improving its credit loss ratio to 0.80% from 1.22%. Africa regions contributed 30% of Group earnings and its RoRC improved to 19.0% from 10.2%.

Profit commentary

Prospects

The economic environment remains very uncertain, with continued geopolitical tensions and the volatility that comes with a very heavy global election calendar in 2024. For the global economy, softer inflation should provide space for central banks to signal a turn in the rate cycle, though any reductions are likely to be delivered slowly and markets remain sensitive to both upside and downside surprises to inflation and economic growth.

For South Africa, we expect the economy to grow by 1.1% in 2024. Infrastructure shortfalls, both electricity and transport-related, remain a significant risk for the economy for the foreseeable future, while there is clear evidence that the higher interest rate environment is placing significant pressure on many consumer-facing sectors.

Helpfully, headline inflation is expected to moderate towards the mid-point of the central bank's target band in the latter part of the year. We believe that the current policy rate is the peak for this cycle and that the South African Reserve Bank is likely to be in a position to deliver a measured pace of cuts beginning in the second half of 2024.

We forecast that GDP-weighted growth for the ARO presence countries will rise to 4.8% in 2024, led by East African markets. Ongoing infrastructure investment, strong multilateral support, and expectations of improving demand as the interest rate cycle turns more favourable are likely to underpin growth even as foreign currency scarcity in several markets is expected to improve only slowly.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic, or regulatory developments, our guidance for 2024 is as follows:

We will no longer normalise for the separation from Barclays PLC in 2024. Consequently, our guidance is relative to the 2023 IFRS financials rather than the normalised figures. We expect a 2024 earnings reduction from remaining Separation balances of c. R300m.

We expect high single digit revenue growth, driven by both net interest income and non-interest income growth, with slower year-on-year revenue growth in the first half given a high 1H23 base.

We expect high single digit growth in customer loans and customer deposits.

Reflecting higher average policy rates, our credit loss ratio is likely to remain above our through-the-cycle target range of 75 to 100 basis points, but improve slightly year-on-year. We expect elevated first half credit impairments, with a credit loss ratio similar to 1H23's 127bps, although the second half is likely to improve to the top of our target range.

We expect mid- to high single digit operating expense growth, resulting in an improved cost-to-income ratio from 2023's 53.2%. As a result, we expect high single digit pre-provision profit growth.

We expect to apply hyperinflation accounting in Ghana again, with a somewhat larger earnings impact than 2023.

Consequently, we expect to generate an RoE of 15% to 16% in 2024, with the first half RoE below this range.

Lastly, our Group CET 1 capital ratio is expected to end 2024 in the top half of the Board target range of 11.0% to 12.5%. We expect to maintain a dividend payout ratio of around 55%.

Given material base effects in 2023, we expect elevated credit impairments, plus slower revenue and pre-provision profit growth in the first half to dampen first half earnings growth off a relatively high 1H23 base. Conversely, we expect higher second half revenue growth to support stronger pre-provision profit growth that, combined with a lower credit loss ratio, should support better second half earnings growth versus a relatively low 2H23 base.

In terms of medium-term guidance, we still aim to achieve a cost-to-income ratio in the low 50s and an RoE above 17% on a sustainable basis from 2026.

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

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Basis of presentation

IFRS reporting

The Group's financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the 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 Companies Act.

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

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

Normalised reporting

Given the process of separating from Barclays PLC, the Group has reported IFRS-compliant financial results as well as a normalised view. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance. Normalised results are adjusted for the following items: interest earned on the remaining capital invested; non-interest income; operating expenses mainly relating to amortisation and depreciation; recovery of other operating expenses and the tax impact of the aforementioned items. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

As previously reported, the Group intends to stop issuing normalised financial results from the 2024 financial year as the impact is expected to be immaterial.

Accounting policies

The accounting policies applied in preparing the Group's financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2023.

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 financial results are prepared on a going concern basis.

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 financial results of the Group.

- 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.

  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 the reporting changes note on page 131 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, 15% tax rate. The amendments will introduce:
  - A temporary exception – to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help ensure consistency in the financial statements while easing the implementation of the rules; and
  - Targeted disclosure requirements – to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Basis of presentation

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

The above amendments are effective in the current financial year but had no impact on the Group's financial results with the exception of the adoption of IFRS 17.

- **Amendments to IAS 21 –** *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.

New standards and interpretations not yet adopted

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

- **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.

- **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.

Events after the reporting period

The Board of Directors are not aware of any events, as defined per IAS 10 *Events after the Reporting Period*, between the reporting date of 31 December 2023 and the date of authorisation of these financial results.

On behalf of the Board

S Moloko
Group Chairman

C Snyman
Interim Group Financial Director

Johannesburg
10 March 2024

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Dividend announcement

Declaration of ordinary dividend number 73

Shareholders are advised that an ordinary dividend of 685 cents per ordinary share was declared on 11 March 2024, for the reporting period ended 31 December 2023. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 19 April 2024. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution, and for the next 12 months.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is 20%.
- The gross local dividend amount is 685 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 548 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 894 376 907 ordinary shares in issue (includes 65 322 253 treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 16 April 2024
Shares commence trading ex-dividend	Wednesday, 17 April 2024
Record date	Friday, 19 April 2024
Payment date	Monday, 22 April 2024

Share certificates may not be dematerialised or rematerialised between 17 April 2024 and 19 April 2024, both dates inclusive. On 22 April 2024, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on 22 April 2024.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
11 March 2024

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

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	Note	2023 Rm	Restated 2022 Rm	Change %
Net interest income	2	67 927	60 440	12
Interest and similar income		154 462	112 232	38
Effective interest income		151 693	110 315	38
Other interest income		2 769	1 917	44
Interest expense and similar charges		(86 535)	(51 792)	67
Non-interest income	3	36 603	36 352	1
Net fee and commission income		24 971	24 504	2
Fee and commission income	3.1	28 214	27 546	2
Fee and commission expense	3.1	(3 243)	(3 042)	7
Insurance service result		1 998	2 003	(0)
Insurance revenue	3.2	11 585	10 136	14
Insurance service expenses		(8 913)	(7 940)	12
Net expense from reinsurance contracts		(674)	(193)	>100
Net finance expense from insurance contracts		(150)	(63)	>100
Net finance expense from reinsurance contracts		(4)	(7)	(43)
Changes in investment contract liabilities		(1 443)	1 186	<(100)
Gains and losses from banking and trading activities	3.3	8 081	7 728	5
Gains and losses from investment activities	3.4	2 642	(532)	<(100)
Other operating income	3.5	508	1 533	(67)
Total income		104 530	96 792	8
Credit impairment charges	4	(15 535)	(13 703)	13
Operating income before operating expenditure		88 995	83 089	7
Operating expenditure	5	(54 467)	(49 372)	10
Other expenses		(3 222)	(2 440)	32
Other impairments		(350)	(591)	(41)
Indirect taxation	6	(2 322)	(1 849)	26
Loss on net monetary position		(550)	—	100
Share of post-tax results of associates and joint ventures		200	137	46
Operating profit before income tax		31 506	31 414	0
Taxation expense	7	(7 983)	(8 241)	(3)
Profit for the reporting period		23 523	23 173	2
Profit attributable to:				
Ordinary equity holders		20 821	21 016	(1)
Non-controlling interest – ordinary shares		1 430	1 282	12
Non-controlling interest – preference shares		373	266	40
Other equity – Additional Tier 1 capital		899	609	48
		23 523	23 173	2
Earnings per share:				
Basic earnings per share (cents)	1	2 464.9	2 486.1	(1)
Diluted earnings per share (cents)	1	2 457.6	2 472.9	(1)

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

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Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	2023 Rm	Restated 2022 Rm	Change %
Profit for the reporting period	23 523	23 173	2
Other comprehensive income			
Items that will not be reclassified to profit or loss	(447)	(19)	>100
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	1	(1)	<(100)
Fair value (losses)	1	(1)	<100
Deferred tax	—	—	
Movement on liabilities designated at FVTPL due to changes in own credit risk	(241)	(151)	60
Fair value movements	(330)	(202)	63
Deferred tax	89	51	75
Movement in retirement benefit fund assets and liabilities	(207)	133	<(100)
Increase/(decrease) in retirement benefit surplus	368	(36)	<(100)
Decrease in retirement benefit deficit	(611)	148	<(100)
Deferred tax	36	21	70
Items that are or may be subsequently reclassified to profit or loss	763	(7 133)	<(100)
Movement in foreign currency translation reserve	(1 235)	(1 795)	(31)
Differences in translation of foreign operations	(1 235)	(1 795)	(31)
Movement in cash flow hedging reserve	1 936	(4 477)	<(100)
Fair value movements	1 410	(3 460)	<(100)
Amounts transferred within other comprehensive income	(26)	21	<(100)
Amount removed from other comprehensive income and recognised in profit or loss	1 268	(2 718)	<(100)
Deferred tax	(716)	1 680	<(100)
Movement in fair value of debt instruments measured at FVOCI	(195)	(237)	(18)
Fair value movements	(202)	(364)	(44)
Release to profit or loss	(66)	(7)	>100
Deferred tax	73	134	(46)
Movement in Insurance finance reserve	257	(624)	<(100)
Finance income/(expense) from insurance contracts	362	(767)	<(100)
Finance income from reinsurance contracts	(19)	(92)	(79)
Deferred tax	(52)	235	<(100)
Current tax	(34)	—	100
Total comprehensive income for the reporting period	23 839	16 021	49
Total comprehensive income attributable to:			
Ordinary equity holders	21 453	14 040	53
Non-controlling interest – ordinary shares	1 114	1 106	1
Non-controlling interest – preference shares	373	266	40
Other equity – Additional Tier 1 capital	899	609	48
	23 839	16 021	49

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

Consolidated normalised statement of financial position

as at 31 December

	Note	2023 Rm	Restated 2022 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		77 815	66 429	17
Investment securities		236 498	215 637	10
Trading portfolio assets		191 097	206 454	(7)
Hedging portfolio assets		5 441	4 973	9
Other assets		27 774	23 856	16
Current tax assets		625	656	(5)
Non-current assets held for sale		197	212	(7)
Loans and advances	8	1 271 357	1 213 399	5
Insurance contract assets		693	613	13
Reinsurance contract assets		972	1 025	(5)
Investments linked to investment contracts		21 045	19 288	9
Investments in associates and joint ventures		2 644	2 409	10
Investment property		378	397	(5)
Property and equipment		15 802	15 016	5
Goodwill and intangible assets		13 660	10 916	25
Deferred tax assets		7 765	8 523	(9)
Total assets		1 873 763	1 789 803	5
Liabilities				
Trading portfolio liabilities		62 548	94 910	(34)
Hedging portfolio liabilities		1 688	2 237	(25)
Other liabilities		42 035	34 237	23
Provisions		6 045	5 860	3
Current tax liabilities		644	869	(26)
Non-current liabilities held for sale		—	26	(100)
Deposits	9	1 339 536	1 241 918	8
Debt securities in issue	10	211 128	205 519	3
Loans from Absa Group Companies		1 227	895	37
Liabilities under investment contracts		21 247	19 999	6
Insurance contract liabilities		6 426	6 601	(3)
Reinsurance contract liabilities		252	45	>100
Borrowed funds	11	18 502	26 420	(30)
Deferred tax liabilities		181	168	8
Total liabilities		1 711 459	1 639 704	4
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	1 689	1 686	0
Share premium	11	3 909	3 636	8
Retained earnings		134 462	125 384	7
Other reserves		2 150	543	>100
		142 210	131 249	8
Non-controlling interest – ordinary shares		7 188	6 703	7
Non-controlling interest – preference shares		4 644	4 644	—
Other equity – Additional Tier 1 capital		8 262	7 503	10
Total equity		162 304	150 099	8
Total liabilities and equity		1 873 763	1 789 803	5

The statement of financial position has been restated. Refer to the reporting changes overview note.

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Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

2023

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Restated balance at the beginning of the reporting period	843 406	1 686	3 636	125 384	543	808	(992)	(3 215)	1 404	57	(356)	1 098	1 739	131 249	6 703	4 644	7 503	150 099
Impact of hyperinflation	—	—	—	815	(5)	—	(27)	—	—	—	—	22	—	810	—	—	—	810
Restated balance at the beginning of the reporting period	843 406	1 686	3 636	126 199	538	808	(1 019)	(3 215)	1 404	57	(356)	1 120	1 739	132 059	6 703	4 644	7 503	150 909
Total comprehensive income	—	—	—	20 389	1 064	—	(181)	1 936	(907)	—	216	—	—	21 453	1 114	373	899	23 839
Profit for the period	—	—	—	20 821	—	—	—	—	—	—	—	—	—	20 821	1 430	373	899	23 523
Other comprehensive income	—	—	—	(432)	1 064	—	(181)	1 936	(907)	—	216	—	—	632	(316)	—	—	316
Shares issued	46 626	93	7 710	—	—	—	—	—	—	—	—	—	—	7 803	—	—	—	7 803
Dividends paid during the reporting period	—	—	—	(11 065)	—	—	—	—	—	—	—	—	—	(11 065)	(629)	(373)	—	(12 067)
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	—	—	(567)	(787)	—	—	—	—	—	—	—	—	—	(1 354)	—	—	—	(1 354)
Elimination of the movement in Treasury shares held by Group entities	(44 998)	(90)	(7 437)	—	—	—	—	—	—	—	—	—	—	(7 527)	—	—	—	(7 527)
Movement in share-based payment reserve	—	—	567	—	275	—	—	—	—	—	—	275	—	842	—	—	—	842
Transfer from share-based payment reserve	—	—	567	—	(567)	—	—	—	—	—	—	(567)	—	—	—	—	—	—
Value of employee services	—	—	—	—	1 034	—	—	—	—	—	—	1 034	—	1 034	—	—	—	1 034
Deferred tax	—	—	—	—	(192)	—	—	—	—	—	—	(192)	—	(192)	—	—	—	(192)
Movement in general credit risk reserve	—	—	—	(88)	88	88	—	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	13	(13)	—	—	—	—	(13)	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(200)	200	—	—	—	—	—	—	—	200	—	—	—	—	—
Balance at the end of the reporting period	845 035	1 689	3 909	134 462	2 150	896	(1 200)	(1 279)	496	44	(140)	1 395	1 939	142 210	7 188	4 644	8 262	162 304

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Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

	2022																	
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Balance as reported at the end of the previous reporting period	846 266	1 692	4 089	113 327	6 718	825	(845)	1 262	3 145	57	—	672	1 602	125 826	6 035	4 644	7 004	143 509
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	688	231	—	—	—	(3)	—	234	—	—	919	94	—	—	1 013
Restated balance at the beginning of the reporting period	846 266	1 692	4 089	114 015	6 949	825	(845)	1 262	3 142	57	234	672	1 602	126 745	6 129	4 644	7 004	144 522
Total comprehensive income	—	—	—	20 992	(6 952)	—	(147)	(4 477)	(1 738)	—	(590)	—	—	14 040	1 106	266	609	16 021
Profit for the period	—	—	—	21 016	—	—	—	—	—	—	—	—	—	21 016	1 282	266	609	23 173
Other comprehensive income	—	—	—	(24)	(6 952)	—	(147)	(4 477)	(1 738)	—	(590)	—	—	(6 976)	(176)	—	—	(7 152)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—	—	—	—	—	—	—	(9 343)	(533)	(266)	—	(10 142)
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	—	—	(357)	(160)	—	—	—	—	—	—	—	—	—	(517)	—	—	—	(517)
Elimination of the movement in Treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—	—	—	—	—	—	—	(459)	—	—	—	(459)
Movement in share-based payment reserve	—	—	357	—	426	—	—	—	—	—	—	426	—	783	—	—	—	783
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—	—	—	—	—	(357)	—	—	—	—	—	—
Value of employee services	—	—	—	—	655	—	—	—	—	—	—	655	—	655	—	—	—	655
Deferred tax	—	—	—	—	128	—	—	—	—	—	—	128	—	128	—	—	—	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	—	—	—	—	—	—	—	137	—	—	—	—	—
Balance at the end of the reporting period	843 406	1 686	3 636	125 384	543	808	(992)	(3 215)	1 404	57	(356)	1 098	1 739	131 249	6 703	4 644	7 503	150 099

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.

Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

	Note	2023 Rm	2022 Rm	Change %
Net cash generated from operating activities		42 965	23 191	85
Net cash utilised in investing activities		(5 730)	(5 625)	2
Net cash utilised in financing activities		(23 359)	(12 449)	88
Net increase in cash and cash equivalents		13 876	5 117	>100
Cash and cash equivalents at the beginning of the reporting period	1	75 268	68 978	9
Effect of exchange rate movement and hyperinflation on cash and cash equivalents		(690)	1 173	<(100)
Cash and cash equivalents at the end of the reporting period	2	88 454	75 268	18

Notes to the consolidated normalised statement of cash flow

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

	2023 Rm	2022 Rm	Change %
Mandatory reserve balances with the SARB and other central banks	35 559	34 808	(7)
Coin and notes	13 551	14 577	(7)
Loans and advances to banks	22 320	17 898	25
Money market assets	2 013	1 695	19
Mobile money balances	1 825	—	100
	75 268	68 978	9

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

	2023 Rm	2022 Rm	Change %
Mandatory reserve balances with the SARB and other central banks	46 790	35 559	(3)
Coin and notes	13 173	13 551	(3)
Loans and advances to banks	22 136	22 320	(1)
Money market assets	2 928	2 013	45
Mobile money balances	3 427	1 825	88
	88 454	75 268	18

The statement of cash flows has been restated. Refer to the reporting changes overview note.

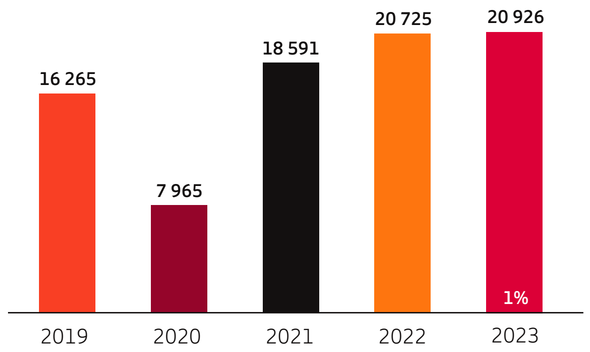
Loans and advances to banks includes call advances, which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	2023 Gross Rm	2023 Net Rm	2022 Gross Rm	2022 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders of the Group	—	20 821	—	21 016	(1)
Total headline earnings adjustment	—	105	—	(291)	<(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	(102)	(132)	(778)	(652)	(80)
IAS 16 – Profit on disposal of property and equipment	(28)	(21)	(10)	(6)	>100
IAS 16 & 36 – Insurance recovery of property and equipment damaged during riots	—	—	(126)	(92)	—
IAS 36 – Impairment of property and equipment	213	155	354	254	(39)
IAS 36 – Impairment of intangible assets	137	101	237	185	(45)
IAS 38 – Loss on disposal of intangible assets	2	2	1	1	100
IAS 40 – Change in fair value of investment properties	—	—	21	15	(100)
Change in tax rate	—	—	—	4	(100)
	—	20 926	—	20 725	1

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

Notable adjustments to headline earnings

- 'Profit on disposal on non-current assets held for sale' relates mainly to the sale of the investment management business.
- 'Profit on disposal of property and equipment' relates mainly to disposal of equipment and branch assets.
- 'Impairment of property and equipment' arose mainly due to impairment of property.
- 'Impairment of intangibles' arose mainly due to computer software.
- Profit attributable to ordinary equity holders has been restated due to the implementation of IFRS 17, refer to the report changes overview note.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

	2023 Rm	2022 Rm	Change value %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	20 821	21 016	(1.0)
Weighted average number of ordinary shares in issue (million)	844.7	845.4	(0.7)
Issued shares at the beginning of the reporting period (millions)	847.8	847.8	—
Shares issued during the reporting period (millions) (refer to note 11)	15.5	—	15.5
Treasury shares held by Group entities (millions) (refer to note 11)	(18.6)	(2.4)	(16.2)
Basic earnings per ordinary share (cents)	2 464.9	2 486.0	(1.0)
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	20 821	21 016	(1.0)
Diluted weighted average number of ordinary shares in issue (million)	847.2	849.9	(2.7)
Weighted average number of ordinary shares in issue (million)	844.7	845.4	(0.7)
Adjustments for share options issued at no value (million)	2.5	4.5	(2.1)
Diluted basic earnings per ordinary share (cents)	2 457.6	2 472.8	(1.0)
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	20 926	20 725	1.0
Weighted average number of ordinary shares in issue (million)	844.7	845.4	(0.7)
Headline earnings per ordinary share (cents)	2 477.3	2 451.5	1.0
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	20 926	20 725	1.0
Diluted weighted average number of ordinary shares in issue (million)	847.2	849.9	(2.7)
Diluted headline earnings per ordinary share (cents)	2 470.0	2 438.5	1.0

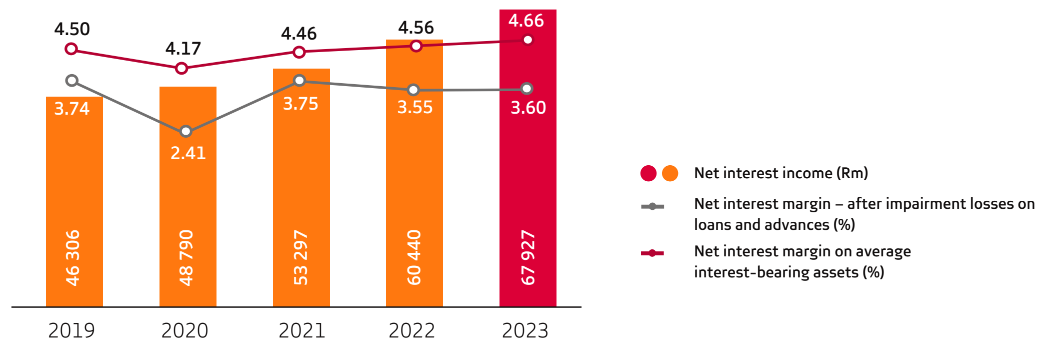
Earnings per share has been restated due to IFRS 17. Refer to the reporting changes overview note.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income

Net interest income and net interest margin



Group average statement of financial position	2023 Average balance Rm	2023 Average rate %	2023 Interest income/ (expense) Rm	2022 Average balance Rm	2022 Average rate %	2022 Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	6 525	0.26	17	3 007	0.75	22
Investment securities	201 067	8.31	16 700	182 865	7.86	14 373
Loans and advances to banks and customers	1 249 053	11.03	137 744	1 138 471	8.59	97 836
Other interest	—	—	—	—	—	—
Interest-bearing assets	1 456 645	10.60	154 462	1 324 343	8.47	112 232
Non-interest-bearing assets	424 324	—	—	402 288	—	—
Total assets	1 880 969	—	154 462	1 726 631	—	112 232
Liabilities						
Deposits due to banks and customers	997 112	(7.06)	(70 435)	951 488	(4.26)	(40 533)
Debt securities in issue	164 285	(8.23)	(13 528)	135 825	(6.36)	(8 637)
Borrowed funds	25 638	(10.03)	(2 572)	25 818	(10.16)	(2 623)
Other interest	—	—	—	—	—	—
Interest-bearing liabilities	1 187 035	(7.29)	(86 535)	1 113 131	(4.65)	(51 792)
Non-interest-bearing liabilities	551 075	—	—	473 638	—	—
Total liabilities	1 738 110	—	(86 535)	1 586 769	—	(51 792)
Total equity	142 859	—	—	139 862	—	—
Total equity and liabilities	1 880 969	—	(86 535)	1 726 631	—	(51 792)
Net interest margin on average interest-bearing assets		4.66			4.56	

Average balances are calculated based on daily weighted average balances.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income (continued)

	2023 bps	2022 bps
Net interest margin at the end of the previous reporting period	456	446
Loans and advances to customers (i)	2	8
Change in rates (pricing)	(1)	7
Change in composition	3	1
Deposits due to customers (ii)	22	12
Changes in rate (pricing)	16	9
Change in composition	(5)	(5)
Endowment (iii)	11	8
Equity endowment (iii)	12	9
SA	10	8
Absa Regional Operations	2	1
Interest rate risk management (hedging strategy) (iii)	(23)	(14)
Other (iv)	(3)	(5)
Change in net interest margin	10	10
Net interest margin at the end of the current reporting period	466	456

Performance

The Group's net interest margin of **466bps** (2022: 456bps) is 10bps higher than the previous reporting period (2022: had increased by 10bps) reflecting margin expansion in ARO from 670bps to 755bps in a rising interest rate environment. This was partially offset by the SA margin which declined slightly from 405bps to 394bps mainly reflecting faster growth in low-margin deposit balances. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Lower pricing from contraction of margin in ARO retail and business markets, partially offset by improved pricing in Everyday Banking.
- Composition had a favourable impact on margin given slower growth in Home Loans partially offset by faster growth in CIB.

(ii) Deposits due to customers

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

Performance indicators and condensed normalised notes to the consolidated financial statements

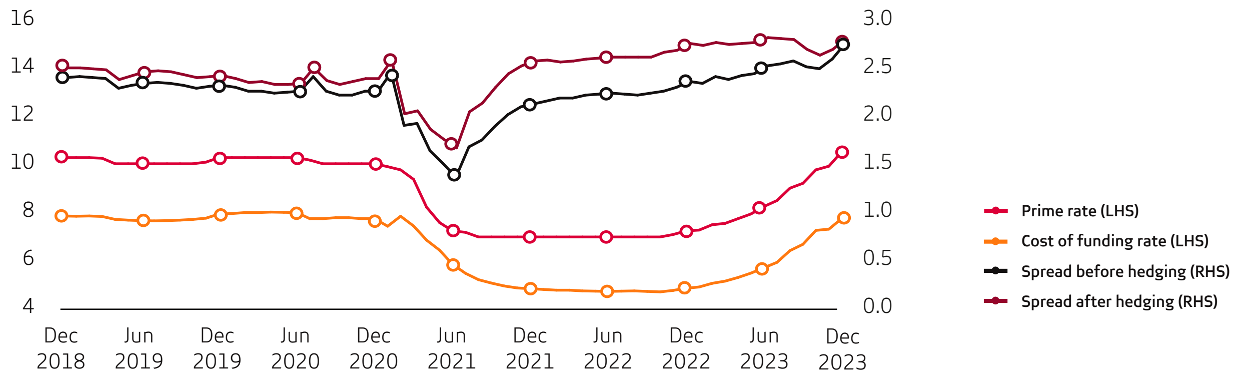
for the reporting period ended 31 December

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on NIM data (%)



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 31 December 2023 an aggregate of **12%** (31 December 2022: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme in South Africa. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a debit balance of **R1.4bn** (31 December 2022: R3bn debit). The structural hedge released a charge of R1 588m to the income statement, 23bps less than the R1 606m benefit in FY22.
- The structural hedge release impact on the income statement over the last 5 years is reflected below:

Structural Hedge impact	FY19	FY20	FY21	FY22	FY23
Increase/(decrease) to Net Interest Income (R'm)	595	2 553	3 158	1 606	(1 588)

- The impact of total endowment after hedging in South Africa year-on-year was (-3bps). This was a result of slower growth of endowment balances relative to the Group's interest bearing assets (-6bps), partially offset by a higher rate earned on the hedging programme as maturing hedges are reinvested at relatively higher interest rates.
- The impact of endowment on equity in ARO on the Group's net interest margin was positive (+2bps) (31 December 2022: +1bps) reflective of the positive mix impact of higher rates and equity balances across most markets.
- A lower benefit from the asset liability position of the balance sheet due to calculation changes in the Net Stable Funding Ratio regulatory requirements which resulted in an increased use of wholesale longer-term funding; offset by
- The benefit of higher rates that had a favourable impact on asset liability management in ARO markets.
- The benefit of having lower average Tier 2 balances due to the call of the Group's offshore US Dollar denominated Tier instrument in April 2023, which was not replaced (volume impact).

(iv) Other

Other items had a cumulative -3bps negative impact mainly representing:

- The negative impact on margin for a reduction in the basis differential between prime and JIBAR driven by the rate hiking cycle.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.1 Net fee and commission income

	2023 Rm	2022 Rm	Change %
Consulting and administration fees	516	479	8
Transactional fees and commissions	21 912	21 121	4
Cheque accounts	5 093	4 834	5
Credit cards (includes card issuing fees)	3 159	2 896	9
Electronic banking	6 905	6 595	5
Service charges	4 470	4 382	2
Other (includes exchange commissions and guarantees)	1 187	1 018	17
Savings accounts	1 098	1 396	(21)
Insurance commission received	1 382	951	45
Investment, markets execution and investment banking fees	453	412	10
Merchant income	2 794	2 671	5
Other fee and commission income	435	699	(38)
Trust and other fiduciary services fees	722	1 213	(40)
Portfolio and other management fees	371	875	(58)
Trust and estate income	351	338	4
Fee and commission income	28 214	27 546	2
Fee and commission expense	(3 243)	(3 042)	7
Brokerage fees	(98)	(103)	(5)
Cheque processing fees	(4)	(6)	(33)
Clearing and settlement charges	(1 617)	(1 252)	29
Notification fees	(246)	(251)	(2)
Other	(1 183)	(1 325)	(11)
Valuation fees	(95)	(105)	(10)
	24 971	24 504	2
Segment split			
Product Solutions Cluster	2 175	2 067	5
Everyday Banking	11 757	11 622	1
Relationship Banking	4 756	4 920	(3)
ARO RBB	3 201	2 725	17
CIB	3 980	3 441	16
Head Office, Treasury and other operations	(898)	(271)	>100
	24 971	24 504	2

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 commissions received and other fee and commission expense have been restated due to the implementation of IFRS 17. Refer to the reporting changes overview note.

Other transactional fees and commission have been restated due to the extraction of the service charges (2022: 4 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.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.2 Insurance revenue

	2023 Rm	2022 Rm	Change %
Contracts not measured under the PAA	5 081	4 823	5
Life insurance contracts	5 081	4 823	5
Contracts measured under the PAA	6 504	5 313	22
Life insurance contracts	1 038	680	53
Non-life insurance contracts	5 466	4 633	18
	11 585	10 136	14
Segment split			
Product Solutions Cluster	8 393	7 875	7
Everyday Banking	275	264	4
Relationship Banking	197	132	49
ARO RBB	2 720	1 865	46
	11 585	10 136	14

3.3 Gains and losses from banking and trading activities

	2023 Rm	2022 Rm	Change %
Net gains on investments	683	272	>100
Debt instruments designated at fair value through profit or loss	262	185	42
Equity instruments at fair value through profit or loss	355	80	>100
Unwind from reserves for debt instruments at FVOCI	66	7	>100
Net trading result	7 310	7 481	(2)
Net trading income excluding the impact of hedge accounting	7 260	7 674	(5)
Ineffective portion of hedges	50	(193)	<(100)
Cash flow hedges	46	(208)	<(100)
Fair value hedges	4	15	(73)
Other losses	88	(25)	<(100)
	8 081	7 728	5
Segment split			
Relationship Banking	2	1	100
CIB	6 341	6 512	(3)
ARO RBB	975	841	16
Head Office, Treasury and other operations	763	374	>100
	8 081	7 728	5

In the prior year R1 441m 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.4 Gains and losses from investment activities

	2023 Rm	2022 Rm	Change %
Net gains on investments from insurance activities	2 554	(574)	<(100)
Insurance contracts	556	276	>100
Investment contracts	1 512	(1 159)	<(100)
Shareholders' funds	486	309	57
Other gains	88	42	>100
	2 642	(532)	<(100)
Segment split			
Product Solutions Cluster	2 256	(802)	<(100)
ARO RBB	326	230	42
Head Office, Treasury and other operations	60	40	50
	2 642	(532)	<(100)

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.5 Other operating income

	2023 Rm	2022 Rm	Change %
Property-related income	68	155	(56)
Income from investment properties	2	(19)	<(100)
Change in fair value	—	(21)	(100)
Rentals	2	2	—
Property-related income arising from contracts with customers	66	48	38
Profit on disposal of property and equipment	28	10	>100
Profit on sale of developed properties	8	11	(27)
Profit on sale of repossessed properties	(2)	—	100
Rental income	32	27	19
Insurance proceeds received related to property and equipment	—	126	(100)
Other operating income	440	1 378	(68)
Foreign exchange differences, including recycle from other comprehensive income	3	80	(96)
Loss on disposal of intangible assets	(2)	(1)	100
Sundry income	439	1 299	(66)
	508	1 533	(67)
Segment split			
Property-related income	68	155	(56)
Product Solutions Cluster	—	1	(100)
Relationship Banking	12	4	>100
Everyday Banking	19	137	(86)
ARO RBB	22	12	83
Head Office, Treasury and other operations	15	1	>100
Other operating income	440	1 378	(68)
Product Solutions Cluster	60	45	33
Relationship Banking	292	124	>100
Everyday Banking	127	89	43
ARO RBB	(9)	119	<(100)
CIB	(6)	351	<(100)
Head Office, Treasury and other operations	(24)	650	<(100)
	508	1 533	(67)

Insurance proceeds of R126m was received during 2022 financial year end for damage sustained to property and equipment due to KZN riots that took place. Included in sundry income is the profit on sale of R759m from the disposal of the Group's investment management business during 2022 financial year end which was in Product Solutions Cluster.

Sundry income for 2022 includes the profit on sale of R759m from the disposal of the Group's investment management business.

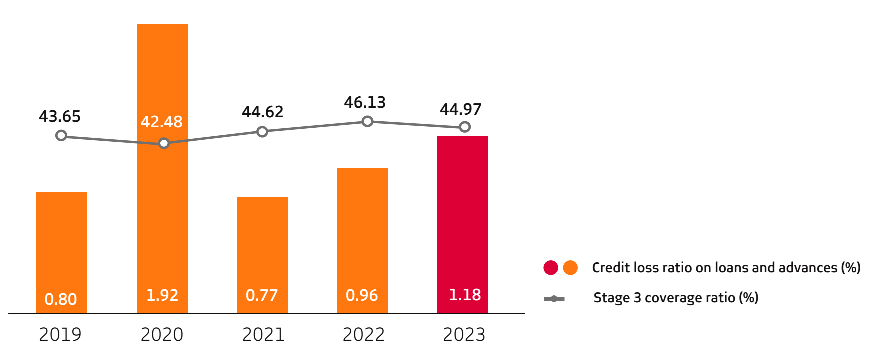
Sundry income has been restated due to implementation of IFRS 17, see reporting changes overview note.

Performance indicators and condensed normalised notes to the consolidated financial statements
for the reporting period ended 31 December

4. Credit impairment charges

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

Credit loss and Stage 3 coverage ratio



Charge to the statement of comprehensive income by market segment	2023 Rm	2022 Rm	Change %
Product Solutions Cluster			
Home Loans	1 789	688	>100
Vehicle and Asset Finance	2 442	1 898	29
Total charge	4 231	2 586	64
Credit loss ratio (%)	0.99	0.65	
Everyday Banking			
Card	4 316	2 888	49
Personal loans	2 828	2 447	16
Transactions and deposits	707	439	61
Other	—	1	(100)
Total charge	7 851	5 775	36
Credit loss ratio (%)	8.35	6.45	
Relationship Banking	822	618	33
Credit loss ratio (%)	0.56	0.45	
ARO RBB	1 540	1 182	30
Credit loss ratio (%)	1.84	1.64	
CIB			
CIB SA	846	424	100
CIB ARO	(82)	954	<(100)
Total charge	764	1 378	(45)
Credit loss ratio (%)	0.17	0.27	
Head Office, Treasury and other operations			
Total charge	327	2 164	(85)
Total charge to the statement of comprehensive income	15 535	13 703	13

Performance indicators and condensed normalised notes to the consolidated financial statements
for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

Charge to the statement of comprehensive income by market segment (continued)	2023 Rm	2022 Rm	Change %
Comprising:			
Credit impairment charges raised	15 519	14 173	9
Loans and advances to customers and undrawn facilities	15 470	11 778	31
Loans and advances to banks	13	(7)	<(100)
Other financial instruments subject to credit impairment	159	2 190	(93)
Guarantees and letters of credit	(123)	212	<(100)
Recoveries of financial instruments subject to credit impairment previously written off	(934)	(1 010)	(8)
Modifications	950	540	76
Total charge to the statement of comprehensive income	15 535	13 703	13

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4.2 ECL analysis by market segment and class of credit exposure

	2023										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	356 745	1 530	0.43	36 227	1 940	5.36	38 839	12 950	33.34	415 391
Home Loans	—	258 335	505	0.20	24 381	822	3.37	28 608	7 933	27.73	302 064
Vehicle and Asset Finance	—	98 410	1 025	1.04	11 846	1 118	9.44	10 231	5 017	49.04	113 327
Everyday Banking	—	63 249	2 489	3.94	10 868	2 674	24.60	14 716	11 289	76.71	72 381
Card	—	42 598	1 407	3.30	5 478	1 484	27.09	8 433	6 201	73.53	47 417
Personal Loans	—	17 447	806	4.62	4 250	923	21.72	5 543	4 503	81.24	21 008
Transactions and Deposits	—	3 204	276	8.61	1 140	267	23.42	688	533	77.47	3 956
Other	—	—	—	—	—	—	—	52	52	100.00	—
Relationship Banking	—	130 273	594	0.46	12 188	779	6.39	8 270	3 286	39.73	146 072
ARO RBB	—	71 264	1 083	1.52	6 980	911	13.05	6 315	4 050	64.13	78 515
CIB	93 739	359 278	1 180	0.33	25 375	598	2.36	11 813	4 408	37.31	489 019
CIB SA	93 739	288 420	703	0.24	17 287	437	2.53	6 236	2 367	37.96	402 175
CIB ARO	—	70 858	477	0.67	8 088	161	1.99	5 577	2 041	36.60	81 844
Head Office, Treasury and other operations	—	320	(178)	(55.63)	3	(77)	<(100)	—	(31)	—	609
Loans and advances to customers	—	320	—	—	3	—	—	—	—	—	323
Reclassification to provisions	—	—	(178)	—	—	(77)	—	—	(31)	—	286
Loans and advances to customers	93 739	981 129	6 698	0.68	91 641	6 825	7.45	79 953	35 952	44.97	1 196 987
Loans and advances to banks	19 336	51 458	84	0.16	3 666	5	0.14	—	—	—	74 371
Total loans and advances	113 075	1 032 587	6 782	0.66	95 307	6 830	7.17	79 953	35 952	44.97	1 271 358

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

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Performance indicators and condensed normalised notes to the consolidated financial statements
for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

	2022										
		Stage 1			Stage 2			Stage 3			
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
Product Solutions Cluster	—	351 517	1 534	0.44	33 308	2 209	6.63	29 587	10 315	34.86	400 354
Home Loans	—	257 438	496	0.19	22 363	926	4.14	21 178	6 156	29.07	293 401
Vehicle and Asset Finance	—	94 079	1 038	1.10	10 945	1 283	11.72	8 409	4 159	49.46	106 953
Everyday Banking	—	59 289	2 503	4.22	10 688	2 897	27.11	11 655	8 749	75.07	67 483
Card	—	39 401	1 359	3.45	5 692	1 664	29.23	7 202	5 288	73.42	43 984
Personal Loans	—	17 279	908	5.25	4 147	1 009	24.33	3 919	3 046	77.72	20 382
Transactions and Deposits	—	2 609	236	9.05	849	224	26.38	482	363	75.31	3 117
Other	—	—	—	—	—	—	—	52	52	100.00	—
Relationship Banking	—	119 087	544	0.46	12 844	747	5.82	7 674	3 536	46.08	134 778
ARO RBB	—	65 793	1 139	1.73	6 091	898	14.74	6 054	3 784	62.50	72 117
CIB	73 802	320 458	1 166	0.36	32 005	746	2.33	11 622	4 361	37.52	431 614
CIB SA	73 802	266 554	761	0.29	19 823	303	1.53	5 876	2 177	37.05	362 814
CIB ARO	—	53 904	405	0.75	12 182	443	3.64	5 746	2 184	38.01	68 800
Head Office, Treasury and other operations	—	3 163	(157)	—	2	(135)	—	—	(26)	—	3 483
Loans and advances to customers	—	3 163	3	0.09	2	—	—	—	—	—	3 162
Reclassification to provisions	—	—	(160)	—	—	(135)	—	—	(26)	—	321
Loans and advances to customers	73 802	919 307	6 729	0.73	94 938	7 362	7.75	66 592	30 719	46.13	1 109 829
Loans and advances to banks	41 274	56 831	67	0.12	5 544	12	0.22	—	—	—	103 570
Total loans and advances	115 076	976 138	6 796	0.70	100 482	7 374	7.34	66 592	30 719	46.13	1 213 399

Comparatives for loans and advances to customers and loans and advances to banks for CIB SA have been restated due to data refinements and process enhancements. This restatement increased stage 2 gross loans and advances to customers by R8.9bn and decreased stage 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. Despite these changes, there was no impact on the expected credit loss allowances, as the effect was determined to be immaterial.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance

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

2023

	Product Solutions Cluster	Everyday Banking	Relationship Banking	ARO RBB	CIB SA	CIB ARO	Head Office, Treasury and other operations	Total expected credit losses
Loans and advances	16 420	16 452	4 659	6 044	3 540	2 714	(265)	49 564
Stage 1	1 530	2 489	594	1 083	735	512	(162)	6 781
Stage 2	1 940	2 674	779	911	438	161	(72)	6 831
Stage 3	12 950	11 289	3 286	4 050	2 367	2 041	(31)	35 952
Undrawn facilities	—	—	—	32	—	78	287	397
Stage 1	—	—	—	20	—	50	179	249
Stage 2	—	—	—	12	—	12	77	101
Stage 3	—	—	—	—	—	16	31	47
Total loans and advances and undrawn facilities	16 420	16 452	4 659	6 076	3 540	2 792	22	49 961

2022

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

2023

Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	ARO RBB Rm	CIB SA Rm	CIB ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
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)
Balance 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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

	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 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)
Balance at the end of the reporting period	14 058	14 149	4 827	5 855	3 267	3 185	11	45 352
Stage 1	1 534	2 503	544	1 163	779	528	6	7 057
Stage 2	2 209	2 897	747	908	311	458	5	7 535
Stage 3	10 315	8 749	3 536	3 784	2 177	2 199	—	30 760

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4. Credit impairment charges (continued)

4.4 Macro-overlays and forward-looking assumptions

Macro-overlays

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

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

Macroeconomic scenarios

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

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

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

The following table shows the key forecast assumptions used for South Africa to calculate the Group's credit impairment charge for the reporting period ended 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 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	2.0	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	4.6	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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

4.4 Macro-overlays, payment relief and forward-looking assumptions (continued)

Sensitivity of expected credit losses

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

	2023	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	13 612	—
Baseline	13 356	(2)
Upside	12 458	(8)
Downside	15 127	11

	2022	
	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	14 170	—
Baseline	13 841	(2)
Upside	12 256	(14)
Downside	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	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 837	879
Everyday Banking	3 184	659
Relationship Banking	6 514	386
ARO RBB	3 563	411
CIB SA	14 421	330
CIB ARO	3 543	47

	2022	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	17 576	1 088
Everyday Banking	2 964	679
Relationship Banking	5 954	319
ARO RBB	3 290	428
CIB SA	13 328	166
CIB ARO	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 4.2 ECL analysis by market segment and class of credit exposure for further information.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Credit impairment charges (continued)

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

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.

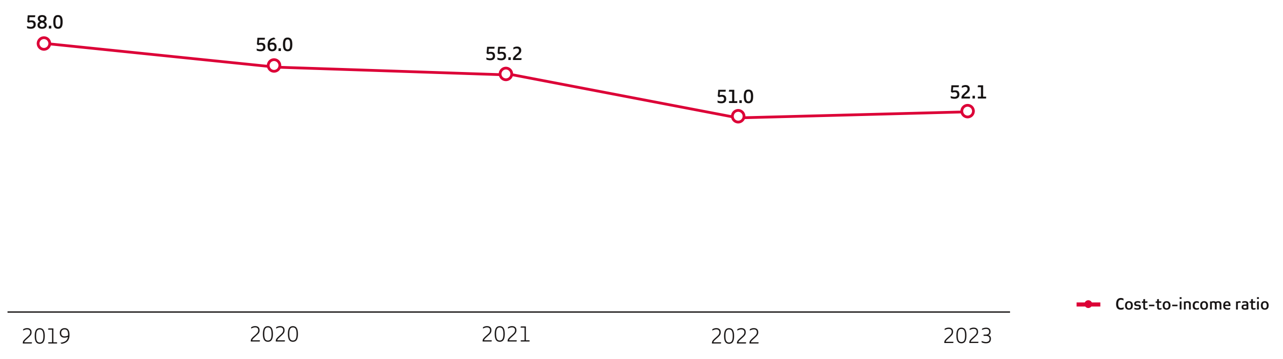
The initial recognition of the new bonds in all instances was determined to be purchased originated credit impaired exposures. As at 31 December 2023, the ECL allowance recognised on the new bonds is immaterial since the fair value on initial recognition for these instruments reflects an embedded provision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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

JAWS and cost-to-income ratio (%)



Breakdown of operating expenses	2023 Rm	2022 Rm	Change %
Amortisation of intangible assets	1 701	1 668	2
Auditors' remuneration	565	496	14
Cash transportation	1 159	1 123	3
Depreciation	3 024	3 133	(3)
Equipment costs	581	441	32
Information technology	6 028	5 541	9
Marketing costs	2 032	1 720	18
Other operating costs (includes net fraud losses, travel and entertainment costs)	1 345	974	38
Printing and stationery	372	319	17
Professional fees	2 809	2 884	(3)
Property costs	1 910	1 862	3
Staff costs	31 515	27 823	13
Bonuses	3 556	3 256	9
Deferred cash and share-based payments	1 108	773	43
Other staff costs	1 163	895	30
Salaries and current service costs on post-retirement benefit funds	25 055	22 309	12
Training costs	633	590	7
Straight-line lease expenses on short-term leases and low value assets	220	221	(0)
Telephone and postage	1 206	1 167	3
	54 467	49 372	10

Breakdown of IT-related spend included in operating expenses	2023 Rm	2022 Rm	Change %
Amortisation of intangible assets and depreciation of IT equipment	2 400	2 426	(1)
Information technology	6 028	5 541	9
Staff costs	3 662	3 181	15
of which staff costs pre the capitalisation of project-related resource costs	4 209	3 658	15
Other IT-related spend	1 347	1 491	(10)
	13 437	12 638	6

Operating expenses has been restated. Refer to the reporting changes overview note.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses (continued)

Operating costs increased by **10%** (CCY 10%) to **R54 467m** (December 2022: R49 372m) reflecting an increase in staff costs of **13%** (CCY 13%) while non-staff costs increased by **7%** (CCY 6%). Staff cost growth was mainly driven by people investments over the period. Non-staff cost growth mainly reflects continued investments into information technology and marketing, which were partially offset by lower depreciation and professional fee spend as well as low growth in amortisation, cash and property costs.

- Amortisation of intangible assets increased by **2%** (CCY 2%) to **R1 701m**. The Group has continued to invest in new digital, data and automation capabilities which has resulted in an increase in Goodwill and intangible assets to **R13 660m** (December 2022: R10 916m).
- Cash transportation costs increased by **3%** (CCY 3%) to **R1 159m** and reflect growth in the markets outside of SA despite lower costs in South Africa from lower merchant cash volumes which were supported by a migration towards digital banking and increased cash recycling.
- Depreciation decreased by **3%** (CCY 4%) to **R3 024m** from reduced utilisation of physical IT infrastructure and optimisation of corporate and retail property footprint.
- Equipment costs increased by **32%** (CCY 30%) to **R581m** and mainly reflect higher energy costs due to loadshedding in South Africa.
- Information technology costs increased by **9%** (CCY 8%) to **R6 028m** and mainly reflect continuing investment into new digital capabilities resulting in higher software licence and maintenance costs as well as increased cybersecurity spend.
- Marketing costs grew by **18%** (CCY 17%) to **R2 032m** reflecting increased brand, campaigns and sponsorship spend.
- Other operating costs increased by **38%** (CCY 32%) to **R1 345m** and mainly reflect higher fraud and operational losses as well as increased business travel.
- Professional fees decreased by **3%** (CCY 3%) to **R2 809m** mainly reflecting a reduction in the use of external resources on strategic projects.
- Property costs increased by **3%** (CCY 2%) to **R1 910m** benefiting from ongoing optimisation on corporate and retail properties.
- Staff costs increased by **13%** (CCY 13%) to **R31 515m** (December 2022: R27 823m) mainly as a result of:
  - Salaries and Other staff costs of **R26 218m** (December 2022: R23 204m) increased by **13%** (CCY 13%) and reflect salary increases and higher headcount mainly in frontline business areas.
  - The 2023 incentive pool decreased by **3%**, however the accounting charge increased by **9%** (CCY 9%) to **R3 556m** (December 2022: R3 256m) 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 by **43%** (CCY 43%) based on vesting expectations in-flight awards.

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

Other operating costs and Salaries have been restated as part of the IFRS17 insurance restatements for December 2022.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

6. Indirect taxation

	2023 Rm	2022 Rm	Change %
Training levy	242	232	4
Value-added tax net of input credits	2 080	1 618	29
	2 322	1 849	26

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

7. Taxation expense

	2023 Rm	2022 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	31 506	31 414	0
Share of post-tax results of associates and joint ventures	(200)	(137)	46
	31 306	31 277	0
Tax calculated at a tax rate of 27%	8 453	8 758	(3)
Effect of different tax rates in other countries	720	384	88
Expenses not deductible for tax purposes	740	370	100
Assessed losses	50	126	(60)
Dividend income	(1 240)	(952)	30
Non-taxable interest	(899)	(672)	34
Other income not subject to tax	(22)	(35)	(37)
Other	294	207	42
Effect of tax rate changes	(5)	129	>100
Items of a capital nature	(108)	(74)	46
	7 983	8 241	(3)

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

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

The amounts above have been restated due to the implementation of IFRS 17. Refer to the reporting changes overview note.

Performance indicators and condensed normalised notes to the consolidated financial statements

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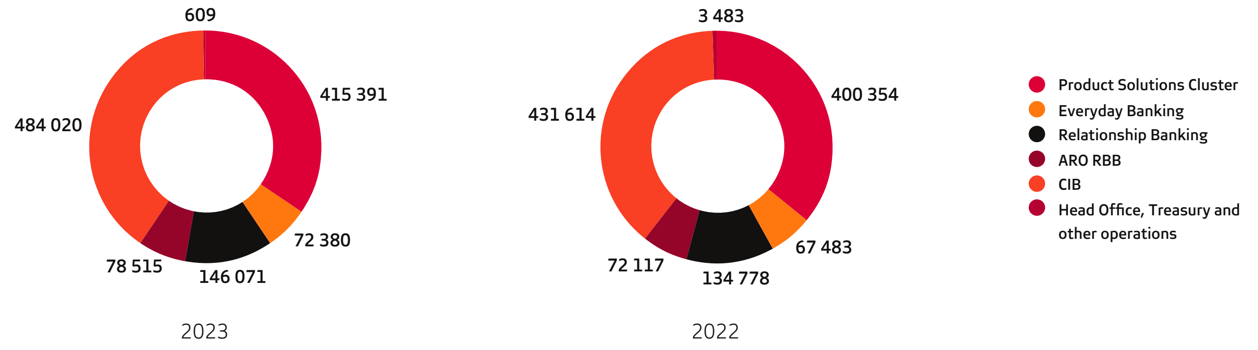
8. Loans and advances

Loans and advances to customers by segment (Rm)



	2023 %	2022 %
Loans and advances to customers	94.2	91.5
Product Solutions Cluster	32.7	33.0
Everyday Banking	5.7	5.6
Relationship Banking	11.5	11.1
ARO RBB	6.2	5.9
CIB	38.1	35.6
Head Office, Treasury and other operations	0.0	0.3
Loans and advances to banks	5.8	8.5
	100.0	100.0

Loans and advances to customers by segment	2023 Rm	2022 Rm	Change %
Product Solutions Cluster			
Instalment credit agreements	95 139	87 333	9
Loans to associates and joint ventures	19 930	20 594	(3)
Mortgages	307 474	297 093	3
Other loans and advances	5 418	5 505	(2)
Overdrafts	3 851	3 887	(1)
Gross loans and advances to customers	431 812	414 412	4
Credit impairment charges on loans and advances to customers	(16 421)	(14 058)	17
	415 391	400 354	4
Everyday Banking			
Credit cards	54 000	49 707	9
Instalment credit agreements	7	6	17
Other loans and advances	36	5	>100
Overdrafts	4 973	3 929	27
Personal and term loans	29 816	27 987	7
Gross loans and advances to customers	88 832	81 634	9
Credit impairment charges on loans and advances to customers	(16 452)	(14 151)	16
	72 380	67 483	7

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

8. Loans and advances (continued)

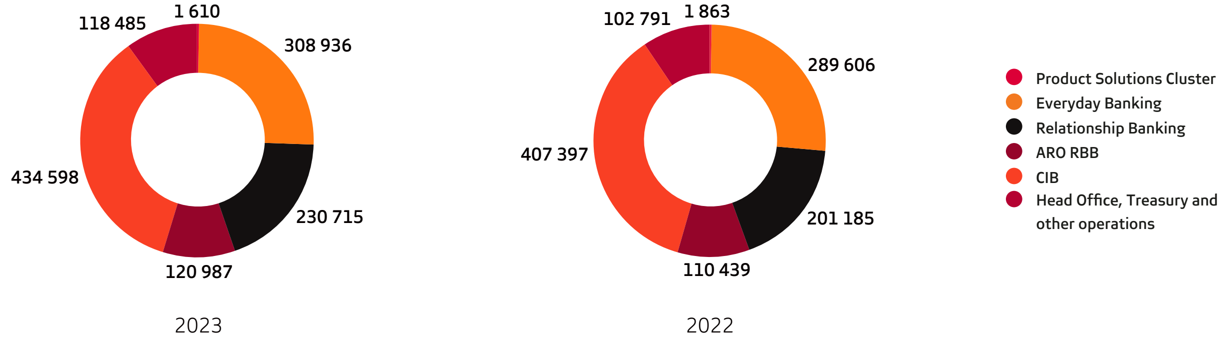
Loans and advances to customers by segment (continued)	2023 Rm	2022 Rm	Change %
Relationship Banking			
Credit cards	857	922	(7)
Instalment credit agreements	40 925	35 328	16
Loans to associates and joint ventures	3 526	3 055	15
Mortgages	26 759	26 767	(0)
Other loans and advances	1 394	996	40
Overdrafts	28 288	28 159	0
Personal and term loans	48 981	44 378	10
Gross loans and advances to customers	150 730	139 605	8
Credit impairment charges on loans and advances to customers	(4 659)	(4 827)	(3)
	146 071	134 778	8
ARO RBB			
Gross loans and advances to customers	84 559	77 938	8
Credit impairment charges on loans and advances to customers	(6 044)	(5 821)	4
	78 515	72 117	9
CIB			
CIB SA	405 682	366 055	11
Foreign currency loans	60 813	54 476	12
Mortgages	63 287	56 753	12
Term loans	138 965	133 080	4
Overdrafts	16 205	15 762	3
Overnight finance	18 700	23 010	(19)
Preference shares	32 184	30 200	7
Reverse repurchase agreements	60 547	41 948	44
Other loans and advances	14 981	10 826	38
CIB ARO loans and advances	84 524	71 832	18
Gross loans and advances to customers	490 206	437 887	12
Credit impairment charges on loans and advances to customers	(6 186)	(6 273)	(1)
	484 020	431 614	12
Head Office, Treasury and other operations			
Gross loans and advances to customers	323	3 165	(90)
Credit impairment charges on loans and advances to customers	286	318	(10)
	609	3 483	(83)
Total loans and advances			
Gross loans and advances to customers	1 246 463	1 154 639	8
Gross loans and advances to banks	74 460	103 649	(28)
Gross loans and advances	1 320 923	1 258 288	5
Credit impairment charges on loans and advances	(49 566)	(44 889)	10
Credit impairment charges on loans and advances to customers	(49 477)	(44 810)	10
Credit impairment charges on loans and advances to banks	(89)	(79)	13
Net loans and advances including reverse repurchase agreements	1 271 357	1 213 399	5
Less: Reverse repurchase agreements	(78 533)	(86 043)	(9)
Net loans and advances excluding reverse repurchase agreements	1 192 824	1 127 356	6

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits

Deposits due to customers by segment (Rm)



Total funding mix	2023 %	2022 %
Deposits due to customers	78.4	76.9
Product Solutions Cluster	0.1	0.1
Everyday Banking	19.9	20.0
Relationship Banking	14.9	13.9
ARO RBB	7.8	7.6
CIB	28.0	28.1
Head Office, Treasury and other operations	7.7	7.2
Deposits from banks	8.0	8.9
Debt securities in issue	13.6	14.2
	100.0	100.0

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits (continued)

Deposits by segment	2023 Rm	2022 Rm	Change %
Product Solutions Cluster	1 610	1 863	(14)
Cheque account deposits	1 343	1 605	(16)
Fixed deposits	2	2	—
Other deposits	265	256	4
Everyday Banking	308 936	289 606	7
Call deposits	242	235	3
Cheque account deposits	35 112	36 609	(4)
Credit card deposits	1 782	2 032	(12)
Fixed deposits	84 891	75 244	13
Foreign currency deposits	967	884	9
Notice deposits	27 768	29 499	(6)
Other deposits	109	100	9
Saving and transmission deposits	158 065	145 003	9
Relationship Banking	230 715	201 185	15
Call deposits	16 210	14 559	11
Cheque account deposits	75 338	75 295	0
Credit card deposits	138	110	25
Fixed deposits	39 741	24 821	60
Foreign currency deposits	246	789	(69)
Notice deposits	6 727	5 447	23
Other deposits	77	11	>100
Saving and transmission deposits	92 238	80 153	15
ARO RBB	120 987	110 439	10
CIB	434 598	407 397	7
CIB SA deposits	327 419	318 883	3
Call deposits	54 577	46 155	18
Cheque account deposits	104 175	127 803	(18)
Fixed deposits	68 755	67 002	3
Foreign currency deposits	40 041	32 089	25
Notice deposits	21 250	14 647	45
Other deposits	665	504	32
Repurchase agreements	26 342	19 071	38
Saving and transmission deposits	11 614	11 612	0
CIB ARO deposits	107 179	88 514	21
Head Office, Treasury and other operations	118 485	102 791	15
Total deposits due to customers including repurchase agreements	1 215 331	1 113 281	9
Total deposits from banks including repurchase agreements	124 205	128 637	(3)
Total deposits including reverse repurchase agreements	1 339 536	1 241 918	8
Less: Repurchase agreements	(81 961)	(88 225)	(7)
Total deposits excluding repurchase agreements	1 257 575	1 153 693	9

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

10. Debt securities in issue

	2023 Rm	2022 Rm	Change %
Commercial paper	2 744	4 802	(43)
Credit-linked notes	24 848	19 734	26
Floating rate notes	43 799	51 722	(15)
Negotiable certificates of deposit	89 858	88 429	2
Other	1 384	2 121	(35)
Promissory notes	1 581	2	>100
Senior notes	46 912	38 608	22
Structured notes and bonds	2	101	(98)
	211 128	205 519	3
CIB	28 888	26 669	8
ARO RBB	89	88	1
Head Office, Treasury and other operations	182 151	178 762	2
	211 128	205 519	3

11. Equity and borrowed funds

	2023 Rm	2022 Rm	Change %
Authorised			
950 000 000 (31 December 2022: 891 774 054) ordinary shares of R2.00 each	1 900	1 784	7
Issued			
894 376 907 (31 December 2022: 847 750 679)	1 789	1 696	5
49 342 098 (31 December 2022: 4 344 343) treasury shares held by Group entities	(100)	(10)	>100
	1 689	1 686	0
Total issued capital			
Share capital	1 689	1 686	0
Share premium	3 909	3 636	8
	5 598	5 322	5

Number of ordinary shares in issue (after deductions of treasury shares)	2023 Number of shares (million)	2022 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	894.4	847.8	5
Treasury shares held by the Group	(49.3)	(4.3)	>100
	845.1	843.5	0

As part of the implementation of the B-BBEE scheme, Absa Group Limited issued 46 626 228 new shares on 1 September 2023. These newly issued shares, along with 15 980 155 existing Absa Group shares (acquired from Barclays Plc in 2017 and from dividends received on such shares), have subsequently been classified as treasury shares in accordance with IFRS. Notably, the existing shares are treated as issued shares when presenting normalised results.

The treasury shares, which represent 7% of Absa Group Limited's shareholding, were allocated to (i) a perpetual Corporate Social Investment (CSI) Trust (holding a 4% indirect shareholding); and (ii) a Staff 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 AGL was funded through the issue of preference shares (R6.2 billion) to Absa Group Limited and a cash contribution of R1.8 billion from Absa Bank Limited; the impact of which is eliminated on consolidation. Consequently, Absa Group Limited only accounts for the related share-based payment transaction. All entities are currently consolidated by Absa Group Limited. The Staff Scheme participants are awarded units in the Staff Trust corresponding to an allocation of the Absa shares held by NS 1405. The SA Staff Scheme participants also 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 after which 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 three years of commencement of the SA Staff Scheme on a first-come-first-served basis. The SA Staff Scheme is treated as an equity-settled share-based payment transaction for which an equity-settled share-based payment expense of R145 million was recognised for the year in the Statement of Comprehensive Income.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

11. Equity and borrowed funds (continued)

In recognition of the valued role of all staff, Absa Group Companies outside of South Africa are eligible to 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. In respect of the transaction, a cash-settled share-based payment expense of R25 million was recognised for the year in the Statement of Comprehensive Income.

During the reporting period, the Corporate Social Investment Trust received a donation from Absa Bank Limited of R90 million which is eliminated on consolidation. The CSI Trust will in future also benefit from an attributable share of annual dividends equal to 25% of the Absa dividend paid to NS 1405 in respect of the AGL shares it indirectly holds. The donation and future dividends will be used to benefit black participants in selected education and youth employability programmes in South Africa. As at year end, no donations to eligible beneficiaries have been made by the CSI Trust.

The transaction resulted in the following impact:

- An increase in Staff costs comprises R145 million and R25 million in equity-settled and cash-settled share-based payment expenses respectively. This was followed by a corresponding increase in the share-based payment reserve for equity-settled schemes and an increase in cash-settled liabilities for the cash-settled schemes.
- A further increase in operating expenditure of R65 million for implementation costs, mainly comprising transaction advisory fees.
- A decrease in the Group's headline earnings and diluted headline earnings per share of circa 1% due to the above increases in expenses.
- There has been an insignificant impact on the Net Asset Value per Share ratio for the reporting period in context that the calculation excludes the newly issued shares described above i.e. these are not seen as issued shares.

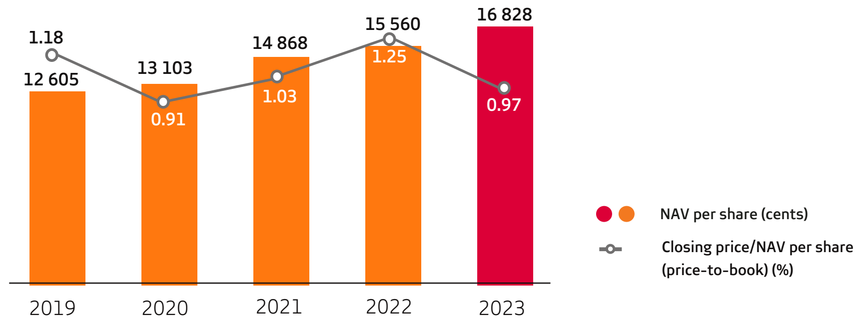
Borrowed funds		2023 Rm	2022 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	Final maturity date			
Consumer price index linked notes fixed at 5.50%	7 December 2028	—	1 500	(100)
Subordinated callable notes issued by Absa Group Limited				
Three-month JIBAR + 2.10%	16 September 2032	1 916	1 916	—
Three-months JIBAR + 2.13%	17 May 2030	2 676	2 676	—
Three-months JIBAR + 2.40%	11 April 2029	1 580	1 580	—
Three-months JIBAR + 2.45%	29 November 2028	—	1 500	(100)
Three-months JIBAR + 3.85%	14 August 2029	390	390	—
Three-months JIBAR + 3.45%	29 September 2029	1 014	1 014	—
Three-month JIBAR + 1.72%	28 August 2028	2 158	—	
Foreign currency denominated notes				
USD 6.25%	25 April 2028	—	4 952	(100)
USD 6.375%	n/a	6 866	6 866	—
Subordinated callable notes issued by other subsidiaries				
Bank of Botswana limit rate + 2.25%	14 November 2028	142	136	4
Other				
Accrued interest		134	1 401	(90)
Fair value adjustments		(699)	(940)	(26)
Foreign exchange movements		2 324	3 429	(32)
		18 502	26 420	

Performance indicators and condensed normalised notes to the consolidated financial statements

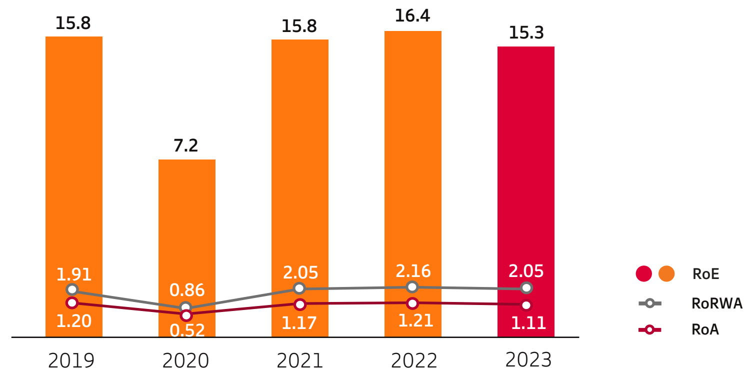
for the reporting period ended 31 December

11. Equity and borrowed funds (continued)

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



RoE, RoA and RoRWA (%)

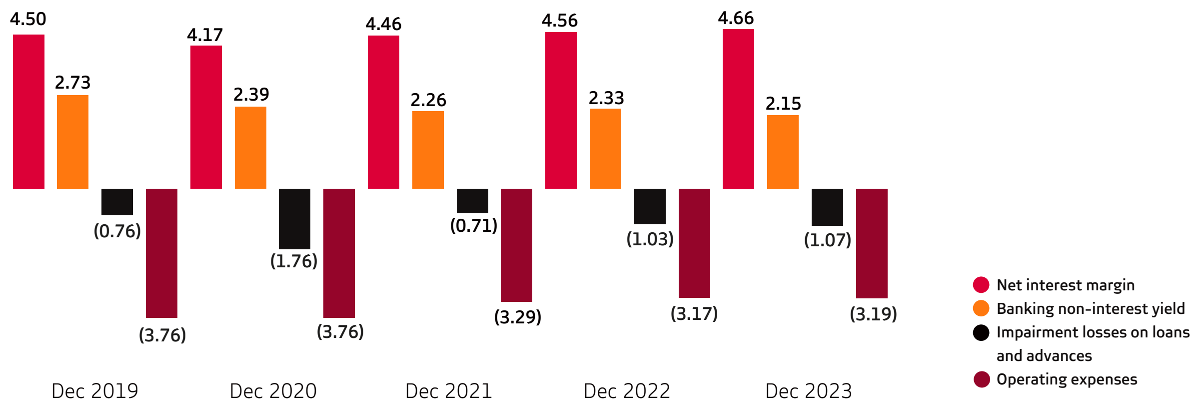


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

12. RoE decomposition

Major drivers of RoE (%)



		2023 %	2022 %
	Net interest margin on average interest-bearing assets	4.66	4.56
Less:	Credit impairment charges/average interest-bearing assets	1.07	1.03
Equals:	Net interest margin on average interest-bearing assets – after credit impairment charges	3.60	3.53
Multiply:	Average interest-bearing assets/average banking assets	85.41	84.99
Equals:	Banking interest yield	3.07	3.00
Plus:	Banking non-interest yield	2.15	2.33
Equals:	Banking income yield	5.22	5.33
Less:	Operating expenses/average banking assets	3.19	3.17
Equals:	Net banking return	2.02	2.16
Less:	Other	0.80	0.83
Equals:	Banking return	1.23	1.33
Multiply:	Average banking assets/total average assets	90.68	90.82
Equals:	RoA	1.11	1.21
Multiply:	Leverage	13.76	13.55
Equals:	RoE	15.3	16.4

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

13. Off-statement of financial position items

	2023 Rm	2022 Rm	Change %
Contingencies, commitments and similar items			
Guarantees	52 317	55 851	(6)
Irrevocable debt facilities	136 887	120 225	14
Letter of credit	22 815	24 269	(6)
Other	—	10	(100)
	212 019	200 355	6
Authorised capital expenditure			
Contracted but not provided for	919	690	33

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 (Authorised capital expenditure) 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.

14. 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, among 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

15. 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.

16. Reporting changes overview

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

16.1 Correction of prior period errors

16.1.1 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 these mobile money wallets meet the definition of cash and cash equivalents per IAS 7, Statement of cash flows ('IAS 7').

These mobile money balances were incorrectly excluded from cash and cash equivalents. As a result, the Statement of cash flows will be restated to incorporate these balances as part of the 'cash and cash equivalents' line. The misclassification will 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.

Furthermore, where these mobile money balances are presented within 'Cash and cash balances with central banks', they have been reclassified to 'Other assets' in the Statement of financial position. This misclassification will be restated on the Statement of financial position and will have no impact Statement of comprehensive income, the Statement of changes in equity, Statement of cash flow or earnings per share.

16.1.2 Current accounts with other central banks

As part of the Group's ongoing process to improve disclosure, it was identified that a current account held with a central bank in an ARO region was incorrectly included as part of money market assets and therefore excluded from the calculation of 'cash and cash equivalents'. Additionally, another current account 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' This error will be restated on the statement of cash flows and will have no impact on the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity or earnings per share.

16.1.3 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 will be restated on the Statement of financial position and will have no impact on the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flow or earnings per share.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

16. Reporting changes overview (continued)

The impact of the above restatements is 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 flow from operating activities						
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

For more information on the impact of the transition to IFRS 17, refer to the reporting changes note.

17. 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.

17.1 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.

17.2 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.

17.3 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.

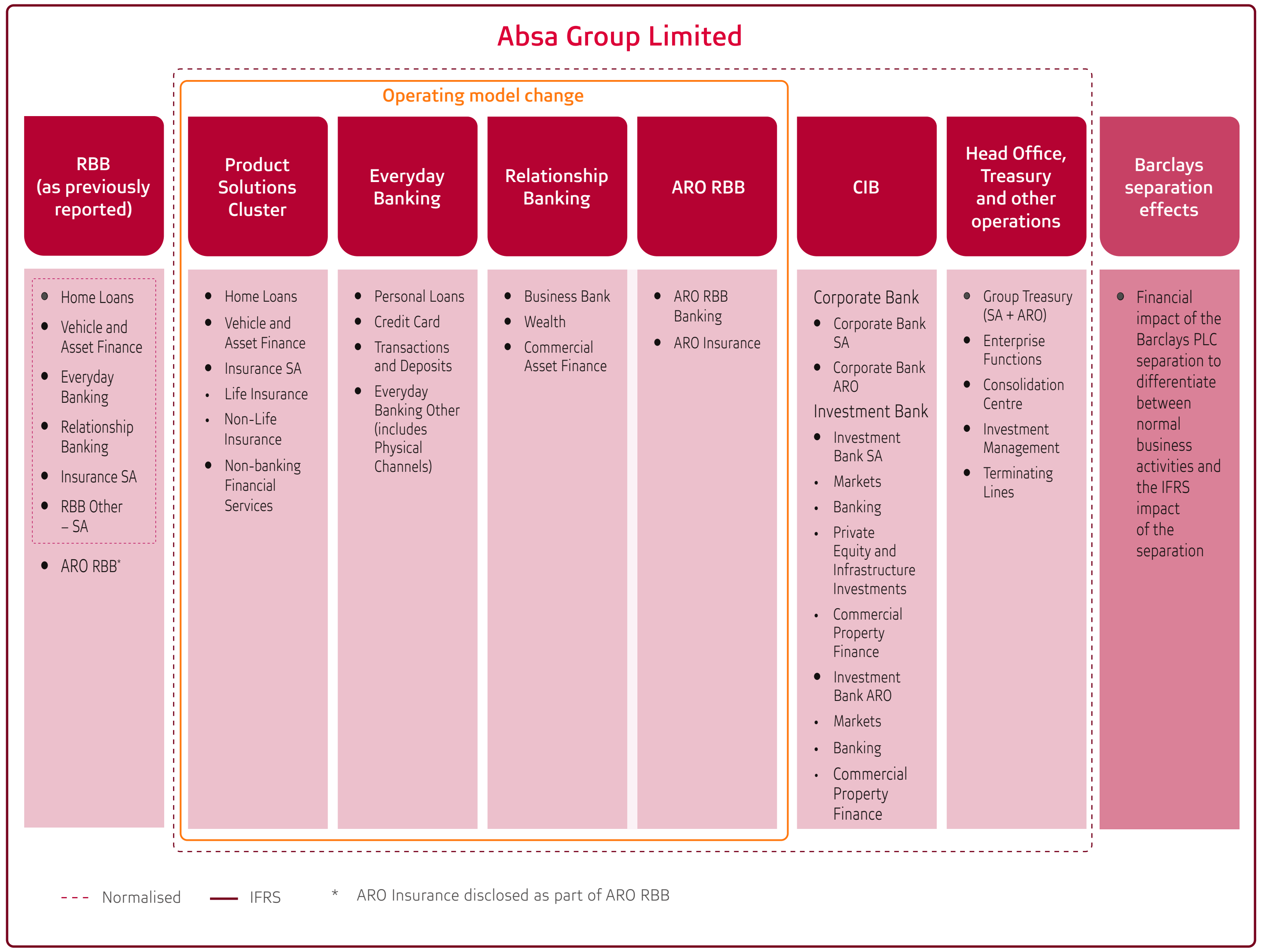
Segment performance

Segment performance overview

for the reporting period ended 31 December

Segment reporting structure

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



Segment performance overview

for the reporting period ended 31 December

Operational metrics

	2023	2022	Change %	2021
Market share[1]				
SA retail deposits market share (%)	20.9	21.4	(2)	21.9
SA retail advances market share (%)	22.2	22.3	(0)	22.2
Physical footprint				
South Africa				
Outlets (including number of branches and sales centres)	618	621	(0)	616
ATMs	5 250	5 364	(2)	7 613
Absa Regional Operations				
Outlets (including number of branches and sales centres)	392	377	4	372
ATMs	1 160	1 052	10	1 053
Product holding[2]				
Retail – South Africa (average number)	2.64	2.56	3	2.39
Retail & Business – Absa Regional Operations – RBB (average number)	1.69	1.75	(3)	1.71
Customer numbers[3]				
South Africa				
Active customers (thousands)	9 841	9 664	2	9 552
Digitally active customers (thousands)	3 022	2 776	9	2 540
Absa Regional Operations – RBB[4]				
Active customers (thousands)	2 354	2 027	16	1 826
Digitally active customers (thousands)	745	669	11	589
Number of permanent and temporary employees	37 107	35 451	5	35 267
South Africa (excludes WFS employees)	27 085	25 719	5	25 908
Absa Regional Operations	9 825	9 556	3	9 180
International operations outside Africa[5]	197	176	12	179

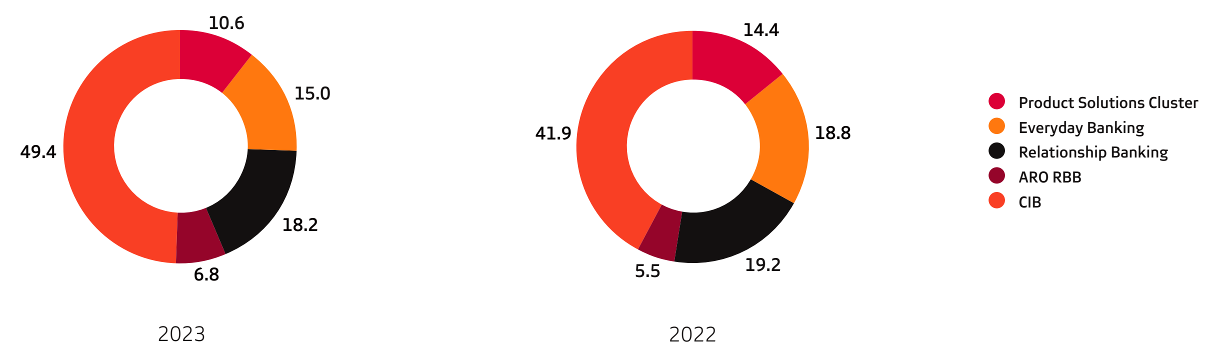
[1] Source: BA900.
[2] Product holding numbers for Absa Regional Operations have been restated to include Business banking.
[3] The definition for active customers has been amended from 3 to 12 months.
[4] Absa Regional Operations customer numbers are calculated based on active numbers, not total customers.
[5] The headcount as disclosed, is related to the Group's international offices in the United States, the United Kingdom and the Czech Republic.

Segment performance overview

for the reporting period ended 31 December

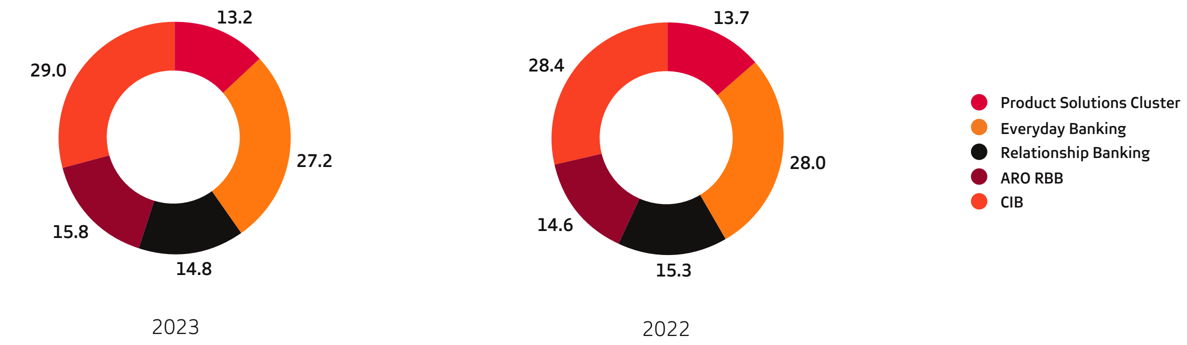
Performance per market segment

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



Headline earnings	2023 Rm	2022 Rm	Change %
Product Solutions Cluster	2 368	3 096	(24)
Everyday Banking	3 354	4 047	(17)
Relationship Banking	4 077	4 132	(1)
ARO RBB	1 510	1 191	27
CIB	11 033	9 006	23
Head Office, Treasury and other operations	(1 416)	(747)	90
	20 926	20 725	1

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



Income	2023 Rm	2022 Rm	Change %
Product Solutions Cluster	13 652	12 953	5
Everyday Banking	28 049	26 426	6
Relationship Banking	15 212	14 441	5
ARO RBB	16 282	13 745	18
CIB	29 864	26 746	12
Head Office, Treasury and other operations	1 471	2 481	(41)
	104 530	96 792	8

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Segment report per market segment

for the reporting period ended 31 December

	Product Solutions Cluster			Everyday Banking			Relationship Banking		
	2023	2022	Change %	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)									
Net interest income	9 016	8 912	1	15 947	14 373	11	10 081	9 336	8
Non-interest income	4 636	4 041	15	12 102	12 053	0	5 131	5 105	1
Total income	13 652	12 953	5	28 049	26 426	6	15 212	14 441	5
Credit impairment charges	(4 231)	(2 586)	64	(7 851)	(5 775)	36	(822)	(618)	33
Operating expenses	(5 798)	(5 732)	1	(14 753)	(14 007)	5	(8 455)	(7 761)	9
Other expenses	(70)	(133)	(47)	(481)	(535)	(10)	(127)	(51)	>100
Operating profit before income tax	3 553	4 502	(21)	4 964	6 109	(19)	5 808	6 011	(3)
Tax expense	(918)	(1 218)	(25)	(1 262)	(1 817)	(31)	(1 498)	(1 703)	(12)
Profit for the reporting period	2 635	3 284	(20)	3 702	4 292	(14)	4 310	4 308	0
Profit attributable to:									
Ordinary equity holders	2 345	3 069	(24)	3 324	4 017	(17)	4 054	4 126	(2)
Non-controlling interest – ordinary shares	—	—	—	160	138	16	—	—	—
Non-controlling interest – preference shares	85	65	31	65	42	55	74	56	32
Other equity – Additional Tier 1 capital	205	150	37	153	95	61	182	126	44
	2 635	3 284	(20)	3 702	4 292	(14)	4 310	4 308	0
Headline earnings	2 368	3 096	(24)	3 354	4 047	(17)	4 077	4 132	(1)
Operating performance (%)									
Net interest margin on average interest-bearing assets	2.02	2.13		4.06	3.95		3.79	3.81	
Credit loss ratio	0.99	0.65		8.35	6.45		0.56	0.45	
Non-interest income as % of income	34.0	31.2		43.1	45.6		33.7	35.4	
Income growth	5	13		6	10		5	5	
Operating expenses growth	1	(3)		5	6		9	5	
Cost-to-income ratio	42.5	44.3		52.6	53.0		55.6	53.7	
Statement of financial position (Rm)									
Loans and advances	417 375	402 351	4	78 288	76 523	2	146 767	136 091	8
Loans and advances to customers	415 391	400 354	4	72 380	67 483	7	146 071	134 778	8
Loans and advances to banks	1 984	1 997	(1)	5 908	9 040	(35)	696	1 313	(47)
Investment securities	27 578	26 718	3	4 042	3 901	4	6 845	6 590	4
Other assets	61 213	59 758	2	334 040	309 805	8	146 949	127 093	16
Total assets	506 166	488 827	4	416 370	390 229	7	300 561	269 774	11
Deposits	1 610	1 863	(14)	308 936	289 606	7	230 720	201 191	15
Deposits due to customers	1 610	1 863	(14)	308 936	289 606	7	230 715	201 185	15
Deposits due to banks	—	—	—	—	—	—	5	6	(17)
Debt securities in issue	—	—	—	—	—	—	—	—	—
Other liabilities	495 119	477 547	4	102 080	94 936	8	64 796	63 949	1
Total liabilities	496 729	479 410	4	411 016	384 542	7	295 516	265 140	11
Financial performance (%)									
RoRWA	1.52	1.81		3.00	3.76		2.90	3.16	
RoA	0.47	0.66		0.86	1.11		1.47	1.61	
RoRC	10.5	14.2		24.4	31.6		25.5	27.9	

	ARO RBB				CIB				Head Office, Treasury and other operations				Normalised Group performance			
	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %
Statement of comprehensive income (Rm)																
Net interest income	11 760	9 697	21	22	19 546	16 441	19	18	1 577	1 681	(6)	(4)	67 927	60 440	12	12
Non-interest income	4 522	4 048	12	10	10 318	10 305	0	(1)	(106)	800	<(100)	<(100)	36 603	36 352	1	0
Total income	16 282	13 745	18	18	29 864	26 746	12	11	1 471	2 481	(41)	(42)	104 530	96 792	8	8
Credit impairment charges	(1 540)	(1 182)	30	35	(764)	(1 378)	(45)	(47)	(327)	(2 164)	(85)	(88)	(15 535)	(13 703)	13	13
Operating expenses	(10 867)	(9 489)	15	13	(13 678)	(12 438)	10	9	(916)	55	<(100)	<(100)	(54 467)	(49 372)	10	10
Other expenses	(597)	(435)	37	34	(369)	(277)	33	32	(1 378)	(872)	58	60	(3 022)	(2 303)	31	31
Operating profit before income tax	3 278	2 639	24	29	15 053	12 653	19	19	(1 150)	(500)	>100	>100	31 506	31 414	0	1
Tax expense	(1 178)	(856)	38	47	(2 925)	(2 823)	4	5	(202)	176	<(100)	<(100)	(7 983)	(8 241)	(3)	(2)
Profit for the reporting period	2 100	1 783	18	20	12 128	9 830	23	23	(1 352)	(324)	>100	>100	23 523	23 173	2	2
Profit attributable to:																
Ordinary equity holders	1 508	1 160	30	34	11 031	8 994	23	22	(1 441)	(350)	>100	>100	20 821	21 016	(1)	(1)
Non-controlling interest – ordinary shares	591	623	(5)	(5)	589	495	19	19	90	26	>100	>100	1 430	1 282	12	12
Non-controlling interest – preference shares	—	—	—	—	149	103	45	44	—	—	—	—	373	266	40	40
Other equity – Additional Tier 1 capital	1	—	100	100	359	238	51	51	(1)	—	100	(90)	899	609	48	48
	2 100	1 783	18	20	12 128	9 830	23	23	(1 352)	(324)	>100	>100	23 523	23 173	2	2
Headline earnings	1 510	1 191	27	31	11 033	9 006	23	22	(1 416)	(747)	90	82	20 926	20 725	1	1
Operating performance (%)																
Net interest margin on average interest-bearing assets	9.31	8.87			2.71	2.51			n/a	n/a			4.66	4.56		
Credit loss ratio	1.84	1.64			0.17	0.27			n/a	n/a			1.18	0.96		
Non-interest income as % of income	27.8	29.5			34.5	38.5			n/a	n/a			35.0	37.6		
Income growth	18	18			12	12			n/a	n/a			8	13		
Operating expenses growth	15	14			10	12			n/a	n/a			10	4		
Cost-to-income ratio	66.7	69.0			45.8	46.5			n/a	n/a			52.1	51.0		
Statement of financial position (Rm)																
Loans and advances	79 382	72 476	10	13	536 395	513 942	4	5	13 150	12 016	9	17	1 271 357	1 213 399	5	5
Loans and advances to customers	78 515	72 117	9	13	484 020	431 614	12	13	609	3 483	(83)	(82)	1 196 986	1 109 829	8	8
Loans and advances to banks	867	359	>100	>100	52 375	82 328	(36)	(37)	12 541	8 533	47	58	74 371	103 570	(28)	(27)
Investment securities	1 621	1 518	7	18	50 844	47 252	8	7	145 568	129 658	12	12	236 498	215 637	10	10
Other assets	62 135	57 810	7	13	512 376	511 913	0	(1)	(750 805)	(705 612)	6	6	365 908	360 767	1	2
Total assets	143 138	131 804	9	13	1 099 615	1 073 107	2	2	(592 087)	(563 938)	5	4	1 873 763	1 789 803	5	5
Deposits	121 002	110 714	9	14	512 059	499 609	2	3	165 209	138 935	19	18	1 339 536	1 241 918	8	8
Deposits due to customers	120 987	110 439	10	14	434 598	407 397	7	7	118 485	102 791	15	15	1 215 331	1 113 281	9	10
Deposits due to banks	15	275	(95)	(95)	77 461	92 212	(16)	(16)	46 724	36 144	29	27	124 205	128 637	(3)	(4)
Debt securities in issue	89	88	1	0	28 888	26 669	8	8	182 151	178 762	2	2	211 128	205 519	3	3
Other liabilities	18 539	20 322	(9)	(7)	545 823	538 705	1	1	(1 065 562)	(1 003 192)	6	6	160 795	192 267	(16)	(16)
Total liabilities	139 630	131 124	6	11	1 086 770	1 064 983	2	2	(718 202)	(685 495)	5	5	1 711 459	1 639 704	4	5
Financial performance (%)																
RoRWA	1.42	1.28			2.83	2.50			n/a	n/a			2.05	2.16		
RoA	1.06	0.98			1.00	0.88			n/a	n/a			1.11	1.21		
RoRC	11.2	10.9			23.9	21.3			n/a	n/a			n/a	n/a		

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Segment report per geographical segment

for the reporting period ended 31 December

	South Africa			Africa regions				Normalised Group performance		
	2023	2022	Change %	2023	2022	Change %	CCY %	2023	2022	Change %
Statement of comprehensive income (Rm)										
Net interest income	46 551	44 045	6	21 376	16 395	30	30	67 927	60 440	12
Non-interest income	27 248	28 286	(4)	9 355	8 067	16	14	36 603	36 352	1
Total income	73 799	72 330	2	30 731	24 462	26	25	104 530	96 792	8
Credit impairment charges	(13 761)	(9 466)	45	(1 774)	(4 237)	(58)	(59)	(15 535)	(13 703)	13
Operating expenses	(38 255)	(35 534)	8	(16 212)	(13 838)	17	15	(54 467)	(49 372)	10
Other expenses	(1 748)	(1 769)	(1)	(1 274)	(534)	>100	>100	(3 022)	(2 303)	31
Operating profit before income tax	20 035	25 561	(22)	11 471	5 853	96	>100	31 506	31 414	0
Tax expenses	(4 029)	(6 282)	(36)	(3 954)	(1 959)	>100	>100	(7 983)	(8 241)	(3)
Profit for the reporting period	16 006	19 279	(17)	7 517	3 894	93	98	23 523	23 173	2
Profit attributable to:										
Ordinary equity holders	14 575	18 266	(20)	6 246	2 750	>100	>100	20 821	21 016	(1)
Non-controlling interest – ordinary shares	160	138	16	1 270	1 144	11	11	1 430	1 282	12
Non-controlling interest – preference shares	373	266	40	—	—	—		373	266	40
Other equity – Additional Tier 1 capital	898	609	47	1	—	100	100	899	609	48
	16 006	19 279	(17)	7 517	3 894	93	98	23 523	23 173	2
Headline earnings	14 676	17 933	(18)	6 250	2 792	>100	>100	20 926	20 725	1
Operating performance (%)										
Net interest margin on average interest-bearing assets	3.94	4.05		7.55	6.70			4.66	4.56	
Credit loss ratio	1.25	0.92		0.80	1.22			1.18	0.96	
Non-interest income as % of income	36.9	39.1		30.4	33.0			35.0	37.6	
Income growth	2	10		26	21			8	13	
Operating expenses growth	8	1		17	13			10	4	
Cost-to-income ratio	51.8	49.1		52.8	56.6			52.1	51.0	
Statement of financial position (Rm)										
Loans and advances	1 085 897	1 043 465	4	185 460	169 934	9	12	1 271 357	1 213 399	5
Loans and advances to customers	1 036 603	968 914	7	160 383	140 915	14	17	1 196 986	1 109 829	8
Loans and advances to banks	49 294	74 551	(34)	25 077	29 019	(14)	(11)	74 371	103 570	(28)
Investment securities	158 749	135 957	17	77 749	79 680	(2)	(3)	236 498	215 637	10
Other assets	295 167	299 922	(2)	70 741	60 845	16	17	365 908	360 767	1
Total assets	1 539 813	1 479 344	4	333 950	310 459	8	9	1 873 763	1 789 803	5
Deposits	1 078 217	1 003 941	7	261 319	237 977	10	12	1 339 536	1 241 918	8
Deposits due to customers	980 649	908 272	8	234 682	205 009	14	17	1 215 331	1 113 281	9
Deposits due to banks	97 568	95 669	2	26 637	32 968	(19)	(22)	124 205	128 637	(3)
Debt securities in issue	209 895	202 511	4	1 233	3 008	(59)	(60)	211 128	205 519	3
Other liabilities	120 978	147 566	(18)	39 817	44 701	(11)	(11)	160 795	192 267	(16)
Total liabilities	1 409 090	1 354 018	4	302 369	285 686	6	7	1 711 459	1 639 704	4
Financial performance (%)										
RoRWA	2.12	2.63		1.89	1.01			2.05	2.16	
RoA	0.90	1.21		1.85	0.94			1.11	1.21	
RoRC	16.1	20.7		19.0	10.2			n/a	n/a	

Product Solutions Cluster

for the reporting period ended 31 December

Product Solutions Cluster's headline earnings decreased by **24%** to **R2.4bn** (2022: R3.1bn), while pre-provision profit remained strong, up **9%** year on year supported by revenue growth of **5%** and prudent cost management (sub-inflationary cost growth of **1%**). This growth was offset by higher impairments on the back of higher inflation and increasing interest rates, which impacted consumer affordability negatively.

Key performance highlights for the period include the following:

Net interest income increased by **1%** to **R9.0bn** (2022: R8.9bn) on the back of balance sheet growth of **4%**. During the year the cluster experienced margin contraction particularly in Home Loans due to an increase in the fixed-rate debt counselling book, higher levels of interest in suspense on the stage 3 loan book and increased competition resulting in lower flow margins on new business.

Contractual Service Margin balance (CSM) grew by **5%** to **R8.9bn** (2022: R8.5bn), with growth supported by new business volumes in key strategic product lines.

Non-interest income increased by a healthy **15%** to **R4.6bn** (2022: R4.0bn) reflecting the robust financial performance achieved in Life Insurance, as the new business Contractual Service Margin (CSM) increased, supported by in-force book growth and risk-adjusted releases from an improved claims experience.

Cost-to-income ratio improved by **1.8%** to **42.5%** (2022: 44.3%) underpinned by revenue performance and strong cost management resulting in positive JAWS of **4%**.

Net customer advances grew by **4%** to **R415bn** (2022: R400bn) reflecting a stable market share in mortgages and continued market gains in instalment sales as per the BA 900.

Credit loss ratio increased to **0.99%** (2022: 0.65%) due to elevated arrears, debt review and the legal book given the continued deteriorating macroeconomic conditions; however, the cluster saw an improved second-half performance with a credit loss ratio of 0.89%.

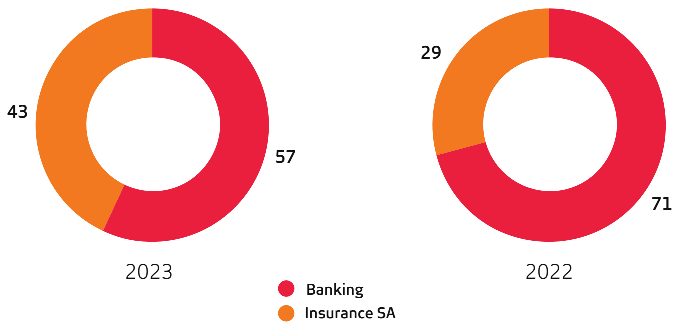
Balance sheet resilience remains a focus across the lending portfolios in response to the elevated consumer credit strain with the non-performing loans ratio increasing to **9.0%** (2022: 7.1%). Total coverage increased to **3.8%** (2022: 3.4%) and within this, non-performing loans coverage decreased to **33.3%** (2022: 34.9%) driven by new inflows.

Return on Regulatory Capital (RoRC) decreased to **10.5%** (2022: 14.2%) due to the decline in headline earnings of **24%**. The business continues to focus on capital optimisation and during the period realised a **R26bn** risk-weighted asset savings from optimised capital models.

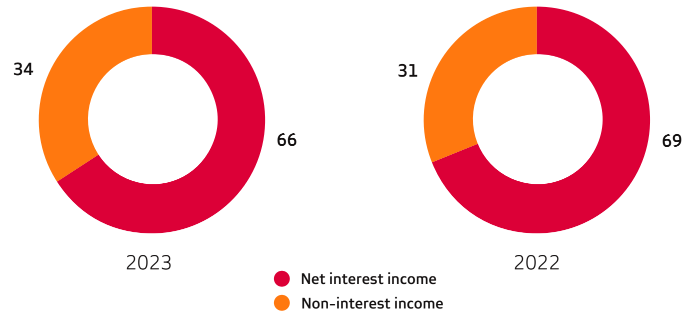
Product Solutions Cluster

for the reporting period ended 31 December

Headline earnings contribution (%)



Revenue mix (%)



Salient features	2023	2022	Change %
Income (Rm)	13 652	12 953	5
Pre-provision profit (Rm)	7 854	7 221	9
Headline earnings (Rm)	2 368	3 096	(24)
Credit loss ratio (%)	0.99	0.65	
Cost-to-income ratio (%)	42.5	44.3	
RoRC (%)	10.5	14.2	

Business profile

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

Key business areas

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

Product Solutions Cluster

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance		
	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)						
Net interest income	5 250	5 273	(0)	3 786	3 450	10
Non-interest income	543	464	17	710	644	10
Total income	5 793	5 737	1	4 496	4 094	10
Credit impairment charges	(1 789)	(688)	>100	(2 442)	(1 898)	29
Operating expenses	(1 924)	(1 926)	0	(1 602)	(1 505)	6
Other expenses	(65)	(40)	63	(28)	13	<(100)
Operating profit before income tax	2 015	3 083	(35)	424	704	(40)
Tax expenses	(507)	(840)	(40)	(87)	(176)	(51)
Profit for the reporting period	1 508	2 243	(33)	337	528	(36)
Profit attributable to:						
Ordinary equity holders	1 319	2 099	(37)	236	458	(48)
Non-controlling interest – ordinary shares	—	—	—	—	—	—
Non-controlling interest – preference shares	56	43	30	30	21	43
Other equity – Additional Tier 1 capital	133	101	32	71	49	45
	1 508	2 243	(33)	337	528	(36)
Headline earnings	1 336	2 100	(36)	236	458	(48)
Operating performance (%)						
Net interest margin on average interest-bearing assets	1.61	1.71		3.18	3.16	
Credit loss ratio	0.58	0.24		2.08	1.76	
Non-interest income as % of income	9.4	8.1		15.8	15.7	
Income growth	1	2		10	10	
Operating expenses growth	—	6		6	9	
Cost-to-income ratio	33.2	33.6		35.6	36.8	
Statement of financial position (Rm)						
Loans and advances	302 308	293 691	3	113 326	106 952	6
Loans and advances to customers	302 065	293 402	3	113 326	106 952	6
Loans and advances to banks	243	289	(16)	—	—	—
Investment securities	16 490	15 559	6	5 911	5 337	11
Other assets	28 107	30 482	(8)	5 192	3 948	32
Total assets	346 905	339 732	2	124 429	116 237	7
Deposits due to customers	1 583	1 863	(15)	27	—	100
Other liabilities	342 264	334 251	2	123 130	114 764	7
Total liabilities	343 847	336 114	2	123 157	114 764	7
Financial performance (%)						
RoRWA	1.44	2.08		0.41	0.79	
RoA	0.39	0.65		0.20	0.42	

Product Solutions Cluster

for the reporting period ended 31 December

	Insurance SA			Non-Banking Financial Services			Product Solutions Cluster		
	2023	2022	Change %	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)									
Net interest income	—	1	(100)	(20)	188	<(100)	9 016	8 912	1
Non-interest income	2 279	1 950	17	1 104	983	12	4 636	4 041	15
Total income	2 279	1 951	17	1 084	1 171	(7)	13 652	12 953	5
Credit impairment charges	—	—	—	—	—	—	(4 231)	(2 586)	64
Operating expenses	(548)	(430)	27	(1 724)	(1 871)	(8)	(5 798)	(5 732)	1
Other expenses	(45)	(52)	(13)	68	(54)	>100	(70)	(133)	(47)
Operating profit before income tax	1 686	1 469	15	(572)	(754)	(24)	3 553	4 502	(21)
Tax expenses	(498)	(416)	20	174	214	(19)	(918)	(1 218)	(25)
Profit for the reporting period	1 188	1 053	13	(398)	(540)	(26)	2 635	3 284	(20)
Profit attributable to:									
Ordinary equity holders	1 188	1 053	13	(398)	(541)	(26)	2 345	3 069	(24)
Non-controlling interest – ordinary shares	—	—	—	—	—	—	—	—	—
Non-controlling interest – preference shares	—	—	—	(1)	1	<(100)	85	65	31
Other equity – Additional Tier 1 capital	—	—	—	1	—	100	205	150	37
	1 188	1 053	13	(398)	(540)	(26)	2 635	3 284	(20)
Headline earnings	1 194	1 053	13	(398)	(515)	(23)	2 368	3 096	(24)
Operating performance (%)									
Net interest margin on average interest-bearing assets	n/a	n/a		n/a	n/a		2.02	2.13	
Credit loss ratio	n/a	n/a		n/a	n/a		0.99	0.65	
Non-interest income as % of income	n/a	n/a		n/a	n/a		34.0	31.2	
Income growth	n/a	n/a		n/a	n/a		5	13	
Operating expenses growth	n/a	n/a		n/a	n/a		1	(3)	
Cost-to-income ratio	n/a	n/a		n/a	n/a		42.5	44.3	
Statement of financial position (Rm)									
Loans and advances	943	541	74	798	1 167	(32)	417 375	402 351	4
Loans and advances to customers	—	—	—	—	—	—	415 391	400 354	4
Loans and advances to banks	943	541	74	798	1 167	(32)	1 984	1 997	(1)
Investment securities	4 953	5 603	(12)	224	219	2	27 578	26 718	3
Other assets	24 075	22 247	8	3 839	3 081	25	61 213	59 758	2
Total assets	29 971	28 391	6	4 861	4 467	9	506 166	488 827	4
Deposits due to customers	—	—	—	—	—	—	1 610	1 863	(14)
Other liabilities	26 831	25 852	4	2 894	2 680	8	495 119	477 547	4
Total liabilities	26 831	25 852	4	2 894	2 680	8	496 729	479 410	4
Financial performance (%)									
RoRWA	n/a	n/a		n/a	n/a		1.52	1.81	
RoA	n/a	n/a		n/a	n/a		0.47	0.66	

Product Solutions Cluster

for the reporting period ended 31 December

Business performance

Product Solutions Cluster's performance was reinforced by consistent strategy execution across the business units which underpinned the underlying business momentum reflected in strong pre-provision profit growth.

Demand in the Home Loan's market slowed as application volumes decreased by **17%** across the industry, reflecting the subdued property market, while vehicle sales displayed more resilience initially, but started to contract during the second half of 2023. Insurance South Africa benefited from a normalisation in mortality claims offset by higher attritional weather-related claims. As mortality continues to normalise, the Non-Banking Financial Services business experienced a reduction in new estates administered post the Covid-19 period.

The challenging macro-operating environment characterised by materially higher interest rates and weak economic growth, coupled with increased food and fuel price inflation, has increased consumer strain impacting affordability and disposable income. This had a direct impact on arrears, debt review and the legal book and consequently credit impairments which have deteriorated materially. Both Home Loans and Vehicle Asset Finance have increased coverage during this period. In the first half of 2023, impairment charges were driven primarily by high inflows into arrears; however, given the interest rate pause, inflows into arrears have reduced in the second half of 2023 and the impairment pressure has shifted to late stage arrears, debt review and the legal book.

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

In June 2023, the Prudential Authority approved the implementation of the Vehicle Asset Finance Basel Probability of Default (PD) and Loss Given Default (LGD) as well as the Home Loans PD models. These models realised a **R26bn** risk-weighted asset saving and contributed positively to the Group overall capital position.

Despite the challenging macroeconomic conditions, advances growth of **4%** was supported by continued momentum in the lending portfolios. The business remains prudent in its origination strategies as the macroeconomic outlook is expected to remain weak.

The Insurance operations continued to focus on the integration and optimisation of the bancassurance model, providing value propositions that deliver increased customer value through innovative solutions across both product and channel. The business is also collaborating with strategic partners through an ecosystem-based approach to offer and enhance Insurance solutions. The insurance businesses have applied the IFRS 17 Insurance Contracts standard from 1 January 2023 and have restated comparative numbers for 2022. The application of the standard has had minimal impact to date on the business strategy, dividends, solvency, liquidity, capital positions, product pricing and management. Capital continues to be managed prudently with the Solvency Capital Requirement cover well in excess of the regulatory minimum of one time.

Within this context the cluster focused on:

- A superior customer experience, resulting in the cluster achieving an improved Customer Experience Index.
- The continued integration with Relationship Banking and Everyday Banking including next-generation propositions and closer collaboration with the bankers, that delivered broader franchise value.
- Embedded new self-serve digital features on the Absa mobile banking app and connected banking platform, to drive an improved customer experience.
- Growth in digital channels usage, driven by strategic marketing and product placement for the customers.
- Elevation of Diversity, Equity and Inclusion agenda, including employment equity and transformation.

The execution of the strategic initiatives has resulted in:

- Home Loans maintaining a stable BA900 market share over the past 12 months at **23.8%**, in a subdued market.
- VAF production increasing by **5.5%**, year-on-year and the BA 900 increasing to **24.7%** (2022: 24.2%).
- Life Insurance experienced new business volume growth of **5%**, as customer journeys were further integrated, value propositions enhanced and credit life strike rates improved across most channels.
- Non-Life Insurance partnered with Vehicle Asset Finance (VAF), thus enabling growth in Value Added Products (VAPS) and Digital Motor products of **14%** and **94%** year-on-year, respectively.

The cluster's notable achievements for the year included:

- Absa Life voted #1 in SA life insurance industry for customer satisfaction (second consecutive year).
- Absa Life is the only SA Bancassurer listed in the Forbes top 110 global Life companies (voted by consumers).
- Absa Insurance & Financial Advisers (AIFA) won Best Direct Delivery Team at the 2023 Contact Centre World Top Ranking Performers Awards (Europe Middle East Asia).
- Absa Home Loans delivered the third Real Estate Industry Summit in South Africa, embedding market leadership position and supporting thought leadership in the industry.
- Absa Trust remains a leading Trust and Fiduciary company in South Africa.
- Absa Vehicle Asset Finance (AVAF), as the headline sponsor of the National Automobile Association of South Africa (Naamsa) Autoweek.

Looking ahead, Product Solutions Cluster will focus on:

- Building stronger relationships with Partners to drive further customer acquisition, improve product performance and increase primacy.
- Delivering growth in Bancassurance and Wealth revenues through upgraded value propositions and better integration with the Bank.
- Digitising key customer journeys, modernising core technology and deploying digital sales tools.
- Strengthening risk management and optimising margins in the adverse macro-environment.
- Enabling Colleagues to thrive as we evolve and grow talent pipeline.
- Being an active force for good in the relevant markets.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Product Solutions Cluster

for the reporting period ended 31 December

Home Loans

Salient features	2023	2022	Change %
Net interest income (Rm)	5 250	5 273	(0)
Credit impairment charges (Rm)	(1 789)	(688)	>100
Headline earnings (Rm)	1 336	2 100	(36)
Gross loans and advances (Rm)	311 567	301 268	3

Business performance

The impact of the subdued residential property market has been noted through a year on year decline in demand, with application volumes down **17%** compared to the 2022 financial year. Despite this operating context, the business maintained a consistent execution cadence in the implementation of its business strategy by remaining constant in the market and providing continued support to consumers in their time of need. This has all been underpinned by a clear purpose to 'house the nation'.

The overall confidence in the South African property market is showing some signs of recovery, although consumers remain cautious:

- The 'overall' Absa Homeowner Sentiment of **78%** (quarter 4 2023) has remained stable during the second half of the year with a marginal decline compared to prior year at 79% (quarter 4 2022).
- The 'buying' sentiment has reduced to **64%** (quarter 4 2023) from 67% (quarter 4 2022).
- The 'selling' sentiment has reduced albeit with an improving trend for 2023, from 52% in quarter 4 2022 to **48%** (quarter 4 2023).

The execution of the strategic initiatives has resulted in:

- Home Loans BA900 market share remaining stable over the past 12 months at **23.8%** (2022: 23.8%).
- The business leveraging an integrated and strengthened Private Bank and Wealth capability in Relationship Banking, supporting an improved customer experience. Mortgages originated through internal channels as a percentage of business remained strong at **36.3%** (2022: 33.6%).
- Enhanced collections strategies to provide expanded sustainable solutions for distressed customers in their time of need.
- Continued momentum in customers taking up integrated value in Bancassurance and Everyday Banking.
- Embedded new self-serve digital features on the Absa mobile banking app and connected banking platform, driving improved customer experience.

Financial performance

Gross loans and advances increased by **3%** to **R312bn** (2022: R301bn) on the back of new mortgage registrations notwithstanding an environment where applications in the industry were materially lower compared to 2022. Net interest income marginally decreased from R5 273m to **R5 250m** year on year, driven by muted book growth and margin contraction due to increased competition resulting in lower flow margins on new business. This was further compounded by an increase in the fixed-rate debt counselling book and higher levels of interest in suspense on the stage 3 loans book.

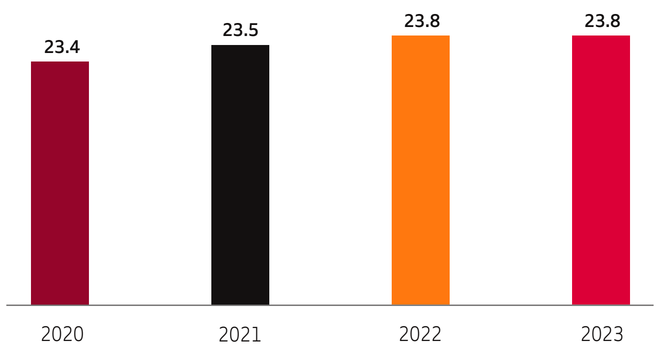
There was an increase in delinquencies due to continued economic pressure on customers on the back of the rapid hikes in interest rates. The Non-Performing Loans (NPL) ratio increased to **9.2%** (2022: 7.0%) driven by sustained pressure on the legal book and inflows into debt review. Balance sheet resilience increased with total coverage increasing to **3.0%** (2022: 2.5%) given the deterioration in delinquency profile while NPL coverage decreased to **27.7%** (2022: 29.1%) driven by the higher percentage of new inflows into NPL (stage 3) attracting lower coverages. Credit impairment charges increased to **R1 789m** (2022: R688m) with the credit loss ratio increasing to **0.58%** (2022: 0.24%). Steady interest rates in the second half of 2023 helped to stabilise inflows into arrears, improving the credit loss ratio from 0.65% in June 2023 to **0.53%** in the second half of 2023.

Pre-provision profit grew by **2%** on the back of revenue optimisation initiatives that contributed to double digit growth in non-interest revenue, supported by the diligent deployment of financial resources and prudent cost management strategies. Headline earnings decreased **36%** to **R1 336m** (2022: R2 100m).

Looking ahead, Home Loans will focus on:

- Remaining sustainable and competitive through the cycle with consistent market presence, strategic partnerships and enhanced customer value propositions.
- Providing future fit sustainable solutions for distressed customers.
- Deepening share of wallet through integrated insurance, transactional and wealth solutions for customers.
- Continuing to modernise the core capabilities and expanding digital-first solutions to improve customer and colleague experience.
- Leveraging strategic partnerships to create value for customers.
- Stimulating demand for Edge-certified developments and affordable housing through, innovative sustainable funding mechanisms.

Mortgages market share (%)



Source: BA900: December 2023

Product Solutions Cluster

for the reporting period ended 31 December

Vehicle and Asset Finance

Salient features	2023	2022	Change %
Net interest income (Rm)	3 786	3 450	10
Credit impairment charges (Rm)	(2 442)	(1 898)	29
Headline earnings (Rm)	236	458	(48)
Gross loans and advances (Rm)	120 487	113 433	6

Business performance

The vehicle market faced several challenges in 2023, characterised by subdued economic activity, higher cost of living, logistical challenges at the country's ports and power outages. These factors collectively put pressure on vehicle sales as a result:

- New vehicle sales declined by **3.3%** for the period ending December 2023 (Naamsa).
- New vehicle price inflation averaged **7.9%** for the period ending December 2023 (Stats SA).
- The number of vehicles financed declined by **5.5%** year on year for the period ending October 2023 (Experian).

VAF successfully progressed on its strategic objectives through:

- Introducing additional improvements to reduce application fraud.
- Further enhancements to the payments capability and resultant outcomes.
- Deploying improved collections solutions to customers through proactive engagements.
- Strengthening alliance relationships by expanding agreements into bancassurance.
- Working with Naamsa and industry stakeholders, in furthering thought leadership on the transition to New Energy Vehicles and industry transformation.
- Continuing embedment of self-service features on voice and digital platforms supporting dealer and customer service excellence.

The execution of the strategic initiatives resulted in:

- Production increasing by **5.5%** year on year.
- Market share on Instalment Debtors (per BA900) increasing to **24.7%** (2022: 24.2%).
- Stable margins, although pressure on new business pricing continues, due to market competition and prime rate increases.
- Use of assisted sales platform supporting distressed customers increased by **31%** year on year.
- Customer engagement on digital platforms increasing by **30%** year on year.

Financial performance

Gross Loans and advances to customers increased by **6%** to **R120bn** (2022: R113bn) attributable to steady production levels and a stable back book run-off, supporting continued market gains in instalment sales as per the BA 900.

Total revenue reflected **10%** growth, reaching **R4 496m** (2022: R4 094m). This was driven by strong underlying book performance, resilient margin and increased non-interest income contribution.

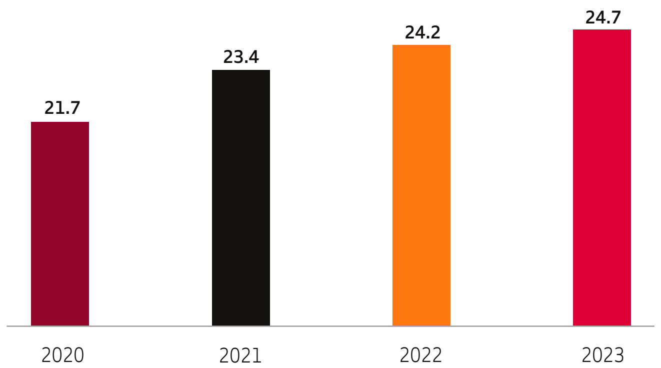
The increase in impairments resulted in headline earnings decreasing by **48%** to **R236m** (2022: R458m), with pre-provision profit increasing by **12%**. Cost to income improved to **35.6%** (2022: 36.8%) supported by robust revenue growth.

The persistent consumer pressure contributed to elevated arrears levels in the first half of the year, with some improvement in the delinquency profile evident in the second half of 2023, particularly related to customers in up to date and in early arrears. The NPL ratio increased to **8.5%** (2022: 7.4%) driven by the negative economic impacts that resulted in sustained pressure on both the legal and debt review book, with both these drivers also contributing to an increase in the credit impairment charge. Total balance sheet coverage remained resilient, increasing slightly to **5.9%** (2022: 5.7%) with NPL coverage remaining flat at **49.0%** (2022: 49.5%). As a result, credit impairment charges increased to **R2 442m** (2022: R1 898m) with the credit loss ratio increasing to **2.08%** (2022: 1.76%).

Looking ahead, VAF will focus on embedding its foundational capabilities and delivering resilience through the cycle by:

- Investing in skills development to optimise business operations and delivery.
- Continuing to refine risk management solutions to improve collections performance.
- Forming new industry relationships to develop digital acquisition and education features.
- Delivering franchise value through bancassurance within South Africa, as well as an automotive industry focus into Africa Regional Operations.
- Making an impact on society through consumer education and automotive decarbonisation.

VAF market share (%)



Source: BA900, Instalment debtors.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Product Solutions Cluster

for the reporting period ended 31 December

Insurance SA

	Life Insurance			Non-Life Insurance			Insurance SA		
	2023	2022	Change %	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)									
Insurance revenue	4 961	4 716	5	3 717	3 436	8	8 678	8 152	6
Insurance service expenses	(3 575)	(3 307)	8	(3 188)	(3 044)	5	(6 763)	(6 351)	6
Net income/(expenses) from reinsurance contracts	(214)	(298)	(28)	(127)	66	<(100)	(341)	(232)	47
Insurance service result	1 172	1 111	5	402	458	(12)	1 574	1 569	0
Net finance income/(expenses) from insurance contracts	12	(15)	>100	—	—	—	12	(15)	>100
Net finance income/(expenses) from reinsurance contracts	(48)	(20)	>100	—	—	—	(48)	(20)	>100
Investment income	1 853	(1 079)	>100	241	145	66	2 094	(934)	>100
Policyholder insurance contracts	165	17	>100	65	49	33	230	66	>100
Policyholder investment contracts	1 522	(1 197)	>100	—	—	—	1 522	(1 197)	>100
Shareholder funds	166	101	64	176	96	83	342	197	74
Changes in Investment contract liabilities	(1 454)	1 239	<(100)	—	—	—	(1 454)	1 239	<(100)
Policyholder investment contracts liabilities	(1 454)	1 239	<(100)	—	—	—	(1 454)	1 239	<(100)
Other income	61	72	(15)	40	40	—	101	112	(10)
Gross operating income	1 596	1 308	22	683	643	6	2 279	1 951	17
Other operating expenses	(173)	(94)	84	(420)	(388)	8	(593)	(482)	23
Net operating income	1 423	1 214	17	263	255	3	1 686	1 469	15
Taxation expense	(427)	(340)	26	(71)	(76)	(7)	(498)	(416)	20
Profit for the period	996	874	14	192	179	7	1 188	1 053	13
Other comprehensive income	141	(524)	>100	—	—	—	141	(524)	>100
Total comprehensive income for the reporting period	1 137	350	>100	192	179	7	1 329	529	>100
Investment income									
Policyholder investment contracts	1 522	(1 197)	>100	—	—	—	1 522	(1 197)	>100
Net interest income	663	534	24	—	—	—	663	534	24
Dividend income	136	125	9	—	—	—	136	125	9
Fair value gains/(losses)	723	(1 856)	>100	—	—	—	723	(1 856)	>100
Policyholder insurance contracts	165	17	>100	65	49	33	230	66	>100
Net interest income	95	67	42	65	49	33	160	116	38
Dividend income	17	19	(11)	—	—	—	17	19	(11)
Fair value gains/(losses)	53	(69)	>100	—	—	—	53	(69)	>100
Shareholder funds	166	101	64	176	96	83	342	197	74
Net interest income	156	103	51	164	105	56	320	208	54
Dividend income	—	—	—	—	—	—	—	—	—
Fair value gains/(losses)	10	(2)	>100	12	(9)	>100	22	(11)	>100
Total	1 853	(1 079)	>100	241	145	66	2 094	(934)	>100
Net interest income	914	704	30	229	154	49	1 143	858	33
Dividend income	153	144	6	—	—	—	153	144	6
Fair value gains/(losses)	786	(1 927)	>100	12	(9)	>100	798	(1 936)	>100

Product Solutions Cluster
for the reporting period ended 31 December

Insurance SA (continued)

	Insurance SA		
	2023	2022	Change %
Statement of financial position (Rm)			
Assets			
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	21 417	20 146	6
Cash balances and loans and advances to banks	372	859	(57)
Investment securities	21 045	19 287	9
Policyholder insurance contracts	4 350	3 963	10
Cash balances and loans and advances to banks	1 248	771	62
Investment securities	2 430	2 581	(6)
Insurance contract assets	672	611	10
Reinsurance assets	492	508	(3)
Shareholder funds	2 566	3 055	(16)
Cash balances and loans and advances to banks	43	34	26
Investment securities	2 523	3 021	(16)
Other assets	1 107	690	60
Deferred tax assets	39	29	34
Total assets	29 971	28 391	6
Liabilities			
Liabilities under investment contracts	21 247	19 999	6
Insurance contracts liabilities	4 064	4 106	(1)
Reinsurance contracts liabilities	168	124	35
Other liabilities	1 312	1 606	(18)
Other liabilities	1 132	1 438	(21)
Other liabilities relating to investment contracts	180	168	7
Deferred tax liabilities	40	17	>100
Total liabilities	26 831	25 852	4
Equity			
Capital and reserves	3 140	2 539	24
Total equity	3 140	2 539	24
Total liabilities and equity	29 971	28 391	6

Product Solutions Cluster
for the reporting period ended 31 December

Life insurance

Salient features	2023	2022	Change %
Profit for the period (Rm)	996	874	14
Insurance service result (Rm)	1 172	1 111	5

Business performance

Life Insurance South Africa sustained its positive growth trajectory in the 2023 financial year, delivering a solid set of financial results despite the significant strain on customer affordability from a challenging operating environment. This performance was underpinned by the success of the integrated bancassurance and partnership strategies, digital sales initiatives, and a continued focus on superior customer outcomes. National weekly deaths data reported by the South African Medical Research Council (SAMRC) shows a mortality trend that is in line or slightly above the expected range in 2023. Within this context the business:

- Enhanced its integrated Bancassurance propositions to ensure it remains differentiated and attractive to customers.
- Continued to leverage the bank's distribution channels and digital capabilities to expand customer access to leading life insurance value propositions.
- Collaborated with strategic partners to develop and deliver life insurance solutions for their customers and drive growth in the Credit Life and Group Life offerings.
- Implemented business optimisation and digital initiatives aimed at enabling holistic digital offerings and operational efficiencies.

The execution of the strategic initiatives has resulted in:

- New business volume growth of **5%** as customer journeys were further integrated, value propositions enhanced, and credit life strike rates improved across all channels.
- Digital new business sales increasing by **13%** driven by a **17%** growth in digital funeral sales.
- Instant Life, one of SA's first fully digital underwritten life insurance providers, has launched the first digital underwritten advisor product, replacing all manual underwriting with digital underwriting with strong initial take up, offering cover up to R10m.
- Absa Life has been recognised by Forbes as one of the 'World's Best Life Insurers' and the only SA Bancassurer on this list (110 top global Life Insurers).

Financial performance

Insurance revenue increased by **5%** to **R4 961m** (2022: R4 716m), driven by an increase in Contractual Service Margin and risk adjustment releases. Year on year the Contractual Service Margin balance (CSM) has increased by **5%**, primarily due to growth in the gross new business contractual service margin of **12%** which was partially offset by releases to profits. The business has continued to see strong sales of its funeral, digital and fully underwritten life products into the Absa customer base, which underpinned new business growth resulting in net premium growth of **10%**. This performance is due to the continued execution of the bancassurance and partnership strategic initiatives which leverage the integrated operating model with the retail bank.

Insurance service expenses grew **8%** year on year reflecting increases in expenses and acquisition costs. Net insurance claims reduced slightly by **1%** as mortality and retrenchment experience normalised over the year.

Financial performance was also supported by higher releases from the Liability for Incurred Claims (LIC) relating to the Incurred but Not Reported (IBNR) and claims in payment reserves supported by improved policyholder and shareholder returns.

Profit for the period increased by **14%** to **R996m** (2022: R874m) driven by revenue growth of **22%** which was partially offset by a significant increase in non-attributable operating expenses from higher technology costs and amortisation.

Product Solutions Cluster

for the reporting period ended 31 December

Non-Life insurance

Salient features	2023	2022	Change %
Profit for the period (Rm)	192	179	7
Insurance revenue (Rm)	3 717	3 436	8
Underwriting margin (%)	1.0	3.5	

Business performance

The business continued to show good growth momentum in a tough macro-environment, including a hardening in the reinsurance market. While the business has not seen a severe event like the KwaZulu-Natal floods in the 2022 year, the business saw an increase in the frequency of, and severity of smaller weather-related events. Non-Life has made significant strides with the integration of the bancassurance model. The business continued to focus on delivering against its strategic objectives through:

- Optimising and accelerating the Bancassurance integration by enhanced product value propositions.
- Developing of new products and channels enabling market share growth and product diversification.
- Enhancing digital capabilities and offerings improving customer access to the product base and improving cost of acquisition.
- Simplifying the business enabling improved collections, business efficiencies and an improved customer service experience.

The execution of the strategic initiatives resulted in:

- The business partnering with Vehicle Asset Finance (VAF) improving origination in motor dealers, enabling growth in Value Added Products (VAPS) and Digital Motor products of **14%** and **94%** respectively, driving Insurance revenue growth of **8%** in the 2023 year.
- The iDirect product reflected growth of **11%** in the year, driven by increased package policy sales, improved retentions and on boarding of additional lead providers.
- The business improved retention rates further supporting Insurance revenue growth.
- The launch of Absa Legal product on the banking app and a digital Pet insurance product, enhancing client access to products through the banking digital channels.
- The achievement of an improved customer experience year on year through an improved claims process.

Financial performance

Insurance revenue reflected growth of **8%** to **R3 717m** (2022: R3 436m), driven by the underlying growth in the motor book and value-added motor products. Insurance service expenses increased by **5%**, driven by an increased frequency in smaller weather-related events and increased fire claims costs contributing to reduced underwriting margin of **1%** (2022: 3.5%). The Insurance service expense is offset by the net expenses/income from reinsurance contracts which was an income of R66m in the 2022 year due to the recoveries from the KwaZulu-Natal flood. The business did not experience a single large weather-related event in the 2023 year which led to a net cost of **R127m** from reinsurance contracts, due to significantly lower weather recoveries from reinsurers in the year. The lower weather recoveries were driven by an increase in catastrophe reinsurance attachment point for the 2022/23 reinsurance programme, and an increase in attritional weather claims in the year.

Profit for the period increased by **7%** to **R192m** (2022: R179m), reflecting the growth in premium of **8%** and an increasing interest rate environment, contributing to a higher return on shareholder assets, offset by an increase in the claims experience in the year.

Product Solutions Cluster

for the reporting period ended 31 December

Non-Banking Financial Services

Business performance

The industries in which Non-Banking Financial services operates, experienced challenges in the reported period. This is evident in the industry negative net client cash flows experienced in retail savings and lapses in risk products, both reflective of a reduction of disposal income in the customer base. Within this context, the cluster demonstrated the benefits of a diverse portfolio, which assisted in navigating this tough period:

- The continuation of positive momentum in the distribution of Estates from 2022 into 2023.
- Advisor Channels delivered strong sales growth in guaranteed products, countered by muted sales in Life Insurance sales and Fiduciary, reflective of the prevailing tough economic environment.
- Positive market movement in 2023 and strong investment returns, impacted positively on the portfolio management side of the business, while the brokerage business experienced a decline in total trades when compared to 2022 which is consistent with trading volumes on the JSE equity market.

The businesses continued to focus on key actions through:

- Improving client experience and operational efficiencies through investment in the core platforms and a revision of the operating model, benefiting Trusts and estates, and the roll out of additional advice tools for the advisor forces.
- Increasing the advisor force especially in the Private wealth segments to better match the distribution footprint and market demand.
- Integrating the customer on-boarding journeys with the bank, to better utilise the combined opportunities.

Financial performance

Non-interest income increased by **12%** to **R1 104m** (2022: R983m), supported by robust progression from Absa Trust as well as strong sales growth in guaranteed products through the Advisor Channels, offsetting SPM's negative growth, as prior year brokerage volumes came off market volatility in 2022.

Operating expenses decreased by **8%** to **R1 724m** (2022: R1 871m) reflecting the prudent cost management as a result of the materially higher impairments experienced in secured lending.

Looking ahead, the businesses will continue focusing on:

- Becoming an integrated business tapping into the potential of the collective bank to provide customers with holistic, accessible solutions.
- Building a frictionless bridge to the bank to increase the number of bank customers under advice.
- Developing inter-generational relationships, backed by relevant solutions, and expanding the approach from the single customer to their family.
- Offering a differentiated, needs-based customer value proposition to serve clients better through best-in-class customer value propositions.

Everyday Banking

for the reporting period ended 31 December

Pre-provision profit grew **7%**, underpinned by strong growth in revenue and operational efficiencies. However, headline earnings declined by 17% due to elevated charges for credit impairments. The increase in credit impairment charges was largely a function of the adverse economic climate and the impact thereof on customers' disposable incomes.

Key performance highlights for the period include the following:

Total income grew 6% through an increase in the customer base, activity, expansion in customer balances and improved margins.

Gross loans and advances to customers grew by 9%, largely underpinned by sustained production momentum but moderated by the impact of risk management measures in light of the challenging economic environment.

Cost-to-income ratio improved from 53.0% to **52.6%** and a positive JAWS of 1% was delivered, underscoring effective cost efficiencies in the business while sustaining revenue growth.

Investment deposits grew by 10% supported by new propositions, and the business maintained strong market positioning (BA900).

Operating expenses growth was contained at **5%** despite heightened inflationary pressures and record loadshedding. This was achieved through enhanced operating efficiencies across the business, including leveraging digital capabilities.

Transactional deposits contracted 6%, reflecting the impact of the challenging economic climate on customers disposable incomes.

Credit impairment charges rose 36% due to the effect of the challenging economic environment leading to elevated forward rolls into the late delinquency cycles; however, proactive credit risk management and collection measures mitigated the downside impact.

Salient features	2023	2022	Change %
Income (Rm)	28 049	26 426	6
Pre-provision profit (Rm)	13 296	12 419	7
Headline earnings (Rm)	3 354	4 047	(17)
Credit loss ratio (%)	8.35	6.45	
Cost-to-income ratio (%)	52.6	53.0	
RoRWA (%)	3.00	3.76	
RoA (%)	0.86	1.11	
RoRC (%)	24.4	31.6	

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

Business profile

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

The Everyday Banking product suite includes the following:

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

Business performance

The operating environment in 2023 was characterised by considerable macroeconomic headwinds, including rising interest rates, elevated inflation, unprecedented levels of loadshedding, and mounting unemployment, notably impacting debt instalments and cost of living, ultimately resulting in reduced affordability and pressure on consumer activity. Despite these pressures, Everyday Banking remained steadfast in the execution of its strategic imperatives.

The business made substantial headway in driving customer-centricity over the past four years. The Customer Experience (CX) Index has steadily improved since 2019, culminating in a score of 107 in 2023, up 17 points from 2022. The positive sentiment was primarily driven by an improved customer perception of value for money. Underpinning this was an additional R500m in value extended to customers through a multitude of value-added initiatives, including making Absa Rewards free and implementing pricing fixes while addressing historic customer pain points. A total of R1bn in cumulative pricing relief has been extended to Everyday Banking customers since 2020. Everyday Banking further enhanced the forbearance processes by increasing capacity and improving the debt review process. Through these efforts, the business was awarded three accolades at the Debt Review Awards, recognising the seamless processes, now rated as the best in the industry. The business retained its position as the least complained about financial institution of the big five banks in South Africa, according to the Banking Ombudsman. The digital fraud warranty continues to centralise customers' interests, offering added confidence to transact securely in an environment of increased fraud risks. To promote financial inclusion, Absa was one of the first banks to implement PayShap, a ground-breaking low-cost payment system deployed in the first half of 2023.

In addition, the active customer base grew by **2%** through strong acquisition performance, with notable growth in the Young Adult and Retail Affluent segments. Within the base, the proportion of customers in the highest-value primacy clusters increased to **29%** (2022: 27%). New-to-bank customers grew by **21%**, underpinned by acquisitions across transactional products and credit cards.

- Transactional account sales growth was robust, with a double-digit increase of **21%** through targeted initiatives, leading to a **28%** increase in cheque account sales, while savings account sales contributed a solid 15% growth.
- Loan production contracted **2%** primarily due to strategic risk management measures undertaken throughout the year to counter the impact of the challenging economic climate.
- Credit card sales and limit production grew **27%** and **35%**, respectively, supported by the rollout of the Credit Card on app sales channel.

The digital channel sales contribution improved **7%** from 15% in 2022 to **22%** in 2023, with most products exceeding 25% contribution from the channel by the end of the year. At the start of 2023, the Absa Rewards programme became free to all customers, helping to improve the bank's net reputational sentiment, fostering broader engagement and enabling them to earn cashback rewards on everyday spending. The Absa Rewards membership base grew by **35%** through a **200%** increase in new-to-product sign-ups. Notably, **15%** of the rewards base advanced to higher tiers during the year, indicating deeper engagement with the programme and key products.

The pace of digital transformation maintained strong momentum, with the digitally enabled base increasing by **9%**, while the digitally active base rose by **8%**. The banking app maintained excellent app store ratings of 4.7 and 4.6 on iOS and Android, respectively, with the latter improving from a rating of 4.2 in the previous year. 135 new features across sales and payments were deployed to the app in 2023, including PayShap, Ozow, Credit Card, Islamic Depositor Plus, Transact, Flexi and NotifyMe. ChatWallet was deployed in early 2024. The new wallet enables banking services for all WhatsApp users, allowing customers to securely manage money without the need for an existing bank account, bridging the gap to financial inclusion.

Moreover, Everyday Banking enjoyed positive local and global recognition, through the 10 digital accolades awarded, including Best Digital Bank in South Africa from Global Banking & Finance. The digital channels also demonstrated exceptional resilience, with availability sustained above 99%, providing customers with a consistent and uninterrupted digital banking experience throughout the year.

To support the digital strategy, the physical network continued to calibrate the branches for an optimal mix between traditional full-service branches and sales and service outlets. The composition of Sales & Service outlets grew from 11% in 2022 to **17%** in 2023, reflecting the bank's commitment to a dynamic and customer-centric approach to serving customers. The mobile branches remained core to the strategy to improve points of presence and accessibility, aligning with customers' evolving preferences and needs. The network also streamlined its real estate further in the year, reducing the floor space by an additional 17 000 sqm (square meters) in 2023, bringing the cumulative reduction in the total floor space over the past 5 years to 90 000 sqm.

Everyday Banking

for the reporting period ended 31 December

Business performance (continued)

The ATM footprint was broadly stable in 2023 and strategically located to address customer and market demands. A strategic deployment of bulk cash ATMs to selected branches, catering to high-value deposits and accommodating coins, helped reduce teller cash activity by a further **20%** year-on-year. Standalone self-service kiosks were introduced in the year, enabling customers to open transactional bank accounts instantly, complete with personalised cards issued on the spot and other essential services such as bank statements and letters. Innovative ATM capabilities have been a key enabler in streamlining and enhancing customer interactions and banking offerings, including the ATM Card Tap and Go feature, ensuring secure contactless transactions. Absa became the first and remains the only bank to allow customers the ability to download a pre-populated Unemployment Insurance Fund (UIF) claim form, and process this from any Absa ATM, nationwide. This is making a tangible difference to some of the most vulnerable in society, seeking unemployment benefits.

In light of the loadshedding challenges in South Africa, the physical network was fortified through strategic investments in alternative energy sources, including uninterrupted power supply units for ATMs, improving resilience and service reliability metrics. The network now generates over 250 megawatts of power, equivalent to a reduction of 96 tonnes of coal consumption, a decrease of 239 tonnes in CO_2 emissions, and an ecological impact equivalent to planting 7 611 trees.

Debit and credit card usage rose **6%** in value and **7%** in volume, contrasted by a declining trend of **6%** in ATM transaction volumes and **5%** in value, driven by the rising adoption of alternative channels to cash transactions. Branch activity also declined, falling **7%** through a deliberate strategic shift of non-empathy activities to digital self-service channels, aligned with the business strategy. App transactional volumes, in contrast, increased by **22%,** indicating a clear migration trend from the traditional channels, with 2.8bn transactions processed through digital devices. Almost 2m PayShap transactions were processed since the rollout of the payment solution in the first half of 2023. All the key metrics demonstrate the bank's dedication to providing high-performing digital channels for everyday banking needs and facilitating the migration from traditional channels.

Financial performance

The gross loans to customers grew **9%** year-on-year to **R88.8bn** from R81.6bn in the previous year through sustained production momentum, despite risk management measures implemented to navigate the challenges of the difficult economic climate. A series of risk management strategies were deployed throughout the year across various lending products to ensure prudent and sustainable growth.

The deposit book grew **7%** to **R308.9bn** (2022: R289.6bn), primarily driven by an increase of 10% in investment deposits, mainly flowing from the growth in the Dynamic Fixed Deposit portfolio. Through targeted hyper-personalised interactions, the Dynamic Fixed Deposit campaign raised over R15bn in new funding during the year. The growth in investment deposits largely offset the contraction of 6% in transactional deposits stemming from the adverse economic climate and its effect on the cost of living across the customer segments.

In terms of market share, the Absa credit card and retail deposit books maintained strong positions in 1st and 2nd place, respectively (BA900), while personal loan flow production improved from 5th position in 2022 to 3rd at the end of 2023 (TransUnion).

Pre-provision profit rose **7%** to **R13 296m** (2022: R12 419m), largely attributed to an increase in revenue while constraining cost growth. Revenue grew **6%** to **R28 049m** (2022: R26 426m), underpinned by a double-digit increase in net interest income, given the expansion in the loans and deposits.

Net interest income increase of **11%** to **R15 947m** (2022: R14 373m) was largely attributable to growth in loans and deposits and strong margin performance in the loan portfolio.

- Net interest income on loans and advances increased **18%** through book growth and a 63bps improvement in gross margins.
- Net interest income from deposits increased **4%**, largely due to the growth in investment deposits and improved margins across investment and transactional portfolios; however, this was negated by a reduction in the composition of transactional deposits, which generate relatively higher margins.

Non-interest revenue was largely in line with the prior year at **R12 102m** (2022: R12 053m), reflecting the impact of the strategic fee and Absa Rewards investments amounting to R500m in the year. Normalising for these investments, the underlying growth in non-interest revenue was **5%**, underpinned by the expansion in the active customer base and an increase in transactional activity. However, this performance was moderated by the impact of the migration of transactions to digital channels.

Operating expenses were well controlled, increasing **5%** to **R14 753m** (2022: R14 007m), despite the challenges posed by a year of record loadshedding and heightened inflationary pressures. The increase primarily reflected the effect of annual salary increases, diesel usage, marketing initiatives, and the impact of investments in new technologies. The business continued to leverage digital capabilities and optimise the channels to drive operational efficiencies. The cost-to-income ratio thus improved year on year from 53.0% in 2022 to **52.6%** in 2023, underscoring effective cost management in the business.

Headline earnings, however, contracted by **17%** to **R3 354m** (2022: R4 047m), primarily due to elevated charges for credit impairments offsetting the increase in pre-provision profit. The charges for credit impairments rose by **36%** to **R7 851m** (2022: R5 775m) and the credit loss ratio increased from 6.45% in 2022 to **8.35%** in 2023, reflecting the effect of the challenging economic environment on customers' disposable incomes, leading to elevated forward roll rates to the latter delinquency cycles. Early-stage coverage, however, moderated from 4.22% in 2022 to **3.93%** in 2023, reflecting the impact of the proactive credit risk management and collection measures. Pre-legal collections capacity increased by **30%** in the year, while digital collections were up over **200%** year over year. Overall coverage, however, increased **110bps** to **17.68%** (2022: 16.59%) to provide for the strain in the latter delinquency cycles; nevertheless, the risk remained within appetite, although at the upper end of the band.

Everyday Banking

for the reporting period ended 31 December

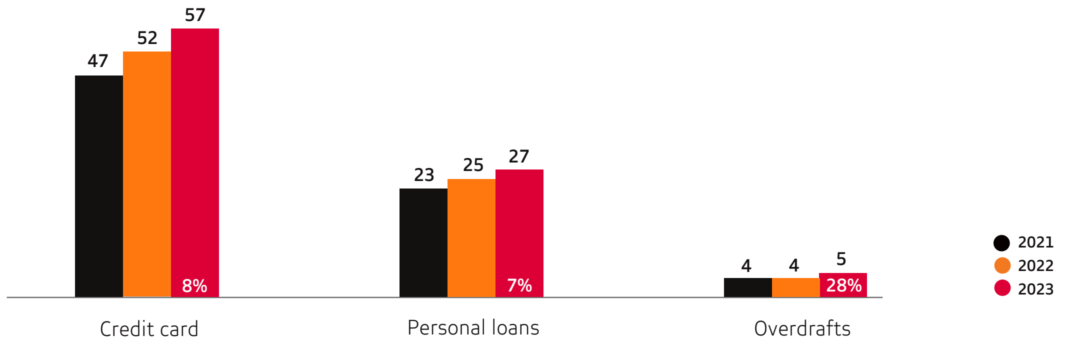
Looking ahead, the strategic focus for Everyday Banking will remain on the following:

- Maintaining the relentless focus on customer experience to provide a simple, intuitive and safe banking experience.
- Continuous innovation while commercialising new product propositions.
- Building a sustainable unsecured lending franchise, maintaining market share in the Middle Market and higher segments and growing the entry-level and inclusive banking segments.
- Continuing to invest in the optimisation and transformation of the branch and ATM network and leveraging digital capabilities to be future fit, while enabling rich customer engagement and a seamless experience.
- Maintaining the stability and security of the digital platforms to ensure safe and secure banking for our customers around the clock.
- Sustaining a best-in-class risk and collections capability through further investments in technology.
- Unlocking the potential in the entry-level segment through scalable solutions to drive financial access and inclusion.
- Strengthening the commitment to environmental sustainability by exploring alternative energy sources to further reduce reliance on diesel and transition to sustainable energy solutions.

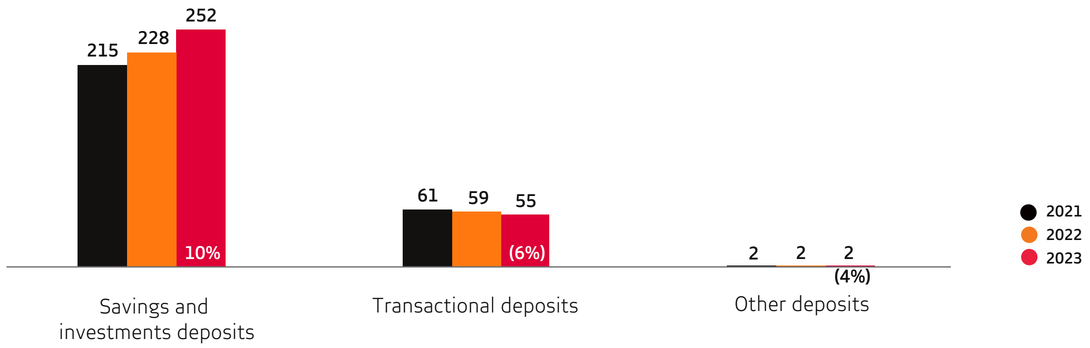
Everyday Banking

for the reporting period ended 31 December

Gross loans and advances (Rm)



Deposits (Rm)

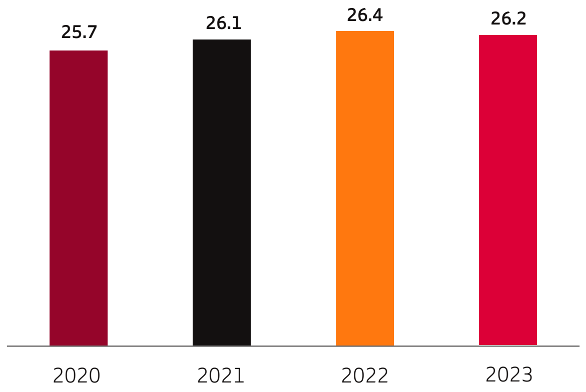


Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

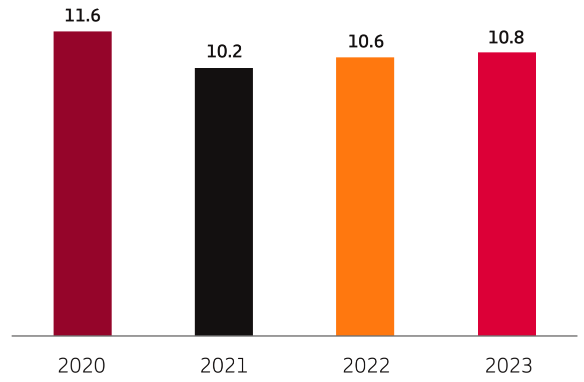
Everyday Banking

for the reporting period ended 31 December

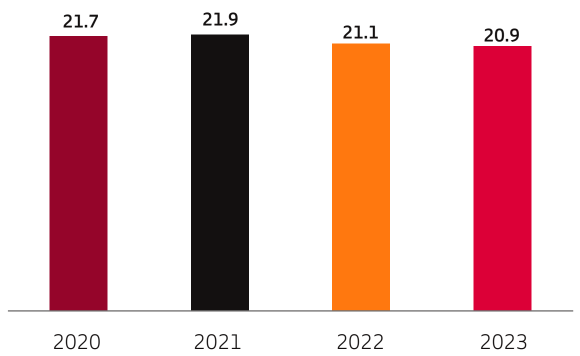
Card market share stock (%)



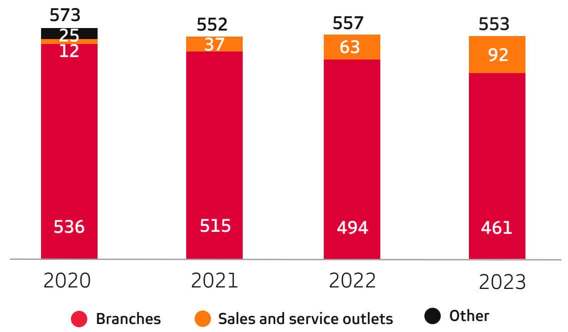
Personal loans market share (%)[1]



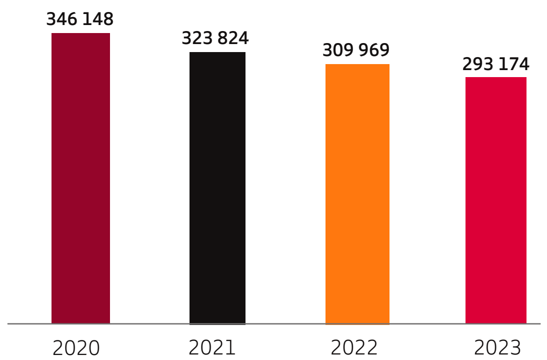
Deposits market share (%)



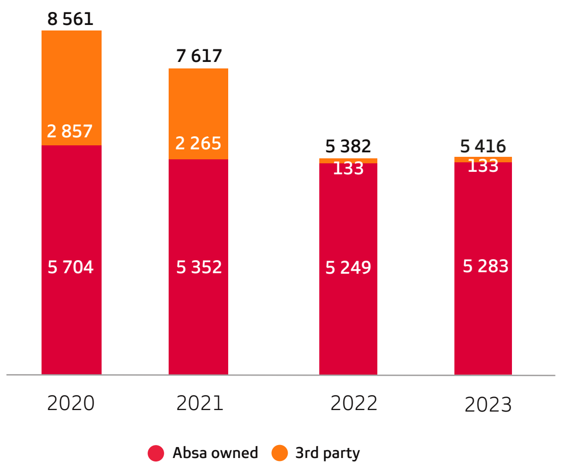
Branch network mix – number of branches



Branch network mix – square metres



ATM footprint – number of ATMs and cash devices



[1] Source: SARB BA900.

Everyday Banking

for the reporting period ended 31 December

	Card			Personal Loans		
	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)						
Net interest income	5 782	5 005	16	3 583	3 240	11
Non-interest income	2 880	2 738	5	432	371	16
Total income	8 662	7 743	12	4 015	3 611	11
Credit impairment charges	(4 316)	(2 888)	49	(2 828)	(2 447)	16
Operating expenses	(3 530)	(3 337)	6	(1 244)	(1 183)	5
Other expenses	(76)	(54)	41	(17)	(16)	6
Operating profit before income tax	740	1 464	(49)	(74)	(35)	>100
Tax expenses	(152)	(445)	(66)	31	(2)	>100
Profit for the reporting period	588	1 019	(42)	(43)	(37)	16
Profit attributable to:						
Ordinary equity holders	369	840	(56)	(97)	(77)	26
Non-controlling interest – ordinary shares	160	138	16	—	—	—
Non-controlling interest – preference shares	18	12	50	16	12	33
Other equity – Additional Tier 1 capital	41	29	41	38	28	36
	588	1 019	(42)	(43)	(37)	16
Headline earnings	369	841	(56)	(98)	(77)	27
Operating performance (%)						
Credit loss ratio	7.82	5.75		10.58	10.20	
Non-interest income as % of income	33.2	35.4		10.8	10.3	
Income growth	12	11		11	18	
Operating expenses growth	6	8		5	3	
Cost-to-income ratio	40.8	43.1		31.0	32.7	
Statement of financial position (Rm)						
Loans and advances	47 555	44 198	8	21 008	20 382	3
Loans and advances to customers	47 416	43 984	8	21 008	20 382	3
Loans and advances to banks	139	214	(35)	—	—	—
Investment securities	2 403	2 188	10	1 090	1 032	6
Other assets	12 109	11 670	4	548	530	3
Total assets	62 067	58 056	7	22 646	21 944	3
Deposits	1 951	2 037	(4)	24	26	(8)
Deposits due to customers	1 951	2 037	(4)	24	26	(8)
Deposits due to banks	—	—	—	—	—	—
Debt securities in issue	—	—	—	—	—	—
Other liabilities	57 962	53 593	8	22 669	21 993	3
Total liabilities	59 913	55 630	8	22 693	22 019	3
Financial performance (%)						
RoRWA	0.75	1.76	(57)	(0.35)	(0.28)	25
RoA	0.61	1.53	(60)	(0.44)	(0.37)	19

Everyday Banking

for the reporting period ended 31 December

	Transactions and Deposits			Everyday Banking Other			Everyday Banking		
	2023	2022	Change %	2023	2022	Change %	2023	2022	Change %
Statement of comprehensive income (Rm)									
Net interest income	6 625	6 178	7	(43)	(50)	(14)	15 947	14 373	11
Non-interest income	8 790	8 945	(2)	—	(1)	(100)	12 102	12 053	0
Total income	15 415	15 123	2	(43)	(51)	(16)	28 049	26 426	6
Credit impairment charges	(707)	(439)	61	—	(1)	(100)	(7 851)	(5 775)	36
Operating expenses	(9 517)	(9 055)	5	(462)	(432)	7	(14 753)	(14 007)	5
Other expenses	(414)	(504)	(18)	26	39	(33)	(481)	(535)	(10)
Operating profit before income tax	4 777	5 125	(7)	(479)	(445)	8	4 964	6 109	(19)
Tax expenses	(1 270)	(1 487)	(15)	129	117	10	(1 262)	(1 817)	(31)
Profit for the reporting period	3 507	3 638	(4)	(350)	(328)	7	3 702	4 292	(14)
Profit attributable to:									
Ordinary equity holders	3 403	3 583	(5)	(351)	(329)	7	3 324	4 017	(17)
Non-controlling interest – ordinary shares	—	—	—	—	—	—	160	138	16
Non-controlling interest – preference shares	31	17	82	—	1	(100)	65	42	55
Other equity – Additional Tier 1 capital	73	38	92	1	—	100	153	95	61
	3 507	3 638	(4)	(350)	(328)	7	3 702	4 292	(14)
Headline earnings	3 434	3 611	(5)	(351)	(328)	7	3 354	4 047	(17)
Operating performance (%)									
Credit loss ratio	6.07	2.95		(0.01)	0.01		8.35	6.45	
Non-interest income as % of income	57.0	59.1		0.00	1.96		43.1	45.6	
Income growth	2	8		(16)	10		6	10	
Operating expenses growth	5	3		7	67		5	6	
Cost-to-income ratio	61.7	59.9		(1 074)	(847.1)		52.6	53.0	
Statement of financial position (Rm)									
Loans and advances	9 303	11 530	(19)	422	413	2	78 288	76 523	2
Loans and advances to customers	3 956	3 118	27	—	(1)	(100)	72 380	67 483	7
Loans and advances to banks	5 347	8 412	(36)	422	414	2	5 908	9 040	(35)
Investment securities	306	442	(31)	243	239	2	4 042	3 901	4
Other assets	321 293	297 500	8	90	105	(14)	334 040	309 805	8
Total assets	330 902	309 472	7	755	757	(0)	416 370	390 229	7
Deposits	306 950	287 531	7	11	12	(8)	308 936	289 606	7
Deposits due to customers	306 950	287 531	7	11	12	(8)	308 936	289 606	7
Deposits due to banks	—	—	—	—	—	—	—	—	—
Debt securities in issue	—	—	—	—	—	—	—	—	—
Other liabilities	20 430	18 278	12	1 019	1 072	(5)	102 080	94 936	8
Total liabilities	327 380	305 809	7	1 030	1 084	(5)	411 016	384 542	7
Financial performance (%)									
RoRWA	10.08	11.49		n/a	n/a		3.00	3.76	
RoA	1.12	1.26		(44.70)	(24.65)		0.86	1.11	

Relationship Banking

for the reporting period ended 31 December

Relationship Banking Cluster's headline earnings declined by **1%** to **R4.1bn** (2022: R4.1bn), as pre-provision profit grew marginally at **1%** while impairment charges increased by **33%.**

Key performance highlights for the period include the following:

- **Deposits balances grew by 15%** reflecting a double-digit growth in savings and investments.
- **Advances balances grew by 8%** largely driven by a strong growth of 16% on commercial asset finance.
- **Solid net interest income increase of 8%,** in line with average balance sheet growth.
- **Returns declined from 27.9% to 25.5%** impacted by lower earnings.
- **Credit loss ratio increased** from 0.45% in 2022 to **0.56%** in 2023, within the through-the-cycle range.
- **Cost-to-income ratio increased** slightly to **55.6%** from 53.7% reflective of the investments made in frontline and on the enhancement of customer enablement capabilities, as well as low non-interest income growth of 1%.

Salient features	2023	2022	Change %
Income (Rm)	15 212	14 441	5
Pre-provision profit (Rm)	6 757	6 680	1
Headline earnings (Rm)	4077	4 132	(1)
Credit loss ratio (%)	0.56	0.45	
Cost-to-income ratio (%)	55.6	53.7	
RoRWA (%)	2.90	3.16	
RoA (%)	1.47	1.61	
RoRC (%)	25.5	27.9	

Business profile

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

Key business areas servicing within the business comprise:

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

These products cut across three primary segments being:

- **Small and Medium Enterprises (SMEs):** comprise business customers with an annual turnover of up to R20m, that are serviced using a direct coverage model with a mainly branch-based and virtual interface;
- **Commercial Segment:** comprises business customers with an annual turnover that is above R20m and before being classified as Corporate. The Commercial segment is made up of sub-segments which are Growth (annual turnover between R20-R100m), Premium (turnover between R100-R350m) and High Value (turnover above R350m). These customers are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions; as well as
- **Private Wealth:** comprises individuals offered wealth management and private banking services.

Business performance

The Relationship Banking Cluster's financial performance delivered a marginal decline in headline earnings year-on-year despite the business being in a build phase and operating in a challenging macroeconomic environment on the back of high levels of inflation, rising interest rates, and ongoing loadshedding. Significant investments were made in front line in the form of new colleagues who have supported the turnaround strategy to deliver on these results. The business continued to deliver against its strategic objectives which were underpinned by key priorities including:

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

Business performance full year was as follows:

- Production momentum in lending products was strong, with double digit growth in Commercial Asset Finance (CAF) (up 26%) in the Commercial (up 31%) and Corporate (up 21%) segments while SME was down 4%. Commercial Property Finance (CPF) grew by 24% in the Commercial (up 27%) and SME (up 19%) segments, as well as Wealth (up 3%). Term Lending production grew by 7% driven by the Commercial (up 18%) SME (up 19%) segments, offset by a reduction in Wealth (down 20%).
- The business made progress in diversifying investments in the Commercial segment as reflected in the solid revenue growth in Transport and Logistics (up 39%), Wholesale, Retail and Franchise (up 9%) and Manufacturing (up 7%) while leveraging the strength in Agriculture.
- Transactional account sales grew by 42% mainly in the SME segment which increased by 48% reflective of the investments made.
- Card Acquiring turnover grew by 7% largely due to customers migrating from traditional channels into digital, while cash volumes declined by 7%.
- The business continued to accelerate growth in the Relationship Banking Islamic franchise as reflected in 38% deposits growth for the full year.
- Clients' relationship as a primary partner were deepened, reflective in the 4% growth in active customer numbers. Customer experience showed a significant shift year-on-year from 68 to 92 points in Business Banking clients.
- Significant strides were made in increasing digital adoption resulting in 8% growth in digitally active customers. This was driven by the launch of the 'Digitally Savvy' campaign aimed at educating customers about self-service options. Customers were also migrated from Absa Online Banking to Connected Banking, a system that offers access to all the self-service capabilities. The process of account opening for new-to-bank customers in the SME business has improved significantly, with a substantial reduction in time spent throughout the customer journey. This improvement enabled the frontline to activate and digitise accounts more efficiently.
- Delivering on the ESG agenda continues to be important to the business. Renewables finance grew by 81.6% from R606m in 2022.

The following accolades were received during the year:

- Best Emerging Islamic Banking Window
- Upcoming Personality in Global Islamic Finance
- Best Islamic Retail Bank in South Africa
- Top Private Banker Award

Financial performance

Headline earnings declined by **1%** to **R4.1bn** (2022: R4.1bn), as pre-provision profit grew marginally at **1%** while impairment charges increased by **33%**.

Gross loans and advances to customers grew by **8%** to **R151bn** (2022: R140bn) reflecting double digit growth of 16% on commercial asset finance products, as well as sustained momentum of 7% growth on term and agri loans, 6% growth on commercial property finance and 4% growth on overdrafts.

Deposits due to customers increased by **15%** to **R231bn** (2022: R201bn) reflecting continued growth in investment deposits (up 24%), while transactional deposits remained flat.

Net interest income increased by **8%** to **R10 081m** (2022: R9 336m):

- Net interest income on advances increased by **6%** driven by an 8% growth in average balances offset slightly by a decline in margins which reduced by 3bps due to higher interest in suspense and faster growth on low-margin products.
- Net interest income on deposits increased by **8%** driven by average balance sheet growth of 11%. Margins on deposits declined marginally by 6bps as the benefit from higher interest rates was offset by the impact of faster growth on savings and investment products which are low margin.

Non-interest income increased by **1%** to **R5 131m** (2022: R5 105m) supported by 4% growth in digital revenue offset by the impact of lower cash volumes (down 7% from the prior year) due to customers migrating to digital platforms and increased competition. Acquiring revenue declined by 11% as the margin earned from higher turnover was offset by higher transaction processing fees.

Relationship Banking

for the reporting period ended 31 December

Financial performance (continued)

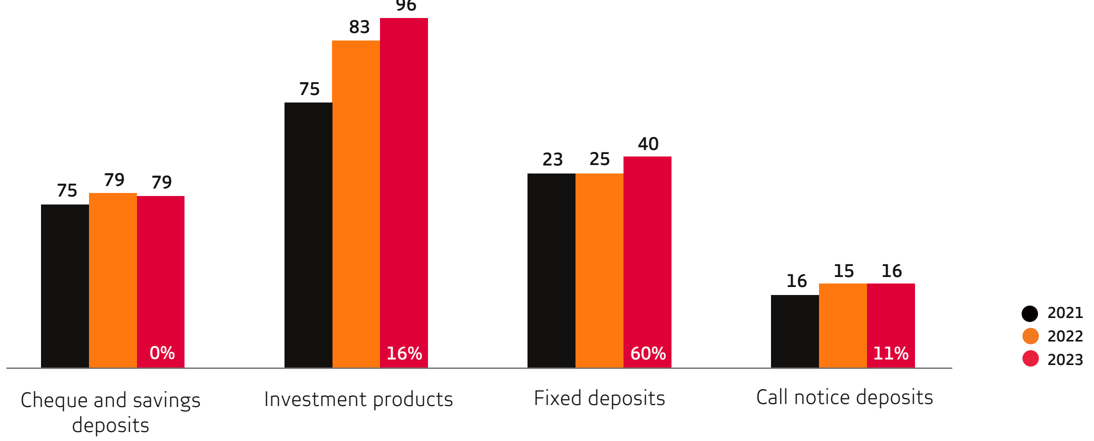
Impairments increased by **33%** to **R0.82bn** (2022: R0.62bn) and the credit loss ratio increased to **0.56%** (2022: 0.45%), building on a lower prior period base that benefited from model enhancements and improvements in book construct. The current year's charge is largely attributable to charges on a number of single-name entities in distress in a persistently challenging economic environment, and a decline in security values for stage 3 exposures linked to legacy matters. The performing book remains resilient despite the slow pace of the economic recovery.

Operating expenses increased by **9%** to **R8.5bn** (2022: R7.8bn) driven by investment spend on digital capabilities, key business enhancements, and investment hires in the frontline.

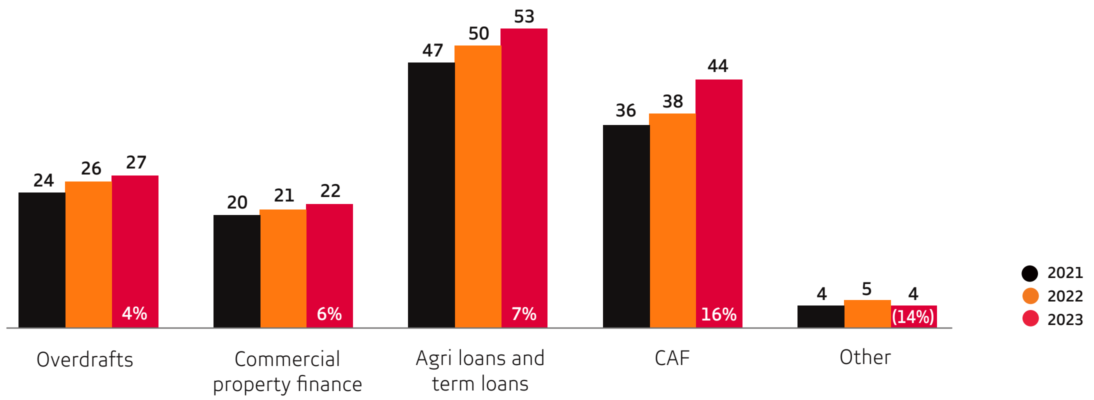
Looking ahead, the business will focus on:

- Defending our leading position in Agri while accelerating growth in sectors such as Wholesale, Retail and Franchise, Transport and Logistics, Public Sector, Manufacturing and Tourism;
- Further enhancing our value propositions for Youth and Women Entrepreneurs as well as the Informal sector, while continuing to refine our overall SME segment value propositions with holistic solutions of products, services and partnerships designed to meet our clients' needs beyond banking;
- Continuing to enhance our Private Banking and Wealth propositions beyond banking including enhancing our offshore capability;
- Further enhancements and price optimisation of our product and services with a focus on Islamic Banking, Payments Acceptance, and International Banking while accelerating growth in Property Finance to become the preferred financial partner for our clients;
- Driving financial inclusion and scaling our Green Asset Finance book while ensuring that our business impact is not harmful to the planet;
- Continuing to invest in digital capabilities to improve the ease of doing business in order to enhance client relationships and ensure consistent and speedy service delivery;
- Investing in our people with a focus on culture, employee wellbeing and upskilling; and
- Optimising costs and driving efficiencies across our overall footprint to ensure positive margin growth.

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



ARO RBB

for the reporting period ended 31 December

Absa Regional Operations - Retail and Business Banking (ARO RBB) headline earnings increased by **27%** (constant currency (CCY): 31%) to **R1.5bn** (2022: R1.2bn), driven by strong pre-provision profit growth of **27%** (CCY: 31%) partially offset by an increase in credit impairment charges of **30%** (CCY: 35%).

Return on Regulatory Capital (RoRC) increased to **11.2%** (2022: 10.9%) as headline earnings increased by **27%** (CCY: 31%) to **R1.5bn**.

Deposits due to customers grew by **10%** (CCY: 14%) to **R121.0bn** supported by both transactional (CCY: 10%) and investment products (CCY: 17%).

Total income grew by **18%** (CCY: 18%) to **R16.3bn** driven by strong balance sheet growth, improved margins and increased transactional activity.

Cost-to-income ratio improved by 2.3% to **66.7%** (2022: 69.0%) underpinned by a strong revenue growth resulting in positive JAWS of **3%** and 27% growth in pre-provision profit.

Loans and advances to customers grew by **9%** (CCY: 13%) to **R78.5bn**, supported by growth in personal loans (CCY: 12%), mortgages (CCY: 10%) and commercial lending (CCY: 15%).

Credit loss ratio at **1.84%** (2022: 1.64%) driven by single name impairments and the impact of sovereign downgrades in the Business Bank portfolio partially offset by improved collection efforts.

Total active customers increased by **16%** to 2 354k supported by a focus on improving customers' experience and the delivery of enhanced customer value propositions.

Salient features	2023	2022	Change %
Income (Rm)	16 282	13 745	18
Pre-provision profit (Rm)	5 415	4 256	27
Headline earnings (Rm)	1 510	1 191	27
Credit loss ratio (%)	1.84	1.64	
Cost-to-income ratio (%)	66.7	69.0	
RoRWA (%)	1.42	1.28	
RoA (%)	1.06	0.98	
RoRC (%)	11.2	10.9	

Business profile

ARO RBB offers a comprehensive suite of retail, business banking and insurance products and services for individuals, small and medium enterprises and commercial customers through 10 banking and 4 insurance entities in 9 African markets. 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 that is built on specific customer value propositions.

Key business areas

- **Retail banking:** Offers day-to-day banking services to individual customers by providing a comprehensive suite of lending, transactional and deposit, cards and payments products across various segments. Key segments include:
  - **Premier banking:** Represents the affluent retail segment in each ARO presence market. Customers are offered exclusive banking services with tailor-made solutions through dedicated relationship managers;
  - **Prestige banking:** Represents the emerging affluent retail segment in each market. Customers are serviced through dedicated banking teams, backed by appropriate affordable products and solutions in keeping with customers' aspirations and needs;
  - **Personal banking:** Represents the middle-market segment. Customers have access to direct channels including the branch network and are offered convenient and relevant products and services; and
  - **Inclusive banking:** Provides access to the financial system and, where appropriate, finance to traditionally under-banked and unbanked segments, with a special focus on women and young people. This segment is serviced primarily through digital channels.

ARO RBB

for the reporting period ended 31 December

Key business areas (continued)

Business banking: The business banking opportunity has been identified as being of particular importance as it contributes significantly to job creation and national economic development in the ARO presence markets. Clients are serviced through a direct coverage and relationship-based models with customised solutions. Key segments include:

- **Small** and **Medium Enterprise (SME) banking:** Serviced using a direct coverage model with a predominantly branch-based interface; and
- **Commercial banking:** Includes enterprises serviced through a relationship-based model, with dedicated sales and service teams that provide tailored banking solutions such as trade finance and working capital facilities.
- The commercial and SME segments include sector overlays that focus on agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.

- **Insurance:**
  - **Life Insurance** – Covers death, disability and retrenchment, education as well as funeral and life-wrapped investment products; and
  - **Non-Life Insurance** – Covers non-life insurance solutions including motor, medical and workmen's compensation, primarily through agents leveraging the banking distribution channels.

Business performance

ARO RBB's growth strategic priorities are directed at increasing market share in target segments, through the delivery of product and service propositions crafted to meet our clients' needs, in a digital-first manner, wherever possible, while simultaneously improving our customers' experience and strengthening customer relationships.

The delivery of key projects during 2023 ensured that we stayed on course to continue our journey of creating an enhanced channel experience and connected payment platforms, delivering on an integrated bancassurance model and optimising its distribution, while building on the strength of the Absa brand in Africa. Targeted strategic investments resulted in the implementation of a number of customer-centred and innovative solutions:

- A digital onboarding capability, allowing for a quick and efficient, channel agnostic onboarding solution which provides an enhanced customer experience in six of our markets. This functionality supported a 34% growth in new-to-bank transactional accounts, of which 22% were digitally onboarded;
- Mobile In-App Authentication, a major security update to digital platforms, enabled clients to bank more securely and minimise the severity and possibility of data breaches;
- MobiTap, a first-to-market innovation launched in three markets, which allows merchants and SMMEs to use their smartphones (instead of traditional Point of Sale (POS) devices) to effect contactless card transactions;
- Digitising our credit card offerings in eight markets enables clients to activate their card, view their card details, freeze (or unfreeze) their cards, view or reset their PIN on their banking application or on the internet banking;
- Launching a digital Buy Now Pay Later (BNPL) solution in six markets offers clients more flexible payment options;
- Card-acquiring terminals increased by 29% with e-commerce turnover growing 46% while Credit and Debit card turnover increased by 21% and 9% respectively; and
- The value of new business from the Life Insurance solutions increased by 30%, driven by growth in new business volumes.

In addition, we continued to actively drive our sustainability agenda, with initiatives ranging from wetlands rehabilitation projects, to providing our customers with closer proximity to banking services through our agency banking roll-out. Financial inclusion was promoted to the under-banked and unbanked segments of our markets, customers and businesses were empowered through:

- Driving our Mobile lending solution. The value of new loan disbursements grew **41%** to **R7.7bn** (2022: R5.5bn) and the active lending customer base increased by **22%** to **837k** (2022: 687k) in line with our strategy to embrace financial inclusion;
- Launching Women-in Business offerings in four of our markets that directly address the needs of female entrepreneurs, supported by mentorship programmes that have contributed to enhancing the performance and sustainability of women-led businesses;
- Financial literacy projects that ensured that our customers are given the knowledge that supports them to be informed and savvy economic actors, and;
- 'Ready to Work' programmes across the continent during which young people are being prepared to face the new world of work and being given the confidence to successfully embark on their careers.
- Absa Life Zambia partnership with Airtel Money as a distributor to launch a digital USSD solution that would allow customers to apply for low-cost insurance products using a mobile phone.
- Kiosk (Pop-ups) stores in fuel outlets in Mozambique where customers can obtain insurance products with ease.

ARO RBB's active customers increased by **16%** YoY to **2 354k** (2022: 2 027k) driven by customer focused re-activation campaigns as well as comprehensive new-to-bank customer growth initiatives. Digitally active customers increased by 11% to 745k in line with the business strategy to become a digitally-led bank.

The following accolades were received during the year:

Absa Bank Zambia

- Winner – Diversity & Inclusion Award for utilisation of technology and innovation to deliver services that propel our women in business at the 2023 Tech Trends Awards
- Winner – Best Retail Bank Zambia for 2023 by The World Economic Magazine

Absa Bank Mauritius

- Winner – Best Transaction Banking Innovation Lab
- Highly Acclaimed – Outstanding use of technology by a Transaction Bank at the Middle East & Africa Innovation Awards 2022, sponsored by 'The Digital Banker'
- Winner – Best Bank for Trade Finance in Mauritius at the Digital Banker, Middle East and Africa Innovation Awards 2023

Absa Bank Ghana

- Winner – Bank Project of the Year for the investment feature on the Absa Mobile App presented at the annual 2023 Excellence Awards from the Project Management Institute Ghana

Absa Life Assurance Kenya

- Winner – in the insurance category at the 13th Annual Global Banking and Finance awards
- Winner – Risk Management Award in the Think Business Africa – Insurance Awards 2023

ARO RBB

for the reporting period ended 31 December

Business performance (continued)

First Assurance Kenya

- 2nd Runner Up – Think Business Insurance Awards 2023 – Medical underwriter of the year Group Medical

Global Alliance Mozambique

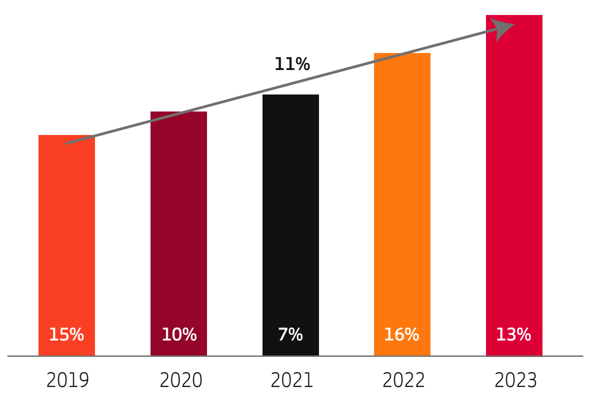
- Outstanding 1st Overall – Leaders and Achievers Diamond Arrow 2023 Country Survey Companies and institutions doing most in their sectors to stimulate economic growth and development in Mozambique

Other recognitions received by the RBB franchise include:

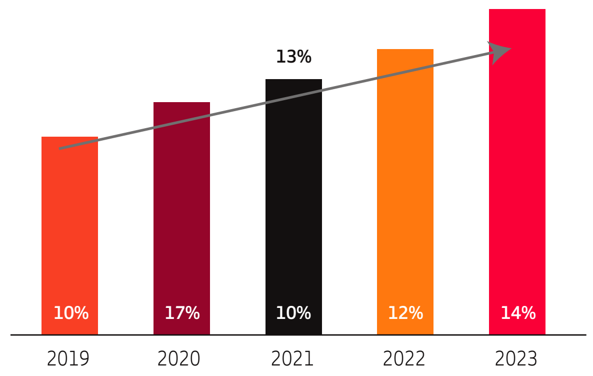
- Voted Best Overall Service Business Function in Africa with multiple recognition accolades in the Euromoney Cash Management Survey 2023, as well as Market Leader Botswana and Uganda and Market Leader Financial Services Botswana
- Best Emerging Islamic Banking Window in the Global Islamic Finance Awards 2023

Financial performance

Loans to customers growth trend CCY (CAGR)



Deposits to customers growth trend CCY (CAGR)



Loans and advances to customers increased by **9%** (CCY: 13%) to **R78.5bn** driven by growth in the personal lending and mortgage lending portfolios of 12% (CCY) and 10% (CCY) respectively, while commercial loans grew by 15% (CCY).

Deposits due to customers increased by **10%** (CCY: 14%) to **R121.0bn** driven by growth in transactional products (CCY: 10%) and investment (CCY: 17%).

Return on Regulatory Capital (RoRC) increased to **11.2%** (2022: 10.9%) as headline earnings increased by **27%** (CCY: 31%) to **R1.5bn** driven by headline earnings growth in Retail and Business banking which increased by **34%** (CCY: 42%) to **R1.4bn**.

Net interest income increased by **21%** (CCY: 22%) to **R11.8bn**, driven by the strong balance sheet growth across the markets as well as margin expansion on the back of higher average interest rates in some key markets.

Non-interest income increased by **12%** (CCY: 10%) to **R4.5bn** driven by growth in Retail and Business banking which increased by **15%** (CCY: 15%) to **R4.1bn** supported by a higher active client base, up 16% to **2 354k** and increased transactional activity. FX revenue grew by 24% (CCY) driven by improved margins in some markets, while the Card's business experienced improved performance growing revenue by 25% (CCY). Non-interest income in the insurance business decreased by **17%** (CCY: 24%) to **R397m** driven by higher reserving for the endowment product and higher claims in the Life and Non-life Business.

Credit impairment charges increased by **30%** (CCY: 35%) to **R1.5bn** (2022: R1.2bn) while the credit loss ratio at **1.84%** (2022: 1.64%), closed below the through-the-cycle range. The higher impairment charge was driven by single name impairments and the impact of sovereign downgrades in the Business Bank portfolio partially offset by improved collection efforts. The NPL ratio reduced to **7.5%** (2022: 7.8%), while the overall coverage ratio remains adequate at **7.1%** (2022: 7.5%).

Operating expenses increased by **15%** (CCY: 13%) to **R10.9bn** and was above the average inflation rate of 10% as measured across the ARO markets. This can be attributed to continued investment in upskilling and increasing people resources, and increased investment in technology. Cost-to-income ratio reduced to **66.7%** from 69.0% in 2022 due to revenue growth exceeding cost growth resulting in positive JAWS of **3%.**

Looking ahead, ARO RBB's medium-term strategic priorities include:

- Establishing primary relationships with customers by deepening existing and building new customer relationships to drive growth;
- Expanding mobile lending offerings and payments to augment the existing suite of customer solutions;
- Accelerating the rate of digital adoption across segments and products;
- Growing our Commercial and SME product offering;
- Rolling out our Women-in-Business proposition to all our markets;
- Leveraging on sustainable financing opportunities;
- Growing the Retail segment with refreshed customer value propositions;
- Optimising on ecosystem banking opportunities in collaboration with Corporate Bank; and
- Integrating the Insurance and Banking businesses to provide customers with a holistic and seamless financial service by enhancing of frontline and digital capabilities.

CIB

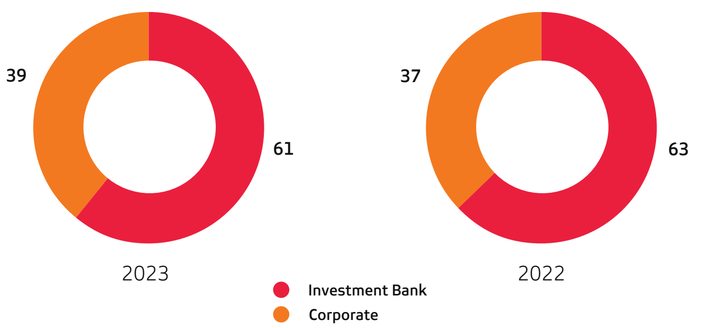
for the reporting period ended 31 December

Headline earnings increased by 23% to **R11 033m** (2022: R9 006m, up 22% in CCY) driven by pre-provision profit growth of 13% and lower credit impairment charges, down 45% (47% in CCY).

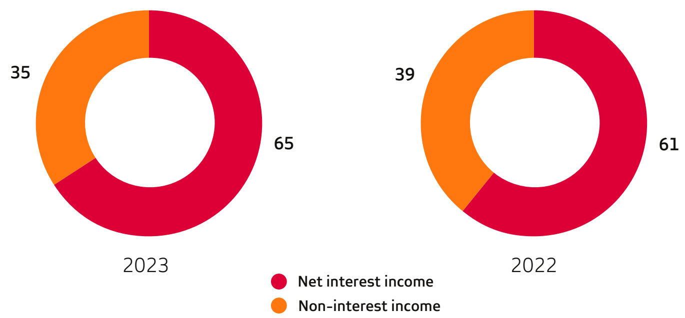
Key performance highlights for the period include the following:

- A diversified portfolio resulted in **total income** growth of **12%** (up 11% in CCY), with strong revenue momentum in ARO (up 21% in CCY).
- **Credit loss ratio of 0.17%** (2022: 0.27%), benefiting from improved construct of the portfolio.
- **Net interest margin expansion** of 20bps from 2.51% to **2.71%**, predominantly driven by deposit margin expansion.
- Improved efficiency ratio, with a **cost-to-income of 45.8%** (2022: 46.5%) and **positive JAWS of 2%.**
- **Capital lite revenues up 11% to R18 086m** (2022: R16 324m, up 10% in CCY) supporting a **return on regulatory capital (RoRC) of 23.9%** (2022: 21.3%).
- **Gross customer advances up 12%** (up 9% excluding reverse repos), supported by momentum across SA and ARO.
- **Non-interest income unchanged** from prior year (down 1% in CCY), impacted by a decline in SA Trading revenues. This was, however, partially offset by higher net fee and commission income in the Corporate Bank.

Headline earnings contribution (%)



Revenue mix (%)



Salient features	2023	2022	Change %	CCY %
Income (Rm)	29 864	26 746	12	11
Pre-provision profit (Rm)	16 186	14 308	13	13
Headline earnings (Rm)	11 033	9 006	23	22
Cost-to-income ratio (%)	45.8	46.5		
Credit loss ratio (%)	0.17	0.27		
RoRWA (%)	2.83	2.50		
RoA (%)	1.00	0.88		
RoA net of internal balances (%)	1.37	1.19		
RoRC (%)	23.9	21.3		

Business profile

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

Key business areas

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

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

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

CIB

for the reporting period ended 31 December

	Corporate Bank				Investment Bank				Total CIB			
	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %
Statement of comprehensive income (Rm)												
Net interest income	11 137	8 973	24	24	8 409	7 468	13	12	19 546	16 441	19	18
Non-interest income	2 920	2 866	2	1	7 398	7 439	(1)	(1)	10 318	10 305	0	(1)
Total income	14 057	11 839	19	18	15 807	14 907	6	5	29 864	26 746	12	11
Credit impairment charges	(396)	(441)	(10)	(16)	(368)	(937)	(61)	(63)	(764)	(1 378)	(45)	(47)
Operating expenses	(7 120)	(6 364)	12	11	(6 558)	(6 074)	8	7	(13 678)	(12 438)	10	9
Other expenses	(85)	(59)	44	37	(284)	(218)	30	30	(369)	(277)	33	32
Operating profit before income tax	6 456	4 975	30	31	8 597	7 678	12	12	15 053	12 653	19	19
Tax expenses	(1 744)	(1 401)	24	28	(1 181)	(1 422)	(17)	(18)	(2 925)	(2 823)	4	5
Profit for the reporting period	4 712	3 574	32	32	7 416	6 256	19	18	12 128	9 830	23	23
Profit attributable to:												
Ordinary equity holders	4 293	3 296	30	30	6 738	5 698	18	18	11 031	8 994	23	22
Non-controlling interest – ordinary shares	283	195	45	45	306	300	2	2	589	495	19	19
Non-controlling interest – preference shares	40	26	54	53	109	77	42	41	149	103	45	44
Other equity – Additional Tier 1 capital	96	57	68	68	263	181	45	45	359	238	51	51
	4 712	3 574	32	32	7 416	6 256	19	18	12 128	9 830	23	23
Headline earnings	4 293	3 302	30	30	6 740	5 704	18	18	11 033	9 006	23	22
Operating performance (%)												
Net interest margin on average interest-bearing assets	2.79	2.43			2.61	2.62			2.71	2.51		
Credit loss ratio	0.30	0.40			0.14	0.24			0.17	0.27		
Non-interest income as % of income	20.8	24.2			46.8	49.9			34.5	38.5		
Income growth	19	19			6	7			12	12		
Operating expenses growth	12	9			8	14			10	12		
Cost-to-income ratio	50.7	53.8			41.5	40.7			45.8	46.5		
Statement of financial position (Rm)												
Loans and advances	97 864	103 093	(5)	(4)	438 531	410 849	7	7	536 395	513 942	4	5
Loans and advances to customers	75 330	77 284	(3)	0	408 690	354 330	15	15	484 020	431 614	12	13
Loans and advances to banks	22 534	25 809	(13)	(14)	29 841	56 519	(47)	(47)	52 375	82 328	(36)	(37)
Investment securities	3 832	3 928	(2)	(2)	47 012	43 324	9	8	50 844	47 252	8	7
Other assets	308 274	287 793	7	7	204 102	224 120	(9)	(10)	512 376	511 913	0	(1)
Total assets	409 970	394 814	4	4	689 645	678 293	2	1	1 099 615	1 073 107	2	2
Deposits	393 290	380 839	3	3	118 769	118 770	—	—	512 059	499 609	2	3
Deposits due to customers	364 513	351 635	4	4	70 085	55 762	26	26	434 598	407 397	7	7
Deposits due to banks	28 777	29 204	(1)	(1)	48 684	63 008	(23)	(23)	77 461	92 212	(16)	(16)
Debt securities in issue	—	—	—	—	28 888	26 669	8	8	28 888	26 669	8	8
Other liabilities	12 715	11 619	9	10	533 108	527 086	1	1	545 823	538 705	1	1
Total liabilities	406 005	392 458	3	4	680 765	672 525	1	1	1 086 770	1 064 983	2	2
Financial performance (%)												
RoRWA	3.70	3.00			2.47	2.28			2.83	2.50		
RoA	1.05	0.87			0.97	0.88			1.00	0.88		

These amounts have been restated. Please refer to the reporting changes overview.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Total CIB

for the reporting period ended 31 December

Total CIB

for the reporting period ended 31 December

	CIB SA			CIB ARO				Total CIB			
	2023	2022	Change %	2023	2022	Change %	CCY %	2023	2022	Change %	CCY %
Statement of comprehensive income (Rm)											
Net interest income	11 580	10 274	13	7 966	6 167	29	28	19 546	16 441	19	18
Non-interest income	5 688	6 187	(8)	4 630	4 118	12	10	10 318	10 305	—	(1)
Total income	17 268	16 461	5	12 596	10 285	22	21	29 864	26 746	12	11
Credit impairment charges	(846)	(424)	100	82	(954)	<(100)	<(100)	(764)	(1 378)	(45)	(47)
Operating expense	(8 562)	(8 079)	6	(5 116)	(4 359)	17	14	(13 678)	(12 438)	10	9
Other expenses	(244)	(187)	30	(125)	(90)	39	36	(369)	(277)	33	32
Operating profit before income tax	7 616	7 771	(2)	7 437	4 882	52	53	15 053	12 653	19	19
Tax expenses	(805)	(1 327)	(39)	(2 120)	(1 496)	42	45	(2 925)	(2 823)	4	5
Profit for the reporting period	6 811	6 444	6	5 317	3 386	57	57	12 128	9 830	23	23
Profit attributable to:											
Ordinary equity holders	6 304	6 104	3	4 727	2 890	64	64	11 031	8 994	23	22
Non-controlling interest – ordinary shares	—	—	—	589	495	19	19	589	495	19	19
Non-controlling interest – preference shares	149	103	45	—	—	—	—	149	103	45	44
Other equity – Additional Tier 1 capital	358	237	51	1	1	—	—	359	238	51	51
	6 811	6 444	6	5 317	3 386	57	57	12 128	9 830	23	23
Headline earnings	6 304	6 103	3	4 729	2 903	63	63	11 033	9 006	23	22
Operating performance (%)											
Net interest margin on average interest-bearing assets	2.06	1.96		5.02	4.72			2.71	2.51		
Credit loss ratio	0.22	0.12		(0.06)	1.09			0.17	0.27		
Non-interest income as % of income	32.9	37.6		36.8	40.0			34.5	38.5		
Income growth	5	6		22	23			12	12		
Operating expenses growth	6	11		17	12			10	12		
Cost-to-income ratio	49.6	49.1		40.6	42.4			45.8	46.5		
Statement of financial position (Rm)											
Loans and advances	450 714	433 560	4	85 681	80 382	7	8	536 395	513 942	4	5
Loans and advances to customers	402 176	362 816	11	81 844	68 798	19	21	484 020	431 614	12	13
Loans and advances to banks	48 538	70 744	(31)	3 837	11 584	(67)	(69)	52 375	82 328	(36)	(37)
Investment securities	47 651	44 694	7	3 193	2 558	25	16	50 844	47 252	8	7
Other assets	418 744	437 568	(4)	93 632	74 345	26	21	512 376	511 913	—	(1)
Total assets	917 109	915 822	—	182 506	157 285	16	15	1 099 615	1 073 107	2	2
Deposits	403 553	405 777	(1)	108 506	93 832	16	16	512 059	499 609	2	3
Deposits due to customers	327 419	318 883	3	107 179	88 514	21	22	434 598	407 397	7	7
Deposits due to banks	76 134	86 894	(12)	1 327	5 318	(75)	(73)	77 461	92 212	(16)	(16)
Debt securities in issue	28 888	26 669	8	—	—	—	—	28 888	26 669	8	8
Other liabilities	476 166	475 432	—	69 657	63 273	10	6	545 823	538 705	1	1
Total liabilities	908 607	907 878	—	178 163	157 105	13	12	1 086 770	1 064 983	2	2
Financial performance (%)											
RoRWA	2.55	2.57		3.32	2.35			2.83	2.50		
RoA	0.68	0.70		2.74	1.93			1.00	0.88		

Amounts have been restated.

Total CIB

for the reporting period ended 31 December

Business performance

The business had a strong performance, driven by a refined Pan-African strategy, built around meeting client needs across the continent, that was implemented several years ago. In the current period, CIB had to navigate several high inflation and interest rate environments across its footprint. Despite this, the performance was robust, driven mainly by momentum in ARO.

CIB's performance was underpinned by the following in 2023:

- CIB ARO grew faster than SA. The business has a long-term aspiration to grow the revenue contribution from ARO to 50% and in this period, CIB ARO delivered 42% of revenues.
- CIB saw an increase in client primacy and cross-sell opportunities following a continued focus on deepening and diversifying CIB's share of client wallet across markets. This was evidenced by higher average deposits and in turn increased deposits revenue and improved transactional volumes across our business lines, as our clients' preferred banking partner.
- Significant traction was made with digital migration of clients onto the Absa Access platform, which is the strategic client platform for clients to engage with CIB products and services across the continent and across mobile, desktop and online channels. The majority of the ARO client base is now active on the Absa Access platform.
- Client experience showed good improvement year on year. The investment in digital platforms and a deeper understanding of client needs has led to improved client experience scores.
- CIB is a market leader in Renewables financing. Since 2021, the business has arranged R80bn of sustainable finance deals. During 2023, CIB financed a further R31bn worth of these deals, further enabling clients' sustainability aspirations.
- Our employees continue to contribute meaningfully to the societies in which the business operates, including supporting the following initiatives:
  - Finance and Banking Skills Academy as part of improving financial literacy in our communities.
  - 'No Shame in My Game' which strives to deal with the emotional and mental issues of young adults.
  - By investing in IT infrastructure, our colleagues enhanced digital literacy and technological proficiency among students at Choggu Yapalsi M/A Junior High School in Tamale, Ghana.
  - The SHERO Social Coding programme in South Africa and Zambia, where 60 young women will be equipped with digital skills, coding and robotics fundamentals.
  - Umoja Ni Sisi, a community-based organisation in Kenya which aims to address various social, health, and environmental challenges within the community through collaborative efforts and targeted interventions.
  - In partnership with Windle International, the business contributed towards purchasing bicycles for Ugandan girls to ensure a safer commute to school so that they can reach their full academic potential.
  - Solana Enterprise Development Social Impact project, in partnership with Solana Energy, whereby we installed a complete renewable energy system at Mohau Orphanage.

The following accolades were received during the year:

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

Financial performance

Headline earnings increased by **23%** to **R11 033m** (2022: R9 006m, up 22% in CCY) driven by pre-provision profit growth of **13%** to **R16 186m** (2022: R14 308m, up 13% in CCY), with total income up **12%** to **R29 864m** (2022: R26 746m, up 11% in CCY) and operating expenses up **10%** to **R13 678m** (2022: R12 438m, up 9% in CCY). In addition, credit impairments were down **45%** to **R764m** (2022: R1 378m, down 47% in CCY). RoRC improved from 21.3% to **23.9%**, underpinned by headline earnings growth and efficient management of financial resources.

- ARO headline earnings increased by **63%** to **R4 729m** (2022: R2 903m, up 63% in CCY), now contributing 43% to overall CIB's headline earnings (2022: 32%). The performance was driven by total income growth of **22%** (up 21% in CCY) and a decline in impairments to a net release of **R82m** (2022: charge of R954m), partially offset by operating expense growth of **17%** (14% in CCY) in a high inflationary environment.
- SA headline earnings increased by **3%** to **R6 304m** (2022: R6 103m), despite a 2% decline in profit before tax. This was underpinned by income growth of **5%** to **R17 268m** (2022: R16 461m) and lower taxes, while credit impairment charges increased by **100%** to **R846m**. Operating expenses growth was contained to **6%**.

Total income growth was supported by client franchise growth of **16%**, with a continued focus on broadening the client base by targeting key growth and priority sectors. The Corporate Bank increased income by **19%** (up 18% in CCY) and the Investment Bank grew by **6%** (Investment Banking Division up 12%, Commercial Property Finance up 17% and Global Markets down 3%). Capital lite revenue increased by **11%** to **R18 086m** (2022: R16 324m, up 10% in CCY) driven by growth of 29% (28% in CCY) in deposits net interest income, while non-interest income remained flat (down 1% in CCY). From a geography perspective, ARO income was up **22%** to **R12 596m** (up 21% in CCY) and SA was up **5%** to **R17 268m**.

- Net interest income increased by **19%** to **R19 546m** (2022: R16 441m, up 18% in CCY) as the business experienced net interest margin expansion of 20bps to **2.71%**, predominantly driven by higher deposit margins in a rising interest rate environment. Growth was further supported by a higher average balance sheet performance, with average customer advances up **12%** and average customer deposits balances up **10%**.

Total CIB

for the reporting period ended 31 December

Financial performance (continued)

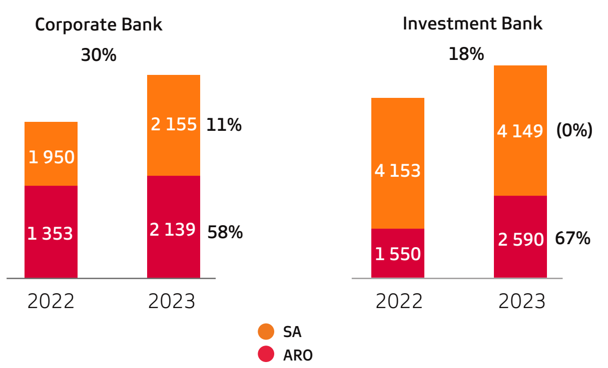
- Non-interest income of **R10 318m** was largely in line with prior year (2022: R10 305m, down 1% in CCY) mainly due to increased volumes in Transactions and Trade Finance, solid client franchise growth in Markets ARO and positive revaluations in non-core Private Equity and Infrastructure Investments. This was, however, offset by a decline in trading revenues in SA as well as the non-repeat of a litigation recovery in the prior year.

The decline in credit impairments of **45%** was largely driven by net releases in ARO, particularly within the performing book, partially offset by higher charges in SA. Impairments in the second half of the year were 64% lower than the prior year, which was impacted by material impairment charges in Ghana. This, in combination with diversified loan book growth, has resulted in the performing coverage ratio decreasing to **0.46%** (2022: 0.54%), while the credit loss ratio decreased to **0.17%** (2022: 0.27%).

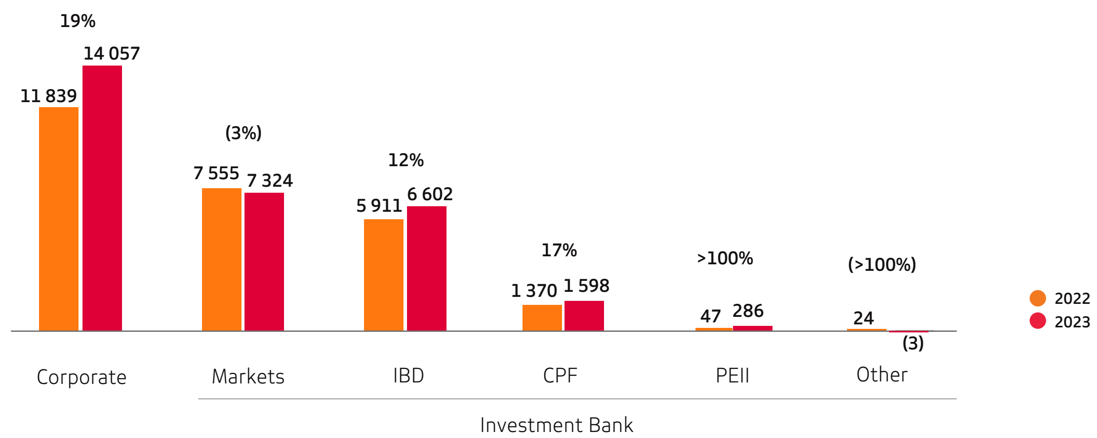
Operating expenses increased by **10%** to **R13 678m** (2022: R12 438m, up 9% in CCY) attributable to inflationary pressure across key markets and continued investment in the business.

Gross customer loans were up **12%** to **R490.2bn** (2022: R437.9bn) driven by balance sheet momentum in the Investment Banking Division (IBD) and growth in the Commercial Property Finance (CPF) business, partially offset by reduced demand for short-term funding in the Corporate Bank in the second half of the year. Customer deposits increased by **7%** to **R434.6bn** (2022: R407.4bn) supported by growth across most deposit classes, with average core cheque deposits in SA up **9%**.

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Solid headline earnings growth was noted in both the Corporate Bank and the Investment Bank, up **30%** and **18%** respectively.

- The Corporate Bank headline earnings increased by **30%** to **R4 293m** (2022: R3 302m, up 30% in CCY), driven by pre-provision profit growth of **27%** (27% in CCY) and lower credit impairments (down **10%**).
  - Income increased by **19%** to **R14 057m** (2022: R11 839m, up 18% in CCY), benefiting from continued liquidity strength, a higher interest rate environment and improved Transactions volumes following the roll out of modernised channels across jurisdictions.
  - Credit impairments decreased by **10%** to **R396m** (2022: R441m, down 16% in CCY) resulting in a credit loss ratio of **0.30%** (2022: 0.40%) driven mainly by lower ARO charges (down 84%) due to releases on account of reduced exposures in Ghana as well as improved portfolio construct. SA impairments increased by **38%** mainly due to higher stage 3 charges.
  - Operating expenses increased by **12%** (11% in CCY), largely driven by inflationary pressure across key markets, coupled with higher amortisation charges resulting from the implementation of platforms and technology as the business continues to invest in digitisation and automation.
- The Investment Bank headline earnings grew by **18%** to **R6 740m** (2022: R5 704m, up 18% in CCY), benefiting from pre-provision profit growth of **5%** (4% in CCY) as well as lower impairments and tax.
  - Income increased by **6%** to **R15 807m** (2022: R14 907m, up 5% in CCY), with growth in both SA and ARO. The performance was driven by double-digit growth in the Investment Banking Division (IBD), Commercial Property Finance (CPF) and non-core Private Equity and Infrastructure Investments.
  - Credit impairments decreased by **61%** to **R368m** (2022: R937m, down 63% in CCY) due to a net release on the performing book, mainly in ARO, and lower stage 3 charges. The credit loss ratio at **0.14%** is lower than prior year (2022: 0.24%).
  - Operating expenses increased by **8%** (7% in CCY) driven by investment in people (to attract and retain the best talent) as well as increased spend on travel and marketing.

Total CIB

for the reporting period ended 31 December

Business unit performance

Corporate Bank

The Corporate Bank grew income by **19%** to **R14 057m** (2022: R11 839m, up 18% in CCY) supported by a strong performance in ARO, up **32%** to **R6 633m** (2022: R5 024m, up 31% in CCY) while SA income was up **9%** to **R7 424m** (2022: R6 815m).

- Net interest income grew by **24%** to **R11 137m** (2022: R8 973m, up 24% in CCY). Strong demand for short-term funding resulted in average customer loan balances increasing by **10%**. Average customer deposits grew by **6%** (5% in CCY) with margins expanding as a result of the increasing interest rate environment.
- Non-interest income grew by **2%** to **R2 920m** (2022: R2 866m, up 1% in CCY). The increase is due to continued momentum in both Transactions and Trade Finance, offset by a litigation recovery received in the prior year. Excluding the litigation recovery, growth was 15%.

Corporate Bank income was driven by the following:

- Cash Management income increased **28%** driven by growth in net margin and deposit balances, coupled with increased transactional volumes.
  - Deposits income increased by **31%**, due to higher margins in several jurisdictions coupled with the average balance sheet increasing **8%**. SA deposits income was up **17%**, driven by margin expansion as well as improved client and product mix, with average customer deposits increasing by **2%** to **R266bn** (2022: R262bn) while higher-margin core cheque deposits increased by 9%. In ARO, deposits income increased by **46%** largely as a result of margin expansion due to interest rate increases, with average deposits increasing by **16%**.
  - Transactions income increased by **15%** as a result of increased client primacy and higher transactional volumes, with SA and ARO increasing by **16%** and **13%** respectively. This is a testament to the continued efforts to modernise channels and to expand client propositions across the continent.
- Trade Finance income increased by **12%** with continued momentum as a result of the strategic drive to become the trade partner of choice on the continent.
- Working Capital income increased by **11%**, driven by higher average customer advances. Strong momentum was noted in Supply Chain Finance off the back of good pipeline conversion.

Salient features	2023	2022	Change %	CCY %
Gross income (Rm)	14 057	11 839	19	18
Credit impairment charges (Rm)	(396)	(441)	(10)	(16)
Net income (Rm)	13 661	11 398	20	20
Average loans and advances to customers (Rbn)	76.3	69.1	10	10
Average deposits due to customers (Rbn)	365.4	344.7	6	5

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Total CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank

Investment Bank income increased by **6%** to **R15 807m** (2022: R14 907m, 5% in CCY), with ARO up **13%** to **R5 963m** (2022: R5 261m, up 11% in CCY) and SA up **2%** to **R9 844m** (2022: R9 646m).

Net interest income was up **13%** to **R8 409m** (2022: R7 468m, up 12% in CCY) supported by balance sheet momentum in the IBD and CPF businesses, while non-interest income declined by **1%** to **R7 398m** (2022: R7 439m, down 1% in CCY), impacted by adverse trading in SA.

Business units performed as follows:

Global Markets

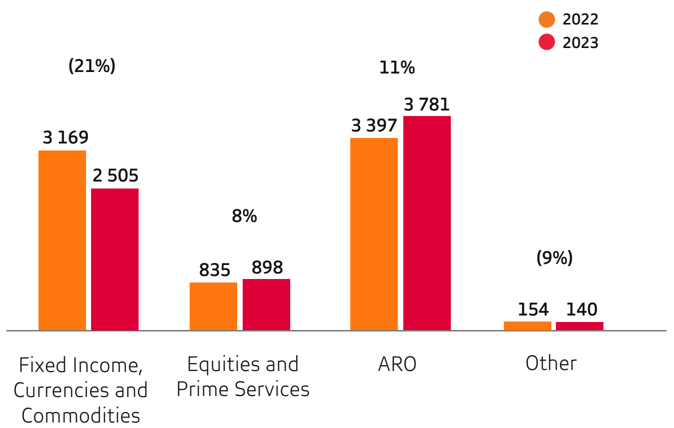
Global Markets income declined by **3%** to **R7 324m** (2022: R7 555m, down 4% in CCY). Markets SA income decreased by **15%** to **R3 542m** (2022: R4 158m), partially offset by Markets ARO income which was up **11%** to **R3 781m** (2022: R3 397m, up 10% in CCY).

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

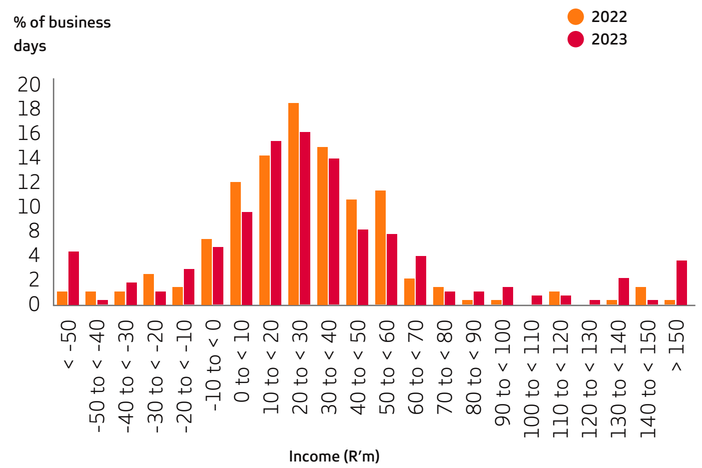
- **Fixed Income, Currencies and Commodities** income decreased by **21%** to **R2 505m** (2022: R3 169m) due to lower revenue opportunities impacted by lower margins and dislocations in the Naira currency market during the fourth quarter. This resulted in subdued institutional investor activity and liquidity to hedge exposures. The adverse performance was, however, partially offset by the monetisation of client flow in Fixed Income off the back of increased hedging activity and financing volumes attributable to elevated volatility in developed and emerging market interest rates.
- **Equities and Prime Services** income increased by **8%** to **R898m** (2022: R835m) as the Prime Services business continued to experience strong growth in financing balances and flow, driven by ongoing client acquisition and diversification in product offering. This was offset by lower Equities revenue due to reduced trading volumes and larger than anticipated interest rate hikes impacting client flows.

Markets ARO income grew **11%** (up 10% in CCY) underpinned by a strong performance in the FX client franchise due to expanded client margins and increased client flows, a result of the continued implementation of our Pan-African FX strategy along with our deliberate focus on diversifying product and country revenue mix contributions. Risk management opportunities were limited due to difficult trading conditions marked by concerns over debt sustainability, further domestic debt restructuring and constrained liquidity in various markets.

Global markets gross income mix (Rm and change %)



Daily markets income distribution (Rm)



Total CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Investment Banking Division

IBD income increased by **12%** to **R6 602m** (2022: R5 911m, up 11% in CCY) underpinned by net interest income growth of **11%** as a result of higher average customer loans and advances (up 13%) and non-interest income growth of **14%**.

The business benefited from key deals in the Financing business, despite margin compression experienced in selected product lines in a competitive market. The Advisory business had a more subdued year with longer than expected execution timetables for certain projects and Equity Capital opportunities remaining under pressure due to lower domestic and regional market activity.

The overall book quality continued to improve as reflected in the **52%** decrease in credit impairment charges (down 55% in CCY).

Salient features	2023	2022	Change %	CCY %
Gross income (Rm)	6 602	5 911	12	11
Credit impairment charges (Rm)	(351)	(737)	(52)	(55)
Net income (Rm)	6 251	5 174	21	20
Average loans and advances to customers (Rbn)	232.5	206.0	13	12

Commercial Property Finance (CPF)

The CPF business increased income by **17%** to **R1 598m** (2022: R1 370m, up 16% in CCY), driven by ongoing momentum in target markets, with an increased contribution from the ARO businesses.

Interest income increased by **19%** (CCY), enabled by asset growth coupled with product margin expansion.

Strong portfolio risk management has resulted in an improvement in the impairment charge which decreased by **88%** and is underpinned by a high-quality diversified portfolio.

Salient features	2023	2022	Change %	CCY %
Gross income (Rm)	1 598	1 370	17	16
Credit impairment charges (Rm)	(22)	(186)	(88)	(88)
Net income (Rm)	1 576	1 184	33	32
Average net portfolio assets (Rbn)	75.7	64.7	17	17

Private Equity and Infrastructure Investments SA (PEII)

Non-core Private Equity and Infrastructure Investments reported net income of **R286m** (2022: R47m) mainly due to positive revaluations and dividends, partly offset by funding costs.

Salient features	2023	2022	Change %
Revaluations (Rm)	255	(13)	>100
Realisations, dividends, interest and fees (Rm)	66	67	(3)
Funding (Rm)	(35)	(7)	>100
Net income (Rm)	286	47	>100
Total portfolio size (Rbn)	1.9	1.6	18

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Total CIB

for the reporting period ended 31 December

Looking ahead

The CIB strategy remains resilient in an increasingly challenging external environment. The business has an experienced leadership team with sufficient depth and a proven track record of delivering growth and returns. This stands CIB in good stead as the business strives to continue the current momentum in the year ahead. The long-term aspiration is for CIB ARO to generate half of Pan-African revenues. To achieve this, the business will seek to establish coverage offices in select markets on the continent as well as across the globe in China and the Middle East. These international offices give CIB proximity to existing clients as well as allowing the business to establish new relationships with clients across our markets in Africa.

Key focus areas for 2024:

- Investing in regional capabilities to grow our franchise while continuing to drive improved efficiency.
- Continuing to pursue and acquire larger profile clients to build a sustainable client franchise.
- Winning client primacy and delivering a superior experience as the go-to partner for clients.
- Leveraging International Corridors to support international clients' objectives.
- Increasing client transactions on our digital channels.
- Driving growth in client volumes in ARO across different corporate client groups and segments supported by opportunities in cross-border trade and regional expansion.
- Improving the speed and agility of our organisation.
- Measuring digital behaviours to drive the customer experience.
- Investing in talent to drive growth and maintain momentum.
- Growing the talent pool and building comprehensive succession plans, with a strong focus on women.
- Expanding ESG strategy in ARO and contributing more towards solving for societal issues in the markets we operate in.

Head Office, Treasury and other operations

for the reporting period ended 31 December

Financial performance

Headline earnings within Head Office, Treasury and other operations reflected a higher loss of **R1 416m** for the year (2022: R745m loss). The year-on-year movement for earnings reflects the following material items:

- Ghana sovereign-debt impairment charges (2022: R2 164m) booked in Head Office in 2022 (2023: R327m); more than offset by.
- The 2023 application of hyperinflation accounting in Ghana which resulted in a headline earnings reduction in Head office (R403m post-tax);
- Costs relating to Absa Group's Broad-Based Black Economic Empowerment and staff incentivisation transaction implemented during 2023 (circa R200m post-tax);
- Increased shareholder cost held back in Head Office (mainly on surplus corporate real estate);
- Increased cost of funds and lower reset benefit in Treasury SA partially offset by higher yields in ARO Treasuries.
- Results of the investment management business included in the Head Office for eleven months of the prior year (2022: R152m profit vs 2023: R59m loss). The profit on the sale of the investment management business is the main driver of the decrease in non-interest income year-on-year (non-headline earnings).

IFRS Group performance

Consolidated IFRS salient features

for the reporting period ended 31 December

	Note	2023 Rm	Restated 2022 Rm	Change %
Statement of comprehensive income (Rm)				
Income		104 642	96 836	8
Operating expenses		(55 704)	(50 474)	10
Pre-provision profit		48 938	46 362	6
Credit impairment charges		(15 535)	(13 703)	13
Profit attributable to ordinary equity holders		19 891	20 265	(2)
Headline earnings	1	20 074	19 974	1
Statement of financial position				
Net Asset Value (NAV) (Rm)		144 586	134 541	7
Total assets (Rm)		1 874 876	1 792 101	5
Financial performance (%)				
Return on equity (RoE)		14.4	15.3	
Return on average assets (RoA)		1.07	1.16	
Return on risk-weighted assets (RoRWA)		2.05	2.16	
Operating performance (%)				
Net interest margin on average interest-bearing assets		4.67	4.56	
Non-interest income as percentage of total income		35.0	37.5	
Cost-to-income ratio		53.2	52.1	
Jaws		(2)	8	
Effective tax rate		25.4	26.2	
Share statistics (million)				
Number of ordinary shares in issue	11	894.4	847.8	
Number of ordinary shares in issue (excluding treasury shares)	11	829.1	827.5	
Weighted average number of ordinary shares in issue	1	828.7	829.4	
Diluted weighted average number of ordinary shares in issue	1	831.2	833.9	
Share statistics (cents)				
Basic earnings per ordinary share (EPS)		2 400.3	2 443.3	(2)
Diluted basic earnings per ordinary share (DEPS)		2 393.0	2 430.1	(2)
Headline earnings per ordinary share (HEPS)	1	2 422.3	2 408.2	1
Diluted headline earnings per ordinary share (DHEPS)	1	2 415.1	2 395.3	1
NAV per ordinary share		17 109	15 950	7
Tangible NAV per ordinary share		15 400	14 421	7
Capital adequacy (%)				
Absa Group Limited		15.8	16.6	
Absa Bank Limited		16.2	17.6	
Common Equity Tier 1 (%)				
Absa Group Limited		12.5	12.8	
Absa Bank Limited		11.9	12.5	

Amounts have been restated due to implementation of IFRS 17. Refer to the reporting changes overview note.

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	Note	2023 Rm	Restated 2022 Rm	Change %
Net interest income	2	68 055	60 498	12
Interest and similar income		154 462	112 232	38
Effective interest income		151 693	110 315	38
Other interest income		2 769	1 917	44
Interest expense and similar charges		(86 407)	(51 734)	67
Non-interest income	3	36 587	36 338	1
Net fee and commission income		24 971	24 504	2
Fee and commission income	3.1	28 214	27 546	2
Fee and commission expense	3.1	(3 243)	(3 042)	7
Insurance service result		1 998	2 003	—
Insurance revenue	3.2	11 585	10 136	14
Insurance service expenses		(8 913)	(7 940)	12
Net expense from reinsurance contracts		(674)	(193)	>100
Net finance expense from insurance contracts		(150)	(63)	>100
Net finance expense from reinsurance contracts		(4)	(7)	(43)
Changes in investment contract liabilities		(1 443)	1 186	<(100)
Gains and losses from banking and trading activities	3.3	8 081	7 728	5
Gains and losses from investment activities	3.4	2 642	(532)	<(100)
Other operating income	3.5	492	1 519	(68)
Total income		104 642	96 836	8
Credit impairment charges	4	(15 535)	(13 703)	13
Operating income before operating expenditure		89 107	83 133	7
Operating expenditure	5	(55 704)	(50 474)	10
Other expenses		(3 353)	(2 440)	37
Other impairments		(459)	(591)	(22)
Indirect taxation	6	(2 344)	(1 849)	27
Loss on net monetary position		(550)	—	100
Share of post-tax results of associates and joint ventures		200	137	46
Operating profit before income tax		30 250	30 356	—
Taxation expense	7	(7 687)	(7 952)	(3)
Profit for the reporting period		22 563	22 404	1
Profit attributable to:				
Ordinary equity holders		19 891	20 265	(2)
Non-controlling interest – ordinary shares		1 400	1 264	11
Non-controlling interest – preference shares		373	266	40
Other equity– Additional Tier 1 capital		899	609	48
		22 563	22 404	1
Earnings per share:				
Basic earnings per share (cents)	1	2 400.3	2 443.3	(2)
Diluted earnings per share (cents)	1	2 393.0	2 430.1	(2)

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

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	2023 Rm	Restated 2022 Rm	Change %
Profit for the reporting period	22 563	22 404	1
Other comprehensive income			
Items that will not be reclassified to profit or loss	(447)	(20)	>100
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	1	(1)	<(100)
Fair value movements	1	(1)	<(100)
Deferred tax	—	—	
Movement on liabilities designated at FVTPL due to changes in own credit risk	(241)	(151)	60
Fair value movements	(330)	(202)	63
Deferred tax	89	51	75
Movement in retirement benefit fund assets and liabilities	(207)	132	<(100)
Increase/(decrease) in retirement benefit surplus	368	(37)	<(100)
(Increase)/decrease in retirement benefit deficit	(611)	148	<(100)
Deferred tax	36	21	71
Items that are or may be subsequently reclassified to profit or loss	762	(7 123)	<(100)
Movement in foreign currency translation reserve	(1 235)	(1 785)	(31)
Differences in translation of foreign operations	(1 235)	(1 785)	(31)
Movement in cash flow hedging reserve	1 936	(4 477)	<(100)
Fair value movements	1 410	(3 460)	<(100)
Amounts transferred within other comprehensive income	(26)	21	<(100)
Amount removed from other comprehensive income and recognised in profit or loss	1 268	(2 718)	<(100)
Deferred tax	(716)	1 680	<(100)
Movement in fair value of debt instruments measured at FVOCI	(195)	(237)	(17)
Fair value movements	(202)	(364)	(45)
Release to profit or loss	(66)	(7)	>100
Deferred tax	73	134	(46)
Movement in Insurance finance reserve	257	(624)	<(100)
Finance income/(expense) from insurance contracts	362	(767)	<(100)
Finance (expense)/income from reinsurance contracts	(19)	(92)	(79)
Deferred tax	(52)	235	<(100)
Current tax	(34)	—	100
Total comprehensive income for the reporting period	22 878	15 261	50
Total comprehensive income attributable to:			
Ordinary equity holders	20 521	13 298	54
Non-controlling interest – ordinary shares	1 085	1 088	(0)
Non-controlling interest – preference shares	373	266	40
Other equity – Additional Tier 1 capital	899	609	48
	22 878	15 261	50

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

Consolidated IFRS statement of financial position

as at 31 December

	Note	2023 Rm	Restated 2022 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		77 815	66 429	17
Investment securities		236 498	215 637	10
Trading portfolio assets		191 097	206 454	(7)
Hedging portfolio assets		5 441	4 973	9
Other assets		27 805	23 980	16
Current tax assets		627	658	(5)
Non-current assets held for sale		197	212	(7)
Loans and advances	8	1 271 357	1 213 399	5
Insurance contract assets		693	613	13
Reinsurance contract assets		972	1 025	(5)
Investments linked to investment contracts		21 045	19 288	9
Investments in associates and joint ventures		2 644	2 409	10
Investment property		378	397	(5)
Property and equipment		16 016	15 325	5
Goodwill and intangible assets		14 442	12 901	12
Deferred tax assets		7 849	8 401	(7)
Total assets		1 874 876	1 792 101	5
Liabilities				
Trading portfolio liabilities		62 548	94 910	(34)
Hedging portfolio liabilities		1 688	2 237	(25)
Other liabilities		42 093	34 291	23
Provisions		6 045	5 860	3
Current tax liabilities		833	971	(14)
Non-current liabilities held for sale		—	26	(100)
Deposits	9	1 339 536	1 241 918	8
Debt securities in issue	10	211 128	205 519	3
Liabilities under investment contracts		21 247	19 999	6
Insurance contract liabilities		6 426	6 601	(3)
Reinsurance contract liabilities		252	45	>100
Borrowed funds	11	18 502	26 420	(30)
Deferred tax liabilities		181	168	8
Total liabilities		1 710 479	1 638 965	4
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	1 657	1 654	—
Share premium	11	10 464	10 191	3
Retained earnings		130 308	122 161	7
Other reserves		2 157	535	>100
		144 586	134 541	7
Non-controlling interest – ordinary shares		6 905	6 448	7
Non-controlling interest – preference shares		4 644	4 644	—
Other equity – Additional Tier 1 capital		8 262	7 503	10
Total equity		164 397	153 136	7
Total liabilities and equity		1 874 876	1 792 101	5

The statement of financial position has been restated. Refer to the reporting changes overview note.

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Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

2023

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital Rm	Total equity Rm
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	122 161	536	808	(992)	(3 215)	1 393	57	(356)	1 102	1 739	134 542	6 448	4 644	7 503	153 137
Impact of hyperinflation	—	—	—	815	(5)	—	(27)	—	—	—	—	22	—	810	—	—	—	810
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	122 976	531	808	(1 019)	(3 215)	1 393	57	(356)	1 124	1 739	135 352	6 448	4 644	7 503	153 947
Total comprehensive income	—	—	—	19 443	1 078	—	(181)	1 936	(892)	—	216	—	—	20 521	1 085	373	899	22 878
Profit for the period	—	—	—	19 891	—	—	—	—	—	—	—	—	—	19 891	1 400	373	899	22 563
Other comprehensive income	—	—	—	(448)	1 078	—	(181)	1 936	(892)	—	216	—	—	630	(315)	—	—	315
Shares issued	46 626	93	7 710	—	—	—	—	—	—	—	—	—	—	7 803	—	—	—	7 803
Dividends paid during the reporting period	—	—	—	(11 065)	—	—	—	—	—	—	—	—	—	(11 065)	(628)	(373)	—	(12 066)
Distributions paid during the reporting period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(899)	(899)
Issuance of Additional Tier 1 capital		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2 000	2 000
Redemption of Tier 1		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1 241)	(1 241)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(567)	(772)	—	—	—	—	—	—	—	—	—	(1 339)	—	—	—	(1 339)
Elimination of the movement in treasury shares held by Group entities	(44 999)	(90)	(7 437)	—	—	—	—	—	—	—	—	—	—	(7 527)	—	—	—	(7 527)
Movement in share-based payment reserve	—	—	567	—	275	—	—	—	—	—	—	275	—	842	—	—	—	842
Transfer from share-based payment reserve	—	—	567	—	(567)	—	—	—	—	—	—	(567)	—	—	—	—	—	—
Value of employee services	—	—	—	—	1 034	—	—	—	—	—	—	1 034	—	1 034	—	—	—	1 034
Deferred tax	—	—	—	—	(192)	—	—	—	—	—	—	(192)	—	(192)	—	—	—	(192)
Movement in general credit risk reserve	—	—	—	(87)	87	87	—	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	13	(13)	—	—	—	—	(13)	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(200)	200	—	—	—	—	—	—	—	200	—	—	—	—	—
Balance at the end of the reporting period	829 054	1 657	10 464	130 308	2 157	895	(1 200)	(1 279)	501	44	(140)	1 399	1 939	144 586	6 905	4 644	8 262	164 397

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Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

Restated
2022

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Insurance finance reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity – Additional Tier 1 capital Rm	Total equity Rm
Balance as reported at the end of the previous reporting period	830 285	1 660	10 644	110 859	6 703	825	(845)	1 262	3 123	57	—	679	1 602	129 866	5 798	4 644	7 004	147 312
Impact of adopting IFRS 17 at 1 January 2022	—	—	—	688	231	—	—	—	(3)	—	234	—	—	919	94	—	—	1 013
Restated balance at the beginning of the reporting period	830 285	1 660	10 644	111 547	6 934	825	(845)	1 262	3 120	57	234	679	1 602	130 785	5 892	4 644	7 004	148 325
Total comprehensive income	—	—	—	20 240	(6 942)	—	(147)	(4 477)	(1 727)	—	(590)	—	—	13 298	1 088	266	609	15 261
Profit for the period	—	—	—	20 265	—	—	—	—	—	—		—	—	20 265	1 264	266	609	22 404
Other comprehensive income	—	—	—	(25)	(6 942)	—	(147)	(4 477)	(1 727)	—	(590)	—	—	(6 967)	(176)	—	—	(7 143)
Dividends paid during the reporting period	—	—	—	(9 343)	—	—	—	—	—	—	—	—	—	(9 343)	(532)	(266)	—	(10 141)
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	—	—	(357)	(163)	—	—	—	—	—	—	—	—	—	(520)	—	—	—	(520)
Elimination of the movement in treasury shares held by Group entities	(2 859)	(6)	(453)	—	—	—	—	—	—	—	—	—	—	(459)	—	—	—	(459)
Movement in share-based payment reserve	—	—	357	—	423	—	—	—	—	—	—	423	—	780	—	—	—	780
Transfer from share-based payment reserve	—	—	357	—	(357)	—	—	—	—	—	—	(357)	—	—	—	—	—	—
Value of employee services	—	—	—	—	652	—	—	—	—	—	—	652	—	652	—	—	—	652
Deferred tax	—	—	—	—	128	—	—	—	—	—		128	—	128	—	—	—	128
Movement in general credit risk reserve	—	—	—	17	(17)	(17)	—	—	—	—	—	—	—	—	—	—	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(137)	137	—	—	—	—	—	—	—	137	—	—	—	—	—
Balance at the end of the reporting period	827 426	1 654	10 191	122 161	535	808	(992)	(3 215)	1 393	57	(356)	1 102	1 739	134 541	6 448	4 644	7 503	153 136

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.

Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

	Note	2023 Rm	2022 Rm	Change %
Net cash generated from operating activities		43 580	23 013	89
Net cash utilised in investing activities		(6 359)	(5 283)	20
Net cash utilised in financing activities		(23 345)	(12 613)	85
Net increase in cash and cash equivalents		13 876	5 117	>100
Cash and cash equivalents at the beginning of the reporting period	1	75 268	68 978	9
Effect of exchange rate movement and hyperinflation on cash and cash equivalents		(690)	1 173	<(100)
Cash and cash equivalents at the end of the reporting period	2	88 454	75 268	18

Notes to the consolidated IFRS statement of cash flow

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

	2023 Rm	2022 Rm	Change %
Mandatory reserve balances with the SARB and other central banks	35 559	34 808	(7)
Coin and notes	13 551	14 577	(7)
Loans and advances to banks	22 320	17 898	25
Money market assets	2 013	1 695	19
Mobile money balances	1 825	—	100
	75 268	68 978	9

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

	2023 Rm	2022 Rm	Change %
Mandatory reserve balances with the SARB and other central banks	46 790	35 559	(3)
Coin and notes	13 173	13 551	(3)
Loans and advances to banks	22 136	22 320	(1)
Money market assets	2 928	2 013	45
Mobile money balances	3 427	1 825	88
	88 454	75 268	18

The statement of cash flows has been restated. Refer to the reporting changes overview note.

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings	2023 Gross Rm	2023 Net Rm	2022 Gross Rm	2022 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders of the Group	—	19 891	—	20 265	(2)
Total headline earnings adjustment:	—	183	—	(291)	<(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	(102)	(132)	(778)	(652)	(80)
IAS 16 – Profit on disposal of property and equipment	(28)	(21)	(10)	(6)	>100
IAS 16 and 36 – Insurance recovery of property and equipment damaged during riots	—	—	(126)	(92)	—
IAS 36 – Impairment of property and equipment	213	155	354	254	(39)
IAS 36 – Impairment of intangible assets	245	179	237	185	(3)
IAS 38 – Loss on disposal of intangible assets	2	2	1	1	100
IAS 40 – Change in fair value of investment properties	—	—	21	15	(100)
Change in tax rate	—	—	—	4	(100)
Headline earnings/diluted headline earnings	—	20 074	—	19 974	1

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

Profit attributable to ordinary equity holders has been restated due to the implementation of IFRS 17. Refer to the reporting changes overview note.

	2023 Rm	2022 Rm	Change %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	19 891	20 265	<(100)
Weighted average number of ordinary shares in issue (million)	828.7	829.4	(0.7)
Issued shares at the beginning of the reporting period (millions)	847.8	847.8	—
Shares issued during the reporting period (millions)	15.5	—	15.5
Treasury shares held by Group entities (millions)	(34.6)	(18.4)	(16.2)
Basic earnings per ordinary share (cents)	2 400.3	2 443.3	—
Diluted basic earnings per ordinary share			
Diluted basic earnings attributable to ordinary equity holders (Rm)	19 891	20 265	<(100)
Diluted weighted average number of ordinary shares in issue (million)	831.2	833.9	(2.7)
Weighted average number of ordinary shares in issue (million)	828.7	829.4	(0.7)
Adjustments for share options issued at no value (millions)	2.5	4.5	(2.1)
Diluted basic earnings per ordinary share (cents)	2 393.0	2 430.1	(2.0)
Headline earnings per ordinary share			
Headline earnings attribute to ordinary equity holders (Rm)	20 074	19 974	<(100)
Weighted average number of ordinary shares in issue (million)	828.7	829.4	(0.7)
Headline earnings per ordinary share (cents)	2 422.3	2 408.2	1.0
Diluted headline earnings per ordinary share			
Headline earnings attribute to ordinary equity holders (Rm)	20 074	19 974	1
Diluted weighted average number of ordinary shares in issue (million)	831.2	833.9	(2.7)
Diluted Headline earnings per ordinary share (cents)	2 415.1	2 395.3	1.0

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.5 Other operating income

	2023 Rm	2022 Rm	Change %
Property-related income	68	155	(56)
Income from investment properties	2	(19)	<(100)
Change in fair value	—	(21)	(100)
Rentals	2	2	—
Property-related income arising from contracts with customers	66	48	38
Profit on disposal of property and equipment	28	10	>100
Profit on sale of developed properties	8	11	(27)
Loss on sale of repossessed properties	(2)	—	100
Rental income	32	27	19
Insurance proceeds received related to property and equipment	—	126	(100)
Other operating income	424	1 364	(69)
Foreign exchange differences, including recycle from other comprehensive income	(10)	(136)	(93)
Loss on disposal of intangible assets	(2)	(1)	100
Sundry income	436	1 501	(71)
	492	1 519	(68)
Segment split			
Property-related income	68	155	(56)
Product Solutions Cluster	—	1	(100)
Relationship Banking	12	4	>100
Everyday Banking	19	138	(86)
ARO RBB	22	12	83
Head Office, Treasury and other operations	15	—	100
Other operating income	424	1 364	(69)
Product Solutions Cluster	60	45	33
Relationship Banking	292	125	>100
Everyday Banking	127	89	43
ARO RBB	(9)	119	<(100)
CIB	(6)	350	<(100)
Head office, Treasury and other operations	(24)	650	<(100)
Barclays separation effects	(16)	(14)	14
	492	1 519	(68)

Sundry income has been restated due to implementation of IFRS 17, see reporting changes overview note.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Breakdown of operating expenses	2023 Rm	2022 Rm	Change %
Amortisation of intangible assets	2 796	2 578	8
Auditors' remuneration	565	493	15
Cash transportation	1 159	1 123	3
Depreciation	3 136	3 268	(4)
Equipment costs	581	441	32
Information technology	6 028	5 543	9
Marketing costs	2 032	1 720	18
Other operating costs (includes net fraud losses, travel and entertainment costs)	1 375	1 002	37
Printing and stationery	372	319	17
Professional fees	2 809	2 914	(4)
Property costs	1 910	1 862	3
Staff costs	31 515	27 823	13
Bonuses	3 556	3 256	9
Deferred cash and share-based payments	1 108	773	43
Other Staff Costs	1 162	895	30
Salaries and current service costs on post-retirement benefit funds	25 056	22 309	12
Training costs	633	590	7
Straight-line lease expenses on short-term leases and low value assets	220	221	(0)
Telephone and postage	1 206	1 167	3
	55 704	50 474	10
Barclays separation effects	1 238	1 101	12
Professional fees	—	30	(100)
Other	1 238	1 071	16

Total operating costs include costs incurred in relation to the separation from Barclays PLC of **R1 238m** (2022: R1 101m) which have increased by **12%** (CCY 12%) year-on-year and mainly comprise amortisation of intangible assets of **R1 095m** (2022: R910m) in relation to assets created under separation.

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

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

Other operating costs and salaries have been restated as part of the IFRS 17 insurance restatements for December 2022. Refer to the reporting changes overview note.

6. Indirect taxation

	2023 Rm	2022 Rm	Change %
Training levy	242	232	4
Value-added tax net of input credits	2 102	1 618	30
	2 344	1 849	27

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

7. Taxation expense

	2023 Rm	2022 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	30 250	30 356	(0)
Share of post-tax results of associates and joint ventures	(200)	(137)	46
	30 050	30 219	(1)
Tax calculated at a tax rate of 27% (2022: 28%)	8 114	8 461	(4)
Effect of different rates in other countries	789	392	101
Expenses not deductible for tax purposes	740	374	98
Assessed losses	50	126	(60)
Dividend income	(1 240)	(952)	30
Non-taxable interest	(657)	(502)	31
Deductible expenditure not recognised in profit and loss	(243)	(170)	43
Other income not subject to tax	(22)	(35)	(37)
Other	264	206	28
Effect of tax rate changes	—	129	—
Items of a capital nature	(108)	(77)	40
	7 687	7 952	(3)

11. Equity and borrowed funds

	2023 Rm	2022 Rm	Change %
Authorised			
950 000 000 (31 December 2022: 891 774 054) ordinary shares of R2.00 each	1 900	1 784	7
Issued			
894 376 907 (31 December 2022: 847 750 679)	1 789	1 696	5
65 322 253 (31 December 2022: 20 324 498) treasury shares held by Group entities	(132)	(42)	>100
	1 657	1 654	0
Total issued capital			
Share capital	1 657	1 654	0
Share premium	10 464	10 191	3
	12 121	11 845	2

Number of ordinary shares in issue (after deductions of treasury shares)	2023 Number of shares (million)	2022 Number of shares (million)	Change %
Ordinary shares of R2.00	894.4	847.8	5.5
Treasury shares held by the Group	(65.3)	(20.3)	>100
	829.1	827.5	2

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Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	Total Group normalised performance			Barclays separation effects			IFRS Group		
	2023	Restated 2022	Change %	**2023**	Restated 2022	Change %	**2023**	Restated 2022	Change %
Statement of comprehensive income (Rm)									
Net interest income	67 927	60 440	12	128	58	>100	68 055	60 498	12
Non-interest income	36 603	36 352	1	(16)	(14)	14	36 587	36 338	1
Total income	104 530	96 792	8	112	44	>100	104 642	96 836	8
Credit impairment charges	(15 535)	(13 703)	13	—	—	—	(15 535)	(13 703)	13
Operating expenses	(54 467)	(49 372)	10	(1 237)	(1 102)	12	(55 704)	(50 474)	10
Other expenses	(3 022)	(2 303)	40	(131)	—	100	(3 153)	(2 303)	37
Operating profit/(loss) before income tax	31 506	31 414	—	(1 256)	(1 058)	19	30 250	30 356	—
Tax expenses	(7 983)	(8 241)	(3)	296	289	2	(7 687)	(7 952)	(3)
Profit/(loss) for the reporting period	23 523	23 173	2	(960)	(769)	25	22 563	22 404	1
Profit attributable to:									
Ordinary equity holders	20 821	21 016	(1)	(930)	(751)	24	19 891	20 265	(2)
Non-controlling interest – ordinary shares	1 430	1 282	12	(30)	(18)	67	1 400	1 264	11
Non-controlling interest – preference shares	373	266	40	—	—	—	373	266	40
Other equity – Additional Tier 1 capital	899	609	48	—	—	—	899	609	48
	23 523	23 173	(100)	(960)	(769)	25	22 563	22 404	1
Headline earnings	20 926	20 725	1	(852)	(751)	14	20 074	19 974	1
Operating performance (%)									
Net interest margin on average interest-bearing assets	4.66	4.56		n/a	n/a	—	4.67	4.56	
Credit loss ratio	1.18	0.96		n/a	n/a	—	1.18	0.96	
Non-interest income as % of income	35.0	37.6		n/a	n/a	—	35.0	37.5	
Income growth	8	13		n/a	n/a	—	8	11	
Operating expenses growth	10	4		n/a	n/a	—	10	4	
Cost-to-income ratio	52.1	51.0		n/a	n/a	—	53.2	52.1	
Statement of financial position (Rm)						—			
Loans and advances	1 271 357	1 213 399	5	—	—	—	1 271 357	1 213 399	5
Loans and advances to customers	1 196 986	1 109 829	8	—	—	—	1 196 986	1 109 829	8
Loans and advances to banks	74 371	103 570	(28)	—	—	—	74 371	103 570	(28)
Investment securities	236 498	215 637	10	—	—	—	236 498	215 637	10
Other assets	365 908	360 767	1	1 113	2 298	(52)	367 021	363 065	1
Total assets	1 873 763	1 789 803	5	1 113	2 298	(52)	1 874 876	1 792 101	5
Deposits	1 339 536	1 241 918	8	—	—	(83)	1 339 536	1 241 918	8
Deposits due to customers	1 215 331	1 113 281	9	—	—	(74)	1 215 331	1 113 281	9
Deposits due to banks	124 205	128 637	(3)	—	—	100	124 205	128 637	(3)
Debt securities in issue	211 128	205 519	3	—	—	—	211 128	205 519	3
Other liabilities	160 795	192 267	(16)	(980)	(739)	33	159 815	191 528	(17)
Total liabilities	1 711 459	1 639 704	4	(980)	(739)	33	1 710 479	1 638 965	4
Financial performance (%)									
RoRWA	2.05	2.16	(5)	n/a	n/a		1.96	2.08	(6)
RoA	1.11	1.21	(8)	n/a	n/a		1.07	1.16	(8)

Barclays separation effects

Update on programme

The Separation project was completed in December 2020. The Group has presented normalised results to reflect underlying business performance. The Group will stop issuing normalised financial results from 2024 as the impact is expected to be immaterial. The financial effect of Separation is highlighted below.

Barclays separation effects

	2023	2022	Change %
Statement of comprehensive income (Rm)			
Net interest income	128	58	>100
Non-interest income	(16)	(14)	14
Total income	112	44	>100
Operating expenses	(1 237)	(1 102)	12
Other operating expenses	(131)	—	100
Operating profit before income tax	(1 256)	(1 058)	19
Tax expenses	296	289	2
Profit for the reporting period	(960)	(769)	25
Profit attributable to:			
Ordinary equity holders	(930)	(751)	24
Non-controlling interest – ordinary shares	(30)	(18)	67
Headline earnings	(852)	(769)	11
Statement of financial position (Rm)			
Intangible assets	782	1 985	(61)
Property, plant and equipment	214	309	(31)
Other assets	117	4	>100
Total assets	1 113	2 298	(52)
Other liabilities	(980)	(739)	33
Total equity	2 093	3 037	(31)
Total equity and liabilities	1 113	2 298	(52)

Statement of comprehensive income

Net interest income: **R128m** (2022: R58m) was earned on the remaining capital invested after successfully completing the separation programme. Non-interest income of **-R16m** (2022: -R14m) reflects foreign currency revaluation losses.

Operating expenses of **R1 237m** (2022: R1 102m) include **R1 095m** (2022: R910m) that relates to the amortisation of intangible assets that were created under Separation. Other operating expenses of **R131m** (2022: R0m) relates to R23m indirect taxation and R108m relating to non-credit impairments.

Statement of financial position

Total assets

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

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

Total equity and liabilities

Total equity of **R2.1bn** (2022: R3.0bn) relates to the R12.1bn contribution received from Barclays and income earned on the contribution less separation expenditure incurred to date. Separation will still incur the amortisation and depreciation expenditure on the assets capitalised in the upcoming financial years.

Reporting changes

Adoption of IFRS 17 Insurance contracts

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

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

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

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

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

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

A. Impact of the adoption of the Standard

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

Adoption of IFRS 17 Insurance contracts (continued)

The below tables summarise the changes brought about by IFRS 17 that had a significant impact for the Group for the period ended 31 December 2022.

IFRS Statement of comprehensive income for the reporting period ended

	31 December 2022		
	Group		
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm
Net interest income	60 498	60 498	—
Non-interest income	36 338	38 420	(2 082)
Net fee and commission income	24 504	23 710	794
Fee and commission income	27 546	27 595	(49)
Fee and commission expense	(3 042)	(3 885)	843
Net insurance premium income	—	9 453	(9 453)
Net claims and benefits incurred on insurance contracts	—	(4 854)	4 854
Insurance service result	2 003	—	2 003
Insurance revenue	10 136	—	10 136
Insurance service expense	(7 940)	—	(7 940)
Net expense from reinsurance contracts	(193)	—	(193)
Net finance income/(expense) from insurance contracts	(63)	—	(63)
Net finance income/(expense) from reinsurance contracts	(7)	—	(7)
Changes in insurance and investment contract liabilities	1 186	1 428	(242)
Gains and losses from banking and trading activities	7 728	7 728	—
Gains and losses from investment activities	(532)	(532)	—
Other operating income	1 519	1 487	32
Total income	96 836	98 918	(2 082)
Credit impairment charges	(13 703)	(13 703)	—
Operating income before operating expenditure	83 133	85 215	(2 082)
Operating expenditure	(50 474)	(52 009)	1 535
Other expenses	(2 440)	(2 541)	101
Other impairment	(591)	(591)	—
Indirect taxation	(1 849)	(1 950)	101
Share of post-tax results of associates and joint ventures	137	137	—
Operating profit before income tax	30 356	30 802	(446)
Taxation expense	(7 952)	(8 091)	139
Profit for the reporting period	22 404	22 711	(307)
Other comprehensive income	(7 143)	(6 522)	(621)
Total comprehensive income for the reporting period	15 261	16 189	(928)

Adoption of IFRS 17 Insurance contracts
(continued)

IFRS 17 Impact on the Income Statement

Fee and commission income and expenses

Fee and commission income and expenses previously included all fees and commissions relating to insurance contracts. Under IFRS 17 all directly attributable expenses should be presented under insurance service expenses. Insurance commission income decreased by R49m, and fee and commission expenses decreased by R843m.

Insurance revenue

Under IFRS 4, life contracts recognised insurance revenue as premiums once they became payable, whereas non-life contracts recognised insurance revenue proportionally over the risk period. Insurance service expenses were recognised for life contracts when claims were expected to be incurred or when incurred for non-life contracts. IFRS 17 requires insurance revenue to be recognised over the life of the contract. Previously IFRS 4 premium income of R9.5bn was disclosed on the Statement of Profit and Loss however this has been replaced with insurance revenue of R10.1bn which consists of the release of the contractual service margin (CSM), release of the risk adjustment (RA) and release of expected incurred claims and other insurance service expenses for contracts not measured under the Premium Allocation Approach (PAA). The insurance revenue also includes revenue for contracts measured under the PAA.

Insurance service expenses

IFRS 17 requires the Group to incorporate a portion of directly attributable expenses incurred in its measurement of its insurance and reinsurance contracts, such as fixed and variable overheads in its measurement of its insurance and reinsurance contracts, to fulfil insurance and reinsurance contracts. As a result, a portion of these expenses form part of non-interest revenue within insurance service result. The net claims and benefits incurred on insurance contracts of R4.9bn are included in insurance service expense which is R7.9bn. In addition, there are also directly attributable expenses of R1.9bn reclassified from operating expenses to the insurance service expense and losses on onerous insurance contracts of R16.9m.

Net finance income/expenses on insurance and reinsurance contracts

The financing component recognised for insurance and reinsurance contracts is to reflect changes in the carrying amounts of such contracts due to the passing of time and changes in financial assumptions. This resulted in the recognition of net finance expenses on insurance contracts of R63m and net finance expenses on reinsurance contracts of R7m.

Changes in investment and insurance contract liabilities

Previously under IFRS 4 changes in insurance contract liabilities were included in the changes in investment and insurance contract liabilities line. Under IFRS 17 these changes are incorporated into the insurance service result. The changes in investment and insurance contract liabilities line decreased by R242m and only includes the changes in the investment contracts.

Adoption of IFRS 17 Insurance contracts (continued)

IFRS Statement of financial position for the reporting period ended

	31 December 2022				
	Group				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Assets					
Cash, cash balances and balances with central banks	66 429	67 179	—	(750)	(750)
Investment securities	215 637	215 637	—	—	—
Trading portfolio assets	206 454	206 436	—	18	18
Hedging portfolio assets	4 973	4 973	—	—	—
Other assets	23 980	25 190	(268)	(942)	(1 210)
Current tax assets	658	657	1	—	1
Non-current assets held for sale	212	212	—	—	—
Loans and advances	1 213 399	1 213 399	—	—	—
Reinsurance assets	—	663	(663)	—	(663)
Insurance contract assets	613	—	613	—	613
Reinsurance contract assets	1 025	—	1 025	—	1 025
Subsidiary shares	—	—	—	—	—
Investments linked to investment contracts	19 288	19 288	—	—	—
Investments in associates and joint ventures	2 409	2 409	—	—	—
Investment properties	397	397	—	—	—
Property and equipment	15 325	15 325	—	—	—
Goodwill and intangible assets	12 901	12 901	—	—	—
Deferred tax assets	8 401	8 535	(134)	—	(134)
Total assets	1 792 101	1 793 201	574	(1 674)	(1 100)
Liabilities					
Trading portfolio liabilities	94 910	94 895	—	15	15
Hedging portfolio liabilities	2 237	2 237	—	—	—
Other liabilities	34 291	36 521	(541)	(1 689)	(2 230)
Provisions	5 860	5 912	(52)	—	(52)
Current tax liabilities	971	971	—	—	—
Non-current liabilities held for sale	26	26	—	—	—
Deposits	1 241 918	1 241 918	—	—	—
Debt securities in issue	205 519	205 519	—	—	—
Liabilities under investment contracts	19 999	19 999	—	—	—
Policyholder liabilities under insurance contracts	—	5 384	(5 384)	—	(5 384)
Insurance contract liabilities	6 601	—	6 601	—	6 601
Reinsurance contract liabilities	45	—	45	—	45
Borrowed funds	26 420	26 420	—	—	—
Deferred tax liabilities	168	351	(183)	—	(183)
Total liabilities	1 638 965	1 640 153	486	(1 674)	(1 188)
Equity					
Attributable to ordinary equity holders:					
Share capital	1 654	1 654	—	—	—
Share premium	10 191	10 191	—	—	—
Retained earnings	122 161	121 764	397	—	397
Other reserves	535	887	(352)	—	(352)
	134 541	134 496	45	—	45
Non-controlling interest – ordinary shares	6 448	6 405	43	—	43
Non-controlling interest – preference shares	4 644	4 644	—	—	—
Other equity – Additional Tier 1 capital	7 503	7 503	—	—	—
Total equity	153 136	153 048	88	—	88
Total liabilities and equity	1 792 101	1 793 201	574	(1 674)	(1 100)

Reporting changes

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

IFRS 17 Impact on the statement of financial position

Reinsurance assets

Previously under IFRS 4 a net reinsurance asset of R663m was disclosed on the face of the statement of financial position. IFRS 17 requires portfolios of reinsurance contracts to be classified separately as reinsurance contract assets or reinsurance contract liabilities unlike IFRS 4 where netting was allowed. In addition, IFRS 17 reinsurance contract assets or reinsurance contract liabilities also includes a remaining coverage and an incurred claims component. The reinsurance asset disclosed for IFRS 17 is R1bn and the reinsurance liability is R45m.

Policyholder liabilities under insurance contracts

Previously under IFRS 4, a net policyholder liability of R5.4bn was shown on the face of the statement of financial position. Similarly to reinsurance contract assets and liabilities, IFRS 17 requires portfolios of insurance contracts to be classified separately as either insurance contract assets or insurance contract liabilities. The IFRS 17 insurance contract liability disclosed is R6.6bn and the insurance contract assets is R613m. These balances include the liability for remaining coverage and the liability for incurred claims.

Segment impact on the statement of comprehensive income for the reporting period ended 31 December 2022

The impact of IFRS 17 on the segments is as follows:

	Product Solutions Cluster				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	8 912	9 154	—	(242)	(242)
Non-interest income	4 041	5 202	(1 169)	8	(1 161)
Total income	12 953	14 356	(1 169)	(234)	(1 403)
Credit impairment charges	(2 586)	(2 586)	—	—	—
Operating expenditure	(5 732)	(6 435)	641	62	703
Other expenses	(133)	(219)	101	(15)	86
Operating profit before income tax	4 502	5 116	(427)	(187)	(614)
Taxation expense	(1 218)	(1 396)	126	52	178
Profit for the reporting period	3 284	3 720	(301)	(135)	(436)

	Everyday Banking				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	14 373	14 373	—	—	—
Non-interest income	12 053	12 114	(53)	(8)	(61)
Total income	26 426	26 487	(53)	(8)	(61)
Credit impairment charges	(5 775)	(5 775)	—	—	—
Operating expenditure	(14 007)	(13 917)	—	(90)	(90)
Other expenses	(535)	(576)	—	41	41
Operating profit before income tax	6 109	6 219	(53)	(57)	(110)
Taxation expense	(1 817)	(1 846)	12	17	29
Profit for the reporting period	4 292	4 373	(41)	(40)	(81)

	Relationship Banking				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	9 336	9 337	—	(1)	(1)
Non-interest income	5 105	5 105	—	—	—
Total income	14 441	14 442	—	(1)	(1)
Credit impairment charges	(618)	(618)	—	—	—
Operating expenditure	(7 761)	(7 933)	—	172	172
Other expenses	(51)	(30)	—	(21)	(21)
Operating profit before income tax	6 011	5 861	—	150	150
Taxation expense	(1 703)	(1 661)	—	(42)	(42)
Profit for the reporting period	4 308	4 200	—	108	108

	ARO RBB				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	9 697	9 713	—	(16)	(16)
Non-interest income	4 048	4 141	(104)	11	(93)
Total income	13 745	13 854	(104)	(5)	(109)
Credit impairment charges	(1 182)	(1 182)	—	—	—
Operating expenditure	(9 489)	(9 777)	132	156	288
Other expenses	(435)	(425)	—	(10)	(10)
Operating profit before income tax	2 639	2 470	28	141	169
Taxation expense	(856)	(813)	—	(43)	(43)
Profit for the reporting period	1 783	1 657	28	98	126

	Corporate Investment Banking				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	16 441	16 458	—	(17)	(17)
Non-interest income	10 305	10 325	—	(20)	(20)
Total income	26 746	26 783	—	(37)	(37)
Credit impairment charges	(1 378)	(1 378)	—	—	—
Operating expenditure	(12 438)	(12 508)	—	70	70
Other expenses	(277)	(281)	—	4	4
Operating profit before income tax	12 653	12 616	—	37	37
Taxation expense	(2 823)	(2 815)	—	(8)	(8)
Profit for the reporting period	9 830	9 801	—	29	29

	Head office, Treasury and other operations				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Net interest income	1 681	1 405	—	276	276
Non-interest income	800	1 547	(756)	9	(747)
Total income	2 481	2 952	(756)	285	(471)
Credit impairment charges	(2 164)	(2 164)	—	—	—
Operating expenditure	55	(337)	762	(370)	392
Other expenses	(872)	(873)	—	1	1
Operating profit before income tax	(500)	(422)	6	(84)	(78)
Taxation expense	176	152	—	24	24
Profit for the reporting period	(324)	(270)	6	(60)	(54)

Normalised Group performance | Segment performance | **Group IFRS performance** | Risk management | Appendices

Reporting changes

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Segment impact on the Statement of financial position for the reporting period ended 31 December 2022

The impact of IFRS 17 on the segments is as follows:

	Product Solutions Cluster					Everyday Banking					Relationship Banking				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Assets															
Loans and advances	402 351	402 364	—	(13)	(13)	76 523	76 523	—	—	—	136 091	136 091	—	—	—
Loans and advances to customers	400 354	400 354	—	—	—	67 483	67 483	—	—	—	134 778	134 778	—	—	—
Loans and advances to banks	1 997	2 010	—	(13)	(13)	9 040	9 040	—	—	—	1 313	1 313	—	—	—
Investment securities	26 718	26 718	—	—	—	3 901	3 901	—	—	—	6 590	6 590	—	—	—
Other assets	59 758	59 235	471	52	523	309 805	309 590	(16)	231	215	127 093	123 819	(46)	3 320	3 274
Total assets	488 827	488 317	471	39	510	390 229	390 014	(16)	231	215	269 774	266 500	(46)	3 320	3 274
Liabilities															
Deposits	1 863	1 863	—	—	—	289 606	289 606	—	—	—	201 191	201 191	—	—	—
Deposits due to customers	1 863	1 863	—	—	—	289 606	289 606	—	—	—	201 185	201 185	—	—	—
Deposits due to banks	—	—	—	—	—	—	—	—	—	—	6	6	—	—	—
Debt securities in issue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other liabilities	477 547	476 612	756	179	935	94 936	94 699	(46)	283	237	63 949	60 914	(171)	3 206	3 035
Total liabilities	479 410	478 475	756	179	935	384 542	384 305	(46)	283	237	265 140	262 105	(171)	3 206	3 035
Equity	9 417	9 842	(285)	(140)	(425)	5 687	5 709	30	(52)	(22)	4 634	4 395	125	114	239
Total liabilities and equity	488 827	488 317	471	39	510	390 229	390 014	(16)	231	215	269 774	266 500	(46)	3 320	3 274

	ARO RBB					Corporate Investment Banking					Head office, Treasury and other operations				
	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm	Post-restatement Rm	Pre-restatement Rm	IFRS 17 impact Rm	Other restatements Rm	Total impact Rm
Assets															
Loans and advances	72 476	72 476	—	—	—	513 942	513 942	—	—	—	12 016	12 003	—	13	13
Loans and advances to customers	72 117	72 117	—	—	—	431 614	431 614	—	—	—	3 483	3 483	—	—	—
Loans and advances to banks	359	359	—	—	—	82 328	82 328	—	—	—	8 533	8 520	—	13	13
Investment securities	1 518	1 518	—	—	—	47 252	47 252	—	—	—	129 658	129 658	—	—	—
Other assets	57 810	57 096	36	678	714	511 913	513 409	—	(1 496)	(1 496)	(705 612)	(701 282)	129	(4 459)	(4 330)
Total assets	131 804	131 090	36	678	714	1 073 107	1 074 603	—	(1 496)	(1 496)	(563 938)	(559 621)	129	(4 446)	(4 317)
Liabilities															
Deposits	110 714	110 714	—	—	—	499 609	499 609	—	—	—	138 936	138 936	—	—	—
Deposits due to customers	110 439	110 439	—	—	—	407 397	407 397	—	—	—	102 792	102 792	—	—	—
Deposits due to banks	275	275	—	—	—	92 212	92 212	—	—	—	36 144	36 144	—	—	—
Debt securities in issue	88	88	—	—	—	26 669	26 669	—	—	—	178 762	178 762	—	—	—
Other liabilities	20 322	19 887	(142)	577	435	538 705	540 231	—	(1 526)	(1 526)	(1 003 193)	(998 888)	88	(4 393)	(4 305)
Total liabilities	131 124	130 689	(142)	577	435	1 064 983	1 066 509	—	(1 526)	(1 526)	(685 495)	(681 190)	88	(4 393)	(4 305)
Equity	680	401	178	101	279	8 124	8 094	—	30	30	121 557	121 569	41	(53)	(12)
Total liabilities and equity	131 804	131 090	36	678	714	1 073 107	1 074 603	—	(1 496)	(1 496)	(563 938)	(559 621)	129	(4 446)	(4 317)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

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

	December 2022							
	Retained earnings Rm	Insurance Finance Reserve Rm	Other Equity Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – Ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
Balance reported as at 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

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 promulgated on 5 January 2023 and is effective for tax years commencing on or after 1 January 2023.
  In accordance with this legislation, the once off impact of transition will be subject to current tax in a phased-in approach of 6 years and 3 years for long-term and short-term insurers respectively. Therefore, on transition, the Group has recognised a deferred tax 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 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), while 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.

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Summary of accounting policies

For the accounting policies refer to the Group's annual consolidated and separate financial statements for the year ended 31 December 2023.

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.

Insurance and reinsurance contracts

	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						
Reinsurance contract assets	511	461	972	543	482	1 025
Reinsurance contract liabilities	(130)	(122)	(252)	(8)	(37)	(45)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts

Analysis by remaining coverage and incurred claims – contracts not 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 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 income/expense 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
Transfer 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)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Life risk: Insurance contracts (continued)

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

	Group							
	2023				2022			
	Liabilities for remaining coverage	Liabilities for incurred claims			Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm	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)	(199)	(588)	(1)	(788)
Changes in the statement of comprehensive Income								
Insurance revenue	1 038	—	—	1 038	680	—	—	680
Insurance service expenses	—	(667)	(7)	(674)	—	(844)	—	(844)
Incurred claims and other insurance service expenses	—	(575)	(7)	(582)	—	(838)	—	(838)
Adjustments to liabilities for incurred claims	—	(92)	—	(92)	—	(6)	—	(6)
Insurance service result	1 038	(667)	(7)	364	680	(844)	—	(164)
Effects of movements in exchange rates	10	(7)	—	3	1	(7)	—	(6)
Total changes in the statement of comprehensive income	1 048	(674)	(7)	367	681	(851)	—	(170)
Total cash flows	(947)	602	—	(345)	(709)	839	—	130
Premiums received	(947)	—	—	(947)	(709)	—	—	(709)
Claims and other insurance service expenses paid	—	602	—	602	—	839	—	839
Transfers to other items in the statement of financial position	—	—	—	—	—	1	—	1
Closing balance liabilities	(126)	(671)	(8)	(805)	(227)	(599)	(1)	(827)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

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 income	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)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Non-life risk: Insurance contracts (continued)

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

	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 income	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)

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts

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

	Group							
	2023				2022			
	Assets for remaining coverage	Assets for incurred claims			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 claims Rm	Total Rm	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk claims Rm	Total Rm
Opening balance liabilities	111	195	1	307	11	204	—	215
Net opening balance	111	195	1	307	11	204	—	215
Changes in the statement of comprehensive Income								
Allocation of reinsurance premiums	(451)	—	—	(451)	(226)	—	—	(226)
Amounts recoverable from reinsurers	—	218	1	219	—	133	1	134
Recoveries of incurred claims and other insurance services expenses	—	200	—	200	—	124	—	124
Changes to amounts recoverable for incurred claims	—	18	1	19	—	9	1	10
Net expenses from reinsurance contracts	(451)	218	1	(232)	(226)	133	1	(92)
Effect of movements in exchange rates	(7)	(1)	(1)	(9)	(2)	2	—	—
Total changes in the statement of comprehensive income	(458)	217	—	(241)	(228)	135	1	(92)
Total cash flows	292	(190)	—	102	328	(144)	—	184
Premiums received	292	—	—	292	328	—	—	328
Amounts received	—	(190)	—	(190)	—	(144)	—	(144)
Closing balance assets	21	222	1	244	111	195	1	307
Closing balance liabilities	(76)	—	—	(76)	—	—	—	—
Net closing balance	(55)	222	1	168	111	195	1	307

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Non-life risk: Reinsurance contracts

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

	Group					
	2023			2022		
	Assets for remaining coverage	Assets for incurred claims		Assets for remaining coverage	Assets for incurred claims	
	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Total Rm	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Total Rm
Opening balance assets	427	55	482	312	182	494
Opening balance liabilities	(84)	46	(38)	(72)	48	(24)
Net opening balance	343	101	444	240	230	470
Changes in the statement of comprehensive Income						
Allocation of reinsurance premiums	(399)	—	(399)	(124)	—	(124)
Amounts recoverable from reinsurers	—	(64)	(64)	—	94	94
Recoveries of incurred claims and other insurance services expenses	—	(49)	(49)	—	94	94
Changes to amounts recoverable for incurred claims	—	(15)	(15)	—	—	—
Net expenses from reinsurance contracts	(399)	(64)	(463)	(124)	94	(30)
Net finance expenses from reinsurance contracts	—	(1)	(1)	—	—	—
Effect of movements in exchange rates	(17)	(17)	(34)	(4)	—	(4)
Total changes in the statement of comprehensive income	(416)	(82)	(498)	(128)	94	(34)
Total cash flows	216	178	394	231	(223)	8
Premiums received	216	—	216	231	—	231
Amounts received	—	178	178	—	(223)	(223)
Closing balance assets	265	197	462	427	55	482
Closing balance liabilities	(122)	—	(122)	(84)	46	(38)
Net closing balance	143	197	340	343	101	444

Reporting changes

Adoption of IFRS 17 Insurance contracts (continued)

Insurance and reinsurance contracts (continued)

Life risk: Reinsurance contracts

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

	Group							
	2023				2022			
	Remaining coverage				Remaining coverage			
	Excluding loss recovery component Rm	Loss recovery component Rm	Assets for Incurred claims Rm	Total Rm	Excluding loss recovery component Rm	Loss recovery component Rm	Assets for Incurred claims Rm	Total Rm
Opening balance assets	157	29	50	236	124	23	84	231
Opening balance liabilities	(41)	33	—	(8)	(136)	36	—	(100)
Net opening balance	116	62	50	228	(12)	59	84	131
Changes in the statement of comprehensive Income								
Allocation of reinsurance premiums	(313)	—	—	(313)	(154)	—	—	(154)
Amounts recoverable from reinsurers	—	(11)	345	334	—	—	83	83
Recoveries of incurred claims and other service expenses	—	(12)	358	346	—	2	247	249
Changes to amounts recoverable for incurred claims	—	—	(13)	(13)	—	—	(164)	(164)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	1	—	1	—	(2)	—	(2)
Net expenses from reinsurance contracts	(313)	(11)	345	21	(154)	—	83	(71)
Net finance income/expense from reinsurance contracts	(27)	2	—	(25)	98	4	—	102
Effect of movements in exchange rates	(6)	—	13	7	—	(1)	(2)	(3)
Total changes in the statement of comprehensive income	(346)	(9)	358	3	(56)	3	81	28
Total cash flows	328	—	(346)	(18)	184	—	(115)	69
Premiums received	328	—	—	328	184	—	—	184
Amounts received	—	—	(346)	(346)	—	—	(115)	(115)
Closing balance assets	152	53	62	267	157	29	50	236
Closing balance liabilities	(54)	—	—	(54)	(41)	33	—	(8)
Net closing balance	98	53	62	213	116	62	50	228

Risk management

Risk management overview

for the reporting period ended 31 December 2023

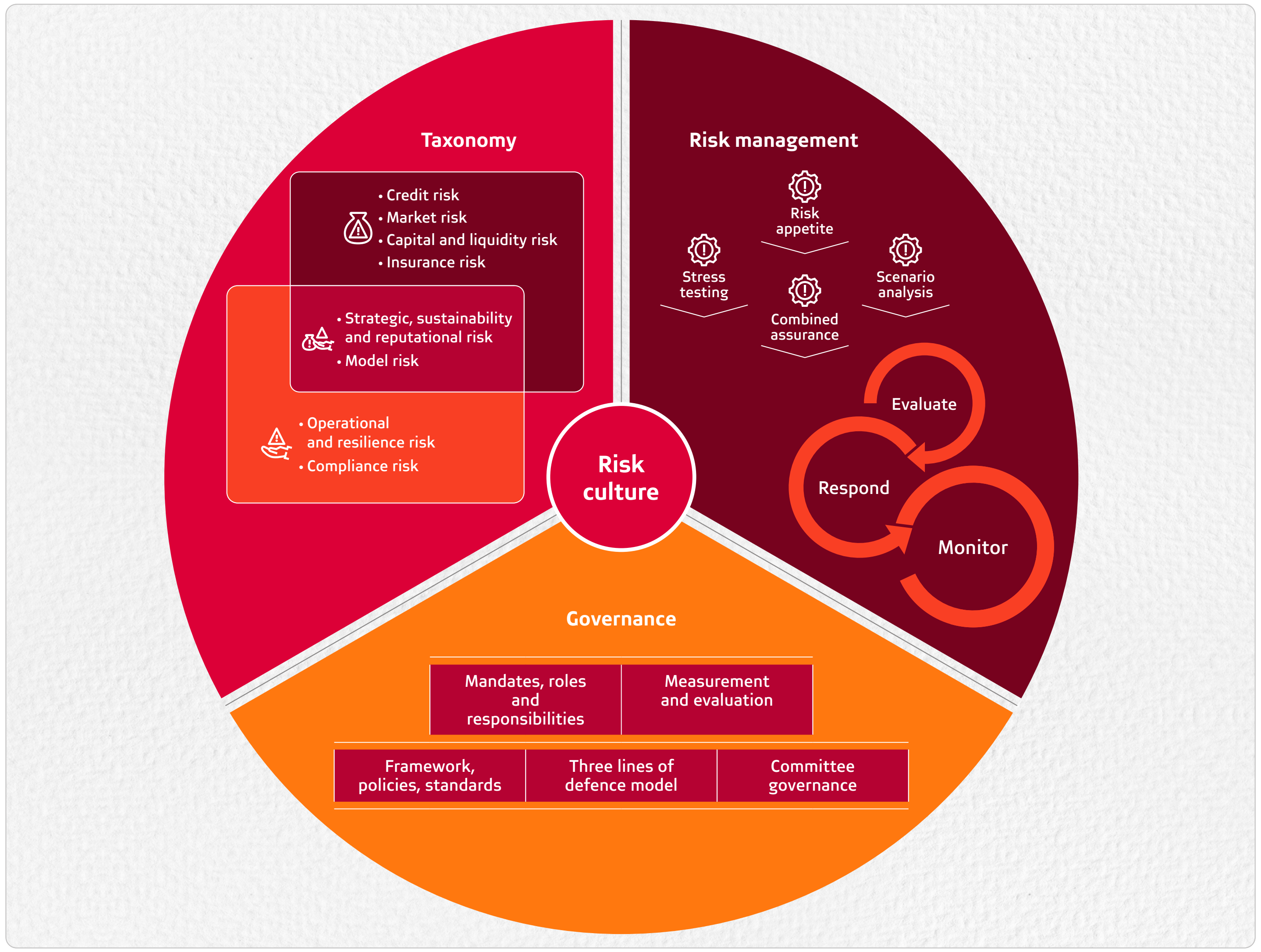
The Enterprise Risk Management Framework

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

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

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

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



Financial risks | Non-financial risks | Financial and non-financial risks | Risk management tools

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

Risks arising from the operating environment

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

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

Current and emerging risks are plotted below[1]:

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

Risk management overview
for the reporting period ended 31 December 2023

Risks arising from the operating environment (continued)

Mitigation · Opportunities

Current and emerging risks

1 Geopolitical instability and conflict

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

Risk trend since 2022

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

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

2 Country/Sovereign risk

Heightened volatility may result in a deteriorating economic environment, impacting strategy through:
- Sustainability of debt pressures (repayments and refinancing).
- Central bank interventions to protect economies may have unintended consequences and negative impacts.
- FX scarcity affects FX expatriation and increases hedging costs.

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

Risk trend since 2022

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

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

3 Consumer stress

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

Risk trend since 2022

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

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

Normalised Group performance | Segment performance | Group IFRS performance | **Risk management** | Appendices

Risk management overview
for the reporting period ended 31 December 2023

Risks arising from the operating environment (continued)

Mitigation · Opportunities

Current and emerging risks

4 Operational resilience pressure

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

Risk trend since 2022

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

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

5 South African fiscus sustainability strain

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

Risk trend since 2022

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

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

6 Strategic, execution and business risks

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

Risk trend since 2022

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

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

Risks arising from the operating environment (continued)

Mitigation   Opportunities

Current and emerging risks

7 Environmental risks

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

Mitigation and opportunities

- Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan.
- Embed processes to encourage customers to adopt business strategies and practices that align with the sustainability policy.
- Embed existing financing standards.
- Continuously enhance credit and insurance risk data, models and scenario analyses to assess the impact of climate change risk.
- Continue to engage with civil societies, shareholder activists and development finance institutions.
- Define and implement a greenwashing policy.

Risk trend since 2022

Links to principal risk

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

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

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

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

Mitigation and opportunities

- Maintain a forward-looking approach to evaluate, respond to and monitor change.
- Engage with regulators and other stakeholders on regulatory developments.
- Build a robust control environment of compliance.
- Develop systems with the agility to accommodate change.
- Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Risk trend since 2022

Links to principal risk

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

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Risk management overview
for the reporting period ended 31 December 2023

Key performance metrics

Metric	2023	2022
Common equity tier 1 (CET 1) ratio[1]	12.5%	2022: 12.8%
Economic capital (EC) coverage	1.5%	2022: 1.6%
Leverage ratio[1]	7.7%	2022: 7.8%
Liquidity coverage ratio (LCR)[2]	124.0%	2022: 124.6%
Net stable funding ratio (NSFR)	118.1%	2022: 113.4%
Credit loss ratio (CLR)	1.18%	2022: 0.96%
Stage 3 ratio on gross loans and advances	6.1%	2022: 5.3%
Stage 1 and stage 2 coverage ratio	1.2%	2022: 1.3%
Stage 3 coverage ratio	45.0%	2022: 46.1%
Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates (Rm)	R1 200m	2022: R1 099m
Operational risk losses	R524m	2022: (R18m)

Review of current reporting period

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

Priorities

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

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

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

Risk management overview

for the reporting period ended 31 December 2023

Credit risk

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.

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

Review of current reporting period

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

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

Risk management overview

for the reporting period ended 31 December 2023

Credit risk (continued)

Priorities

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

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.

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

Review of current reporting period

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

Priorities

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

Risk management overview

for the reporting period ended 31 December 2023

Market risk (continued)

Banking book risk

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

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

Review of current reporting period

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

Priorities

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

Risk management overview

for the reporting period ended 31 December 2023

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.

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

Review of current reporting period

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

Priorities

- Generate sustainable value for shareholders while maintaining sufficient capital supply for growth.
- Maintain capital ratios within the Board-approved risk appetite and above minimum levels of regulatory capital, while retaining a sustainable dividend pay-out ratio.
- Monitor and evaluate upcoming regulatory developments that may affect the capital position, including Basel III finalisation, along with FRTB; the proposed amendments to the regulations relating to banks expected to be implemented in 2025; the Resolution Framework in 2024; the capital standard under the Financial Conglomerate Supervisory Framework in South Africa; and the proposed implementation of the positive cycle-neutral counter cyclical buffer expected to be phased in from 2025.
- Prioritise the issuance of first loss after capital instruments following the promulgation of the Financial Sector Laws Amendment Bill and imminent finalisation of the first loss after capital (Flac) standard.
- Appropriately deploy capital and repatriate subsidiaries' dividends.
- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in domestic and/or international markets to optimise the level and composition of capital resources.

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

Risk management overview

for the reporting period ended 31 December 2023

Capital and liquidity risk (continued)

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.

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

Review of current reporting period

- Liquidity risk position:
  - The Group's liquidity risk position remained healthy and key liquidity metrics were within risk appetite and above the minimum regulatory requirements.
  - The Group maintained a high-quality liquid asset (HQLA) buffer in excess of the minimum regulatory requirements, based on stress testing performed.
  - Asset growth continued, supported by core deposit growth which remained a key focus area, to maintain the strong liquidity position.
  - The Group's foreign currency liquidity position remained robust, with adequate diversified United States dollar (USD) funding available to support the USD asset base and planned asset growth.
  - All banking subsidiaries remained self-sufficient in terms of local currency liquidity, with limited reliance on USD working capital support from the Group.
- Short-term balance sheet structure and liquidity buffers:
  - The Group's sources of liquidity amounted to 27.4% (December 2022: 26.3%) of deposits from customers. The Group continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at R256.5bn (December 2022: R240.9bn).
  - Loan growth was funded by growth in customer deposits and supported by raising wholesale funding, of appropriate tenor, ensuring a sustainable and diverse funding base.
  - The overall reliance on wholesale funding was managed appropriately to support asset growth and to further strengthen the net stable funding ratio (NSFR) over the five-year phase-out period of the national discretion, which came into effect from 1 June 2023.
  - The Group consistently maintained an LCR buffer above 100% and used its Internal Liquidity Stress Metric Framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
- Long-term balance sheet structure:
  - The Group continued to strengthen and diversify its funding sources to maintain a sustainable funding structure.
  - The demand from investors for Absa bond issuances was robust, leading to successfully raising R14.9bn in Senior debt, R2.2bn Green Tier 2 and R2bn additional tier 1 (AT1) capital within the local South African market. The Tier 2 issuance was issued under the Absa Banks' Sustainable Finance Issuance Framework and the funds are allocated towards wind and solar renewable projects. In addition, Absa Bank entered into a 5-year R4.5bn green loan agreement with the International Finance Corporation. The proceeds of which are to be used to support the expansion of Absa's green commercial property finance and green affordable home loans portfolios. USD term funding in 2023 included a 3-year $200m working capital facility with China Development Bank.
  - The cost of wholesale funding in domestic markets remained at lower levels in 2023, following the full phase in of the Monetary Policy Implementation Framework, which introduced additional liquidity into the market and resulted in a reduction in liquidity premiums.
- Diversification:
  - The Group had a well-diversified deposit base and concentration risk was managed within internal and regulatory guidelines.
  - The Group managed funding sources to maintain a wide diversity of depositors, products, tenors and currencies.

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

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

Risk management overview

for the reporting period ended 31 December 2023

Capital and liquidity risk (continued)

Priorities

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

Insurance risk

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

Key risk metrics[1]	2023	2022
Profit before tax (Rm)	1 822	2 350
Capital adequacy cover (regulatory basis) (times)	1.36[2]	1.26
Insurance risk EC (Rbn)	6.3	5.7

Review of current reporting period

- Profit before tax earnings were favourable, particularly for life insurance entities, while non-life entities continued to observe strain as a result of severe weather events. Profitability normalised compared to December 2022, which reflected the additional inflow of profit on sale of R758m upon the conclusion of the sale of the main components of the investment cluster to Sanlam Limited.
- Absa Financial Services (AFS) and the solo licensed insurance entities remained adequately capitalised. Absa Life capital adequacy cover at 31 December 2023 is 1.42 and Absa Insurance Company capital adequacy cover at 31 December 2023 is 1.61. The AFS solvency position was calculated using the deduction and aggregation method, incorporating the solvency positions of the underlying entities that comprise the group. This included insurance operations in South Africa and ARO, along with non-banking financial services. It remained resilient due to adequate capital buffers.
- International Financial Reporting Standard (IFRS) 17 came into effect on 1 January 2023 and has been implemented. Key business processes were adapted to the new requirements.
- The impact of climate change on the business and operating environment continued to be investigated and modelled, with an improved understanding of the likely impact on our clients and our operations.
- Continued monitoring of the exposure to sovereign investments across the continent has supported the active management of undue concentrations.
- Developed enhanced capital allocation and forecasting methodologies for increased precision and accuracy.

Priorities

- Finalise implementation of the new non-life policyholder administration system.
- Climate change initiatives will continue to assess and respond to the risk of continued adverse weather conditions comprehensively as part of broader ESG activities.
- Ongoing efforts to optimise capital efficiencies through accurate measurement and allocation of capital.
- Continue improvements to the Own Risk Self-Assessment (ORSA) process in line with market best practices and independent review findings.
- Analyse and interpret complex data and trends, offer insights into emerging risks, and suggest adaptive approaches to mitigate or capitalise on them.
- Ongoing refinement of leading indicators, financial interpretability and operational processes, in line with an improved understanding of the consequences of IFRS 17, and the general market interpretation of the standard.
- Continue to refine risk appetite setting to align with best practice.
- Implement enhanced capital allocation and forecasting methodologies.
- Identify and drive the integration of advanced technologies like machine learning, AI, and big data analytics into actuarial processes, which enhances efficiency and accuracy in risk assessment.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group controlling company.

[2] Draft capital position considering foreseeable dividends.

Risk management overview
for the reporting period ended 31 December 2023

Strategic, sustainability and reputational risk

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

Strategic risk

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

Key risk metrics	2023	2022
Strategic risk EC (Rbn)	7.8	7.0

Review of current reporting period

- Investment was made to strengthen the strategic risk management capabilities during the reporting period. This included a revised policy and enhanced strategic risk assessment process, linked to scenario analysis and stress testing activities. This was used to inform the annual integrated planning process.
- The evolving strategic risk landscape remained the primary concern. During the reporting period, shifts in the South African consumer stress levels and sovereign risk across Africa impacted the ability to deliver against forecasts and budgets.
- The increase in strategic risk EC reflected increases in the Group's interest income as a result of the interest rate cycle and inflation volatility, coupled with the increased cost of interbank liabilities. The combination of these factors affected the Group's projected earnings and increased variability in outer years.

Priorities

- Continue to mature and embed strategic risk capabilities.
- Implement the strategic risk economic capital model which has been redeveloped to ensure alignment with the risk definition, improve the quality and relevance of the output and address shortcomings of the previous model.
- Improve monitoring of the strategic execution against the Group's medium-term plans by actively assessing the strategic risk landscape.
- Expand the use of scenario analysis to encourage proactive risk management practices, and management of strategic risks.

Sustainability risk

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

Review of current reporting period

- Continued development and monitoring of key sustainability risk metrics for climate risk.
- Planned and began execution on key workstreams, established in line with key risk types impacted by climate change, as part of the climate risk programme created to address the requirement of the BCBS's principles for the effective management and supervision of climate-related financial risks.
- Completed climate change physical and transition risk assessment for manufacturing and construction sectors.
- Developed the process for the calculation of emissions for the two additional priority sectors, transport and logistics, and fossil fuels.
- Improved efficiency in the monitoring and reporting for environment and social risk assessments on the Group's digital platform.
- Completed a pilot on the agriculture sector's nature and biodiversity risk.
- Supported the setting of the Group decarbonisation targets for the fossil fuels sectors.

Priorities

- Continue with baselining emissions for other key sectors that are affected by climate change.
- Deliver the objectives of the climate risk programme activities and align with regulatory developments in our operating markets.
- Improve the control environment for ESG and climate risk management.
- Develop additional metrics to measure and monitor our sustainability risk appetite.
- Define and embed a greenwashing policy.

Normalised Group performance | Segment performance | Group IFRS performance | Risk management | Appendices

Risk management overview
for the reporting period ended 31 December 2023

Strategic, sustainability and reputational risk (continued)

Reputational risk

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

Review of current reporting period

- Prompt and appropriate responses to the media and other stakeholders on matters pertaining to Absa Group Limited, or potentially impacting the Group's brand and profile, for example on transformation, diversity and inclusion, and ESG.
- Deliberate and tangible demonstration of Absa's purpose and contribution to society through the various Active Force for Good and sponsorship initiatives.

Priorities

- Further strengthen our reputational risk efforts through:
  - Proactive risk management efforts on chosen narratives externally including but not limited to the Group's 'Active Force for Good' agenda and purpose.
  - Continue to provide prompt and appropriate responses to the media and other stakeholders on matters pertaining to the Group, or potentially impacting the Group's brand and profile.
  - Entrench our new brand strategy and redefine our relevance to colleagues and customers to improve the overall impression of the Group.
  - Consider sustainability and long-term impacts by integrating these into our reputation risk management strategies and practices.

Model risk

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

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

Review of current reporting period

- Ongoing improvement in the accuracy and robustness of models.
- Enhancement to the model risk control environment through:
  - Releasing the second-generation versions of the model risk appetite statement and the model risk EC methodology.
  - Enhancement of the model performance tests used in model monitoring and independent model validation.
  - Automation of the model performance monitoring on the South Africa and ARO retail portfolio for regulatory credit capital, credit impairment and behavioural scorecard models.
  - Enhancement of the model risk management workflow system.

Priorities

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

Risk management overview

for the reporting period ended 31 December 2023

Operational and resilience risk

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

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

Review of current reporting period

- The Group maintained its operational resilience, delivering substantially uninterrupted services to its customers, against the backdrop of a number of interconnected and dynamic risk drivers. This included energy constraints, macroeconomic volatility, organised crime, the cost-of-living crisis and the effects of climate change.
- The Group's operational resilience was the result of the continuous adaptation, enhancement and optimisation of controls in response to risks experienced. Key areas of focus included:
  - Business continuity protocols considering the impact of loadshedding and blackout planning in South Africa.
  - Information security and cyber controls, within the Group and its third parties, considering the increasing sophistication of threats.
  - Fraud prevention and detection capabilities in response to the increasing level of fraud attempts, while minimising disruption to authentic customers and transactions.
- Advanced the implementation of the new standardised approach requirements per the Basel III finalisation.
- Operational risk losses for the period returned to normalised levels mainly as a result of reduced insurance recoveries.
- RWA increased to **R177.1bn** (31 December 2022: R159.1bn) due to the growth in revenue and changes in the foreign exchange rates of the ARO countries.
- EC increased to **R11.7bn** (31 December 2022: R11.4bn) reflective of the combined effect of an improved risk profile and growth in revenue.

Priorities

- Maintain a satisfactory and robust control environment that continues to deliver operational resilience through:
  - Ongoing refinement of business continuity responses and scenario planning.
  - Ongoing enhancement and optimisation of fraud, information security and cyber controls.
  - Ensuring the continuity of services from third parties.
  - Improving the understanding of interdependencies between processes.
- Automate the testing and monitoring of key controls to enable combined assurance in a seamless fashion.
- Progress the implementation of the new standardised approach per the Basel III finalisation, which is expected to come into effect on 1 July 2025.
- Climate change initiatives will continue to assess and respond to the risk of continued adverse weather conditions comprehensively as part of broader ESG activities.

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

Risk management overview

for the reporting period ended 31 December 2023

Compliance risk

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

Conduct risk

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

Review of current reporting period

- Maintained the fair treatment of customers during the ongoing digitisation of customer processes and propositions with a specific focus on vulnerable customers.
- Ensured competitive and affordable access to financial services especially for entry level banking customers.
- Conducted the biennial Group Ethics Risk Assessment to evaluate and manage ethics risk in the organisation. The outcomes informed priorities and focus areas for 2024.
- Progressed training and awareness on the protection of customer data and the responsible use of customer and employee data, particularly data held by suppliers and third parties against leakage.
- Strengthening the customer complaints management and strengthening the customer complaints management capability, resulting in a notable improvement in the customer experience index.

Priorities

- Continue on the fair treatment of customers especially distressed and vulnerable customers affected by interest rate hikes.
- Continuously instil corporate values that promote ethical conduct and compliance.
- Integrate sustainability risks into conduct and compliance frameworks, policies and processes.
- Strengthen our data management processes to ensure customer privacy, security and regulatory compliance.
- Maintain ongoing training and awareness on the protection of customer data and fraud for employees and customers.
- Enable a more predictive and proactive approach to identifying and managing conduct risk through increased use of data and data science models.

Risk management overview
for the reporting period ended 31 December 2023

Compliance risk (continued)

Financial crime risk

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

Review of current reporting period

- Continued interaction with the Financial Action Task Force (FATF) private sector forums and offering comments and suggestions with a view of offering insights on setting FATF standards.
- Enhanced the risk management capability by optimising and digitising risk identification and assessment processes and systems and expanding the deployment of artificial intelligence (AI) capabilities and predictive models.
- Hosted, in partnership with the Royal United Services Institute (RUSI), a Terrorist Financing/Proliferation Financing (TF/PF) dialogue with the South African banking sector.
- Continued to leverage relationships with regulators and industry partners which has led to an advancement of our typology-based detection and monitoring and risk and threat identification and assessment.
- Maintained Absa's Anti-bribery management programme ISO 37001 certification and accreditation.

Priorities

- Leverage relationships with regulators, industry partners and organisations to further enhance the effectiveness of risk management.
- Influence and drive thought leadership and public-private partnership to advance threat detection and awareness of emerging financial crime threats across Pan-African and globally.
- Continue to play a prominent role in advocating and lobbying changes in legislation and participate in industry initiatives to strengthen the collective effectiveness in fighting financial crime.
- Drive further convergence across economic crime (including money laundering, fraud, cyber and data privacy).
- Expand data capabilities and assets to strengthen proactive data driven risk management decisioning, risk assessments and monitoring.
- Expand deployment of artificial intelligence (AI) capabilities and predictive models to improve analytical detection and drive proactive risk management.

Capital management and RWA

for the reporting period ended 31 December 2023

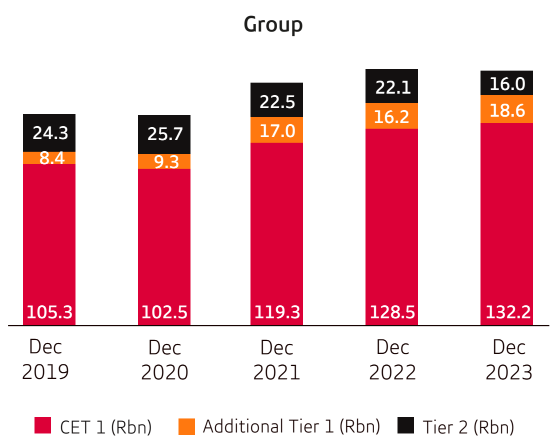
Capital adequacy

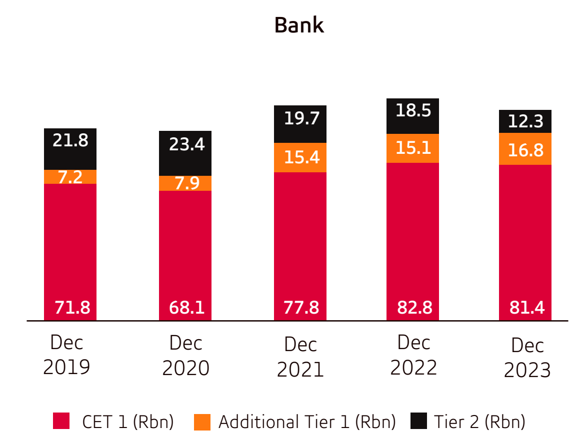
The Group's capital management strategy, which supports and aligns with its business strategy, is to build capital resilience while supporting targeted balance sheet growth and capital demand.

Capital adequacy

	Board target ranges[1]	Minimum RC requirements[2]	Group performance		Bank performance	
	%	%	2023	2022	2023	2022
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.0 – 12.5		12.5	12.8	11.9	12.5
Tier 1	>12.0		14.2	14.4	14.4	14.8
Total capital adequacy requirement (CAR)	>14.5		15.8	16.6	16.2	17.6
Leverage	5.5 – 7.5		7.7	7.8	6.1	6.3
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		8.5	12.1	12.0[3]	11.6	12.0
Tier 1		10.3	13.8	13.6	14.0	14.2
Total CAR		12.5	15.4	15.8	15.8	17.0
Leverage		4.0	7.6	7.4	5.9	6.1

Qualifying capital (including unappropriated profits)





Group[4] 2019	2020	2021	2022	2023		Bank[4] 2019	2020	2021	2022	2023
12.1	11.2	12.8	12.8	12.5	CET 1 ratio (%)	11.9	10.6	12.4	12.5	11.9
15.8	15.0	17.0	16.6	15.8	Total CAR (%)	16.7	15.6	17.9	17.6	16.2

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

Capital management and RWA
for the reporting period ended 31 December 2023

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

Group	2023 RWA Rm	2022 RWA[1] Rm	2023 Minimum capital requirement[2] Rm
Credit risk[3]	810 072	774 988	101 260
Market risk	45 216	38 882	5 652
Operational risk[4]	177 054	159 138	22 132
Threshold items	26 138	34 379	3 267
Total	1 058 480	1 007 387	132 311

Absa Bank[5]	2023 RWA Rm	2022 RWA[1] Rm	2023 Minimum capital requirement[2] Rm
Credit risk[3]	520 782	513 337	65 099
Market risk	36 669	28 250	4 584
Operational risk[4]	111 781	105 388	13 973
Threshold items	13 463	15 118	1 683
Total	682 695	662 093	85 339

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

Capital management and RWA
for the reporting period ended 31 December 2023

Capital supply
Breakdown of qualifying capital

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

Absa Bank[3]	2023 Rm	2023 %[2]	2022[1] Rm	2022[1] %[2]
CET 1	79 020	11.6	79 249	12.0
Additional Tier 1 capital	16 778	2.5	15 085	2.3
Tier 1 capital	95 798	14.0	94 334	14.2
Tier 2 capital	12 294	1.8	18 501	2.8
Total qualifying capital (excluding unappropriated profits)	108 092	15.8	112 835	17.0
Qualifying capital (including unappropriated profits)				
CET 1 including unappropriated profits	81 414	11.9	82 795	12.5
CET 1	79 020	11.6	79 249	12.0
Unappropriated profits[3]	2 394	0.4	3 546	0.5
Additional Tier 1 capital	16 778	2.5	15 085	2.3
Tier 1 capital	98 192	14.4	97 880	14.8
Tier 2 capital	12 294	1.8	18 501	2.8
Total qualifying capital (including unappropriated profits)	110 486	16.2	116 381	17.6

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

Capital management and RWA

for the reporting period ended 31 December 2023

Economic capital

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

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

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

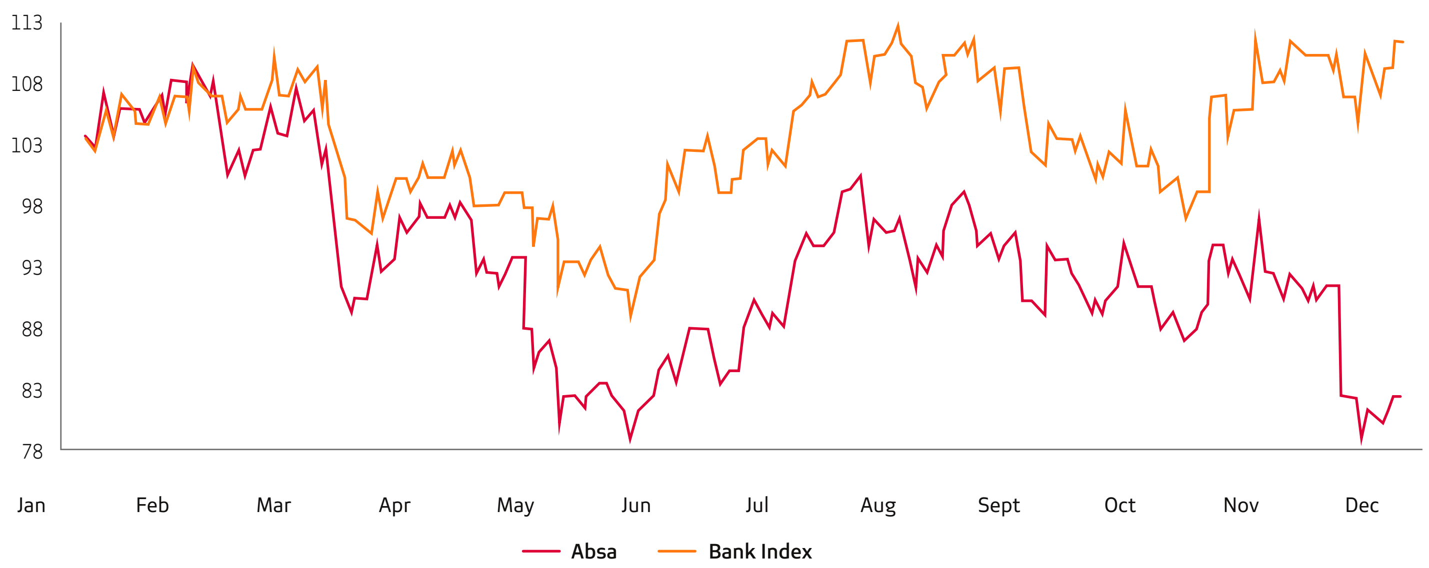
[1] Credit risk includes equity risk, CCR, CVA and securitisation.
[2] Operational and resilience risk includes operational risk and physical asset risk which includes property and equipment.

Appendices

Share performance

for the reporting period ended 31 December

Share performance (cents)

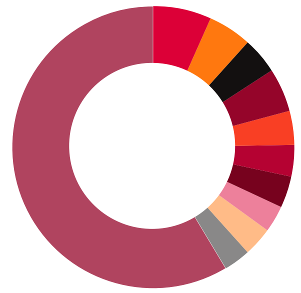


Share performance on the JSE	2023	2022	Change %
Number of shares in issue, which includes 2023: 49 342 098 (2022: 4 344 343) treasury shares	894 376 907	847 750 679	5
Market prices (cents per share):			
closing	16 371	19 390	(16)
high	20 574	15 205	35
low	15 318	20 908	(27)
average	17 765	17 796	(0)
Closing price/Normalised NAV per share (excluding preference shares) (times)	0.97	1.25	(22)
Normalised price-to-earnings ratio (closing price/HEPS) (%)	6.63	7.80	(15)
Volumes of shares traded (million)	775	1 027	(25)
Value of shares traded (million)	136 030	181 805	(25)
Market capitalisation (Rm)	146 418	164 379	(11)
Annual total return (%)	(9.0)	34.0	<(100)

Shareholder information and diary

Major ordinary shareholders (%)

2023	2022	
7.00	(1.89)	Newshelf 1405 Limited (SA)
5.14	(4.89)	Public Investment Corporation (SA)
4.57	(4.40)	BlackRock Incorporated (US, UK, JP, AU, CA)
5.06	(5.02)	M&G (SA, UK)
3.91	(5.25)	Ninety One (SA



2023	2022	
3.83	(4.01)	Citygroup Global Markets (SA)
3.73	(3.90)	The Vanguard Group (US, AU)
3.35	(3.16)	Investec Securities (SA)
3.27	(3.14)	Sanlam Investment Management (SA)
3.26	(5.18)	Old Mutual (SA, NA)
56.88	(59.16)	Other countries

Major shareholding split by geography (%)

2023	2022	
7.39	(6.77)	United Kingdom
64.17	(62.91)	South Africa
17.26	(15.68)	United States and Canada
11.18	(14.64)	Other countries

Shareholder diary

Financial year-end	31 December 2023
Annual general meeting	31 May 2024

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Final	11 March 2024	16 April 2024	17 April 2024	19 April 2024	22 April 2024

Glossary

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

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

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

Balance sheet
The term 'Balance sheet' is used in the same context as the 'Statement of financial position'.

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

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

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

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

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

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

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

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

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

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

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

Capital – Common Equity Tier 1
Common Equity Tier 1 capital consists of the sum of the following elements:
- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries of Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET 1; and
- Regulatory adjustments applied in the calculation of CET 1.

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

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

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

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

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

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

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

Constant currency
The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Africa regions market segment disclosed on pages 72 and 73 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

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

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

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

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

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

Cost-to-income ratio
'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income.

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

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

Glossary

Debt securities in issue
Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

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

Distribution force
Number of active advisers.

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

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

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

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

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

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

Embedded value
The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business.

Covered business is taken to be all long-term insurance business written under the Group's licence.

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

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

Expected Credit Loss (ECL) coverage ratio
ECL allowance as a proportion of gross loans and advances to customers and banks.

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Leverage
Average assets as a proportion of average equity.

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

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

Long-term funding ratio
Funding with a term in excess of six months.

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

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

Glossary

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

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

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

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

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

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

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

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

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

Pre-provision profit
Total income less operating expenses.

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

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

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

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

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

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

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

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:
- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

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

Glossary

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

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

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

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

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

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

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

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

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

Abbreviations and acronyms

A	
AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine
ARO	Absa Regional Operations
B	
Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit
C	
CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET 1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment
D	
DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk
E	
EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management framework
EVE	economic value of equity
EWIs	early warning indicators
F	
FRTB	Fundamental Review of the Trading Book
FX	Forex
G	
GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk
H	
HQLA	high-quality liquid assets
HR	high risk
I	
IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

J	
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange
K	
KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios
M	
MC	Group Model Committee
MR	market risk
N	
NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio
O	
OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter
R	
RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk
S	
SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk
T	
TLAC	Total loss absorbing capacity
TRC	Trading Risk Committee
TSA	The standard approach
TTC	through-the-cycle
V	
VAF	Vehicle and Asset Finance
VaR	value at risk
W	
WIMI	Wealth, Investment Management and Insurance
WL	watch list

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